OFFICIAL STATEMENT
Dated August 2, 2023

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 Escamilla & Poneck, LLP, 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, including the alternative minimum tax on certain corporations.

$289,165,000
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 2023A (NO RESERVE FUND)

Dated Date: August 1, 2023 **Due: May 15, as shown on page ii herein**
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 $289,165,000 Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund) (the "Bonds") pursuant to the Constitution and the general laws of the State of Texas (the "State" or "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 April 6, 2023. 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 August 2, 2023.

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 set forth 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 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, 2023, 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 (as defined and described herein), a junior lien on and pledge of the Net Revenues (as defined herein) of the City's combined water and wastewater system (the "System"), 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 defined and 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). In the Ordinance, the City authorized the SAWS Board of Trustees (the "Board") to manage, operate, and maintain the System.

CUSIP PREFIX: 79642G
MATURITY SCHEDULE & 9 DIGIT CUSIP
SEE SCHEDULE ON PAGE ii HEREIN

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 Escamilla & Poneck, LLP, 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, Cantu Harden Montoya LLP, San Antonio, Texas.

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through the services of DTC on or about August 17, 2023 (the "Date of Delivery").

BARCLAYS **SIEBERT WILLIAMS SHANK & CO., LLC**
FROST BANK **LOOP CAPITAL MARKETS**
STIFEL

MATURITY SCHEDULE **CUSIP No.[1] Prefix: 79642G**

$289,165,000
City of San Antonio, Texas
Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund)

$175,330,000 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
2024	8,790,000	5.000	3.350	PR7	2035	6,470,000	5.000	3.150*	QB1
2025	9,240,000	5.000	3.220	PS5	2036	6,800,000	5.000	3.280*	QC9
2026	9,710,000	5.000	3.080	PT3	2037	7,150,000	5.000	3.390*	QD7
2027	10,210,000	5.000	2.980	PU0	2038	7,515,000	5.000	3.480*	QE5
2028	10,730,000	5.000	3.020	PV8	2039	7,900,000	5.000	3.560*	QF2
2029	11,285,000	5.000	2.990	PW6	2040	8,305,000	5.000	3.670*	QG0
2030	9,865,000	5.000	2.940	PX4	2041	8,730,000	5.000	3.750*	QH8
2031	5,565,000	5.000	2.960	PY2	2042	9,180,000	5.000	3.830*	QJ4
2032	5,855,000	5.000	2.980	PZ9	2043	9,650,000	5.000	3.870*	QK1
2033	6,155,000	5.000	3.030	QA3	****	****	****	****	****
****	****	****	****	****	2053	16,225,000	4.375	4.375	QN5

$113,835,000 Term Bonds

$56,575,000 5.250% Term Bond due May 15, 2048, Priced at 109.660 to Yield 4.040*, CUSIP No.[1] Suffix QL9
$57,260,000 5.250% Term Bond due May 15, 2052, Priced at 109.155 to Yield 4.100*, CUSIP No.[1] Suffix QM7

(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, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on May 15, 2033, 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, 2048 and May 15, 2052 also known as "Term Bonds", are also subject to mandatory sinking fund redemption. See "THE BONDS – Redemption – Mandatory Sinking Fund Redemption" herein.

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* Yield calculated based on the assumption the Bonds denoted and sold at a premium will be redeemed on May 15, 2033, 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 FactSet Research Systems Inc. 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, SAWS, 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 or the Underwriters. 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 RESPECTIVE 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.

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

NONE OF THE CITY, SAWS, 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, SAWS, 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	10 Years, 2 Months	May 31, 2025	Broadcast General Manager
Dr. Sukh Kaur, District 1	2 Months	May 31, 2025	Education Consultant
Jalen McKee-Rodriguez, District 2	2 Years, 2 Months	May 31, 2025	Teacher
Phyllis Viagran, District 3	2 Years, 2 Months	May 31, 2025	Training Specialist
Adriana Rocha Garcia, District 4	4 Years, 2 Months	May 31, 2025	Assistant Professor
Teri Castillo, District 5	2 Years, 2 Months	May 31, 2025	Housing Organizer
Melissa Cabello Havrda, District 6	4 Years, 2 Months	May 31, 2025	Attorney at Law
Marina Alderete Gavito, District 7	2 Months	May 31, 2025	Technology Strategic Advisor
Manny Peláez, District 8	6 Years, 2 Months	May 31, 2025	Attorney at Law
John Courage, District 9	6 Years, 2 Months	May 31, 2025	Teacher
Marc Whyte, District 10	2 Months	May 31, 2025	Attorney at Law

APPOINTED OFFICIALS – SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES

Board	Length of Service	Term Expires	Occupation
Jelynne LeBlanc Jamison Chairwoman	3 Years, 1 Month	May 31, 2026	President and CEO The Center for Health Care Services
David McGee Vice Chair	8 Years, 11 Months	May 31, 2025	President/CEO of San Antonio Region Amegy Bank of Texas
Eduardo Parra Secretary	5 Years, 7 Months	May 31, 2025	CEO – Principal Engineer Parra & Co., LLC.
Amy Hardberger Assistant Secretary	5 Years, 7 Months	May 31, 2025	McCleskey Professor of Law and Director of the Texas Tech Center for Water Law and Policy Texas Tech School of Law
Ed Belmares Trustee	2 Years, 11 Months	May 31, 2024	Owner IConnect, LLC
Marilu Reyna Trustee	1 Year, 10 Months	May 31, 2026	Communications Executive BCFS
Ron Nirenberg, Mayor and Ex-Officio Member	6 Years, 2 Months	May 31, 2025	Broadcast General Manager

SELECTED ADMINISTRATIVE STAFF – SAN ANTONIO WATER SYSTEM

Name	Position	Length of Service with System	Total Government Service
Robert R. Puente	President/Chief Executive Officer	15 Years, 5 Months	32 Years, 7 Months
Douglas P. Evanson	Executive Vice President/Chief Financial Officer	18 Years, 5 Months	18 Years, 5 Months
Nancy Belinsky	Executive Vice President/Chief Legal & Ethics Officer	20 Years, 4 Months	20 Years, 4 Months
Sharon De La Garza	Senior Vice President – Human Resources & Risk Management	11 Years, 4 Months	27 Years, 4 Months
Donovan Burton	Senior Vice President – Water Resources & Governmental Relations	16 Years, 9 Months	31 Years, 1 Month
Gavino Ramos	Senior Vice President – Communications & External Affairs	8 Years, 6 Months	8 Years, 4 Months
Jaime Castillo	Senior Vice President of Operations Support & Innovation/Chief of Staff	5 Years, 11 Months	13 Years, 7 Months
Mary Bailey[1]	Senior Vice President – Customer Experience & Strategic Initiatives	16 Years, 10 Months	16 Years, 10 Months
Jeff Haby	Senior Vice President – Production & Treatment	26 Years, 1 Month	26 Years, 1 Month
Andrea Beymer	Senior Vice President – Engineering & Construction	25 Years, 5 Months	25 Years, 5 Months

(1) Ms. Bailey announced her plans to retire at the end of calendar year 2023. SAWS is currently evaluating its options to determine her replacement.

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
Escamilla & Poneck, LLP
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:

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Executive Vice President/Chief Financial Officer
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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	City Manager	29 Years, 2 Months	4 Years, 5 Months
María Villagómez	Deputy City Manager	25 Years, 10 Months	4 Years, 5 Months
Lori Houston	Assistant City Manager	21 Years, 2 Months	8 years, 1 Month
Roderick Sanchez	Assistant City Manager	30 Years, 7 Months	6 Years, 6 Months
David McCary	Assistant City Manager	15 Years, 11 Months	3 Years, 6 Months
Jeff Coyle	Assistant City Manager	10 Years, 6 Months	2 Years, 5 Months
Alejandra Lopez	Assistant City Manager	6 Years, 1 Month	2 Years, 5 Months
Andrew Segovia	City Attorney	7 Years	7 Years
Debbie Racca-Sittre	City Clerk	21 Years, 8 Months	1 Year, 11 Months
Ben Gorzell, Jr.	Chief Financial Officer	32 Years, 9 Months	13 Years
Troy Elliott	Deputy Chief Financial Officer	27 Years	7 Years, 1 Month
Justina Tate	Director of Management and Budget	13 Years, 6 Months	1 Year, 8 Months

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OFFICIAL STATEMENT

RELATING TO

$289,165,000
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 2023A (NO RESERVE FUND)

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $289,165,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (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 U.S. Census Bureau ranks the City as the second largest city in Texas and the seventh largest city in the United States. The 2020 Census population for the City was 1,434,625 and for Bexar County (the "County") was 2,009,324. The City's Information Technology Services Department estimated the City's population to be 1,466,837 in 2023. The City covers approximately 518 square miles within the 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") under the various City ordinances authorizing the issuance of SAWS' debt obligations, including the Ordinance.

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 the Refunded Obligations for debt service savings, and (iii) paying the costs of issuing 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 Agreement, dated as of April 6, 2023 (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), 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.

Robert Thomas CPA LLC, Overland Park, Kansas, a nationally recognized accounting firm (the "Accountants"), will verify at the time of initial delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. (See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.)

By the deposit of a portion of the Bond proceeds with the Escrow Agent pursuant to the Escrow Agreement, and the investment of a portion thereof in the Federal Securities, 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 report of the Accountants (the "Verification Report"), 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 for the 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 August 1, 2023 and mature on May 15 in each of the years and in the amounts shown on page ii 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, 2023. 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 (defined below) 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, 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 April 6, 2023. 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 August 2, 2023.

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 (as defined in the Ordinance) hereafter issued by the City 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 (as each such term is defined in the Ordinance) hereafter issued by the City, 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]	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)
Total	$101,835,000	

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

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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 as of the date of delivery 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
August 1, 2012	$13,150,000	Water System Junior Lien Revenue Bonds, Series 2012
April 1, 2013	25,980,000	Water System Junior Lien Revenue Bonds, Series 2013A
October 1, 2013	14,135,000	Water System Junior Lien Revenue Bonds, Series 2013C
October 1, 2013	44,360,000	Water System Junior Lien Revenue Bonds, Series 2013D
October 1, 2013	98,420,000	Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund)
April 1, 2014	47,120,000	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, 2014B Bonds (No Reserve Fund)
May 15, 2014	28,565,000	Water System Junior Lien Revenue Bonds, Series 2014C
May 15, 2014	12,885,000	Water System Junior Lien Revenue Bonds, Series 2014D
January 1, 2015	58,380,000	Water System Junior Lien Revenue Bonds, Series 2015A
February 1, 2015	271,995,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund)
January 1, 2016	121,870,000	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	286,565,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund)
December 1, 2016	10,020,000	Water System Junior Lien Revenue Bonds, Series 2016D
December 1, 2016	11,525,000	Water System Junior Lien Revenue Bonds, Series 2016E
January 1, 2017	64,060,000	Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund)
May 1, 2018	196,540,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund)
April 1, 2018	9,025,000	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	26,780,000	Water System Junior Lien Revenue Bonds, Series 2019B
September 1, 2019	74,410,000	Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund)
January 1, 2020	254,395,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund)
February 1, 2020	22,825,000	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	10,620,000	Water System Junior Lien Revenue Bonds, Series 2020D
July 1, 2021	264,920,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund)
February 1, 2022	77,785,000	Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund)
October 1, 2022	255,160,000	Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund)
August 1, 2023	289,165,000	The Bonds
Total	$3,022,885,000	

(1) Unaudited as of the date of this Official Statement.
(2) Excludes the Refunded Obligations.

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
	$400,000,000	$224,945,000	Water System Commercial Paper Notes, Subseries A-1(1)
	100,000,000	-	Water System Commercial Paper Notes, Series B & C(2)
Total	$500,000,000(3)	$224,945,000	

* Data is unaudited.
(1) JPMorgan (defined herein) supports the Series A Notes in the total amount of $400,000,000. See "COMMERCIAL PAPER NOTE PRGORAM".
(2) Represents the liquidity support in the total combined amount of $100,000,000 currently available from Wells Fargo (defined herein) for the Series B Notes and the Series C Notes. See "COMMERCIAL PAPER NOTE PROGRAM" herein.
(3) 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 under the Ordinance. 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 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, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on May 15, 2033, 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, 2048 and May 15, 2052 (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 May 15, 2048

Year	Principal Amount ($)
2044	10,160,000
2045	10,705,000
2046	11,285,000
2047	11,890,000
2048	12,535,000*

Term Bonds
Stated to Mature
on May 15, 2052

Year	Principal Amount ($)
2049	13,210,000
2050	13,920,000
2051	14,670,000
2052	15,460,000*

*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 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 Advisors, 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, SAWS, 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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, SAWS, 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 or 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 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 Texas Supreme 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 Texas Supreme 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 Texas Supreme 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. 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 Texas Supreme 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 as the Pledged 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 are expected to be expended as follows:

Sources of Funds	
Par Amount of the Bonds	$289,165,000.00
Reoffering Premium	26,660,727.50
Total Sources of Funds	$315,825,727.50
Uses of Funds	
Construction Fund Deposit	$273,775,000.00
Escrow Fund Deposit	40,168,477.00
Underwriters' Discount	1,020,628.87
Costs of Issuance	861,621.63
Total Uses of Funds	$315,825,727.50

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.

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, 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 2013B (No Reserve Fund), (ii) the Refunded Obligations, (iii) Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund), (iv) Water System Junior Lien Revenue and Refunding Bonds, Series 2014A (No Reserve Fund), (v) Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund), (vi) Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund), (vii) Water System Junior Lien Revenue Refunding Bonds, Series 2016A (No Reserve Fund), (viii) Water System Junior Lien Revenue Refunding Bonds, Taxable Series 2016B (No Reserve Fund), (ix) Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund), (x) Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund), (xi) Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund), (xii) Water System Variable Rate Junior Lien Revenue Bonds, Series 2019A (No Reserve Fund), (xiii) Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund), (xiv) Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund), (xv) Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund), (xvi) Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund), (xvii) Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund), (xviii) Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund), (xix) upon issuance, the Bonds, and (xx) 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. In SAWS' evaluation of this increase, the foregoing has not materially impacted the System's current financial position or its operations. SAWS transferred $30,162,000 to the City in SAWS' 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 evidence 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 outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, that as been characterized as a pandemic (the "Pandemic"), the processing of returns for credit payments to issuers of qualified bonds, including requested payments, were being delayed and such payments continue to be subject to delays. See "EFFECT OF SEQUESTRATION AND IRS OPERATIONS DURING THE PANDEMIC" herein. The City previously defeased and refunded certain maturities of its outstanding Senior Lien Obligations' issued as tax credit 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. See "THE BONDS – Outstanding Debt" herein.

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. Liquidity support for the entire TECP is currently in place with the following liquidity agreements. The City entered into two separate revolving credit agreements, the first with JPMorgan Chase Bank, National Association ("JPMorgan"), which expires in accordance with its terms on October 4, 2026 (the "Subseries A-1 Credit Agreement") and the second with Wells Fargo Bank, N.A. ("Wells Fargo"), which expires in accordance with its terms on January 5, 2024 (the "Wells Fargo Credit Agreement"). Capacity under the Wells Fargo Credit Agreement is currently available in the amount of $100,000,000, and SAWS issued a request for proposals and plans to obtain liquidity support in the amount of $100,000,000 on or prior to the Wells Fargo Credit Agreement expiration date. 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, the "Series A Credit Agreements"; collectively with the Wells Fargo 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. JPMorgan supports the Series A Notes under the Series A Credit Agreements in the amount of $400,000,000.

As of the date of this Official Statement, $224,945,000 in Commercial Paper Notes are outstanding, comprised of $224,945,000 in Subseries A-1 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 "DEBT AND OTHER FINANCIAL INFORMATION – 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.

The System provides water and wastewater service to the majority of the population within the corporate limits of the City and the County. As of December 31, 2022, the System employed 1,729 personnel and maintained approximately 13,540 miles of water and sewer mains.

The complete management and control of the System is vested in the Board, which consists 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' Annual Comprehensive Financial Report for the Fiscal Year ended December 31, 2022 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 ANNUAL COMPREHENSIVE FINANCIAL REPORT". Attached hereto as APPENDIX C are the System's unaudited operating results, being those available through June 30, 2023. See "APPENDIX C – UNAUDITED FINANCIAL STATEMENTS (THROUGH JUNE 30, 2023)".

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The present members of the Board are:

Board	Length of Service	Term Expires	Occupation
Jelynne LeBlanc Jamison Chairwoman	3 Years, 1 Month	May 31, 2026	President and CEO The Center for Health Care Services
David McGee Vice Chair	8 Years, 11 Months	May 31, 2025	President/CEO of San Antonio Region Amegy Bank of Texas
Eduardo Parra Secretary	5 Years, 7 Months	May 31, 2025	CEO – Principal Engineer Parra & Co., LLC.
Amy Hardberger Assistant Secretary	5 Years, 7 Months	May 31, 2025	McCleskey Professor of Law and Director of the Texas Tech Center for Water Law and Policy Texas Tech School of Law
Ed Belmares Trustee	2 Years, 11 Months	May 31, 2024	Owner IConnect, LLC
Marilu Reyna Trustee	1 Year, 10 Months	May 31, 2026	Communications Executive BCFS
Ron Nirenberg, Mayor and Ex-Officio Member	6 Years, 2 Months	May 31, 2025	Broadcast General Manager

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 ("CEC"), 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 CEC was created on April 6, 2021. The members of the committee are appointed by the Board with input from City Council and other stakeholders. The purpose of the CEC 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 CEC 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 members of the committee are appointed by the Board with input from City Council and other stakeholders.

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. SAWS has begun the required update of the impact fees and expects to obtain the Board and City Council approval by mid-2024. (See "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION – Impact Fees" herein.)

Rate Advisory Committee. During 2019, SAWS began a comprehensive rates, fees, and charges study (the "2019 Rate Design Study"). The purpose of the 2019 Rate Design Study was to provide SAWS with information regarding the rate structures for water delivery, water resource development, recycled water, and wastewater. The RAC, comprised of a cross-section of SAWS' customers, assisted with and provided input to the Board on the 2019 Rate Design Study. 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 Pandemic, the RAC was indefinitely suspended in March 2020.

In 2022, SAWS began a new comprehensive rates, fees, and charges study (the "2022 Rate Design Study") which incorporated certain of the findings and accomplishments of the 2019 Rate Design Study. The Board appointed a new RAC to review SAWS existing rate structures and make rate design recommendations for water and wastewater rates. The RAC met seven times from February 2022 through June 2022 and has finalized their rate design recommendations. These recommendations which were designed to be revenue neutral, except for certain recycled water increases, were approved by both the Board and City Council in November 2022 and took effect in early 2023. With the approval of the RAC's recommendations by both the Board and City Council, the RAC disbanded in 2022.

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 Executive 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 Executive Vice President/Chief Legal and Ethics Officer 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 Senior Vice President of Human Resources and Risk Management 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 Senior 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 Senior 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.

The Senior Vice President of Operations Support & Innovation/Chief of Staff is Jaime Castillo. He is also serving in the role of Interim Vice President – Distribution and Collection. Mr. Castillo joined SAWS in August 2017. Prior to joining SAWS, Mr. Castillo served in various strategic communications roles at the municipal and federal levels, including Assistant Secretary of Public Affairs at the U.S. Department of Housing and Urban Development.

The Senior Vice President of Customer Experience & Strategic Initiatives is Mary Bailey. Ms. Bailey joined SAWS in September 2006. Before her promotion to her current role in 2018, Ms. Bailey served as Vice President of Accounting & Financial Planning for the System. Prior to joining SAWS, Ms. Bailey served in various accounting positions at both privately-owned and publicly-traded companies.

The Senior Vice President of Production and Treatment is Jeff Haby. Mr. Haby joined SAWS in July 1997. Prior to joining SAWS, Mr. Haby worked for ten years in the Engineering Consulting industry for Burns & McDonnell, Raba-Kistner, and CH2M Hill.

The Senior Vice President of Engineering & Construction is Andrea Beymer. Ms. Beymer initially joined SAWS in February 1997. She left SAWS in August 2001 to pursue a position in a private engineering consulting firm. She returned to SAWS in October 2002 as a staff engineer and served in various roles within the organization. She has lead the Engineering & Construction group since 2017.

Name	Position	Length of Service with System	Total Government Service
Robert R. Puente	President/Chief Executive Officer	15 Years, 5 Months	32 Years, 7 Months
Douglas P. Evanson	Executive Vice President/Chief Financial Officer	18 Years, 5 Months	18 Years, 5 Months
Nancy Belinsky	Executive Vice President/Chief Legal & Ethics Officer	20 Years, 4 Months	20 Years, 4 Months
Sharon De La Garza	Senior Vice President - Human Resources & Risk Management	11 Years, 4 Months	27 Years, 4 Months
Donovan Burton	Senior Vice President – Water Resources & Governmental Relations	16 Years, 9 Months	31 Years, 1 Month
Gavino Ramos	Senior Vice President – Communications & External Affairs	8 Years, 6 Months	8 Years, 4 Months
Jaime Castillo	Senior Vice President of Operations Support & Innovation/Chief of Staff	5 Years, 11 Months	13 Years, 7 Months
Mary Bailey(1)	Senior Vice President – Customer Experience & Strategic Initiatives	16 Years, 10 Months	16 Years, 10 Months
Jeff Haby	Senior Vice President – Production & Treatment	26 Years, 1 Month	26 Years, 1 Month
Andrea Beymer	Senior Vice President – Engineering & Construction	25 Years, 5 Months	25 Years, 5 Months

(1) Ms. Bailey announced her plans to retire at the end of calendar year 2023. SAWS is currently evaluating its options to determine her replacement.

SYSTEM STRUCTURE

The System is structured to strategically position functions to maximize efficiencies and responsiveness to System customers. Nine groups report to the President/Chief Executive Officer, which include the Executive Vice President/Chief Financial Officer, Executive Vice President/Chief Legal and Ethics Officer, Senior Vice President – Human Resources & Risk Management, Senior Vice President – Water Resources & Governmental Relations, Senior Vice President – Communications & External Affairs, Senior Vice President – Operations Support & Innovation/Chief of Staff, Senior Vice President – Customer Experience & Strategic Initiatives, Senior Vice President – Production & Treatment, and Senior Vice President – Engineering & Construction.

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/Chief Executive Officer.

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

Executive Vice President/Chief Financial Officer. The Executive Vice President/Chief Financial Officer is responsible for the overall financial management of the System. The following groups report directly to the Executive Vice President/Chief Financial Officer:

Financial Services

The Financial Services Group is headed by the Executive Vice President/Chief Financial Officer 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.
- 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 Systems

Information Systems delivers quality, secure, cost-effective applications and information technology services, which promote innovation to sustain growth while enabling SAWS to better serve its valued customers. 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 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) telephone, 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

Information Security is responsible for developing, monitoring, and maintaining cyber security controls to protect the confidentiality, integrity, and availability of enterprise data and information systems assets.

Executive Vice President/Chief Legal and Ethics Officer. The Executive Vice President/Chief Legal and Ethics Officer 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 administration of all construction and professional services contracts and oversees administration of the System's Award Winning Small, Minority, Women and Veteran Owned Business Program;
- Corporate Real Estate – Manages real 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.

Senior Vice President – Human Resources & Risk Management. The Senior Vice President – Human Resources & Risk Management is responsible for all aspects of human resources. Human Resources is committed to attracting, training, and retaining a workforce of qualified employees to achieve the goals and mission of SAWS. 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 – Develops and manages the employees' compensation, benefit, and wellness programs, 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 – Manages 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.

Senior Vice President – Water Resources & Governmental Relations. The Senior 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 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. The department also manages the day-to-day obligations and oversight of the contract with Vista Ridge LLC ("Vista Ridge"). 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 policy issues and relationships with elected officials and agencies at the regional, state, and federal levels;

- 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 oversees the dead end main flushing and backflow testing activities; and
- Laboratory Technical Services – Provides analytical services for all of SAWS' water quality needs. Performs a wide variety of routine environmental tests to support SAWS' water and wastewater activities. The lab is accredited by the Texas Commission on Environmental Quality (the "TCEQ") under the National Environmental Laboratory Accreditation Program.

Senior Vice President – Communications & External Affairs. The Senior 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.
    - 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. Implements the SAWS Affordability Program that aids economically disadvantaged customers so that they have access to water and sewer service. Develops and conducts adult and youth educational programs to inform and promote water awareness in the 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.

Senior Vice President – Operations Support & Innovation/Chief of Staff. The Senior Vice President – Operations Support & Innovation/Chief of Staff oversees the operation of the Distribution and Collection System, Fleet, Chilled Water Operations, and Innovation. The group consists of the following departments:

- Fleet – Provides comprehensive maintenance services for all SAWS' vehicles and equipment. Fleet also manages vehicle replacement and disposal.
    - Chilled Water Operations provide service to customers in downtown San Antonio and at Port San Antonio.
    - Office of Energy Management manages the process for electric/gas services metering, bill review and payment for SAWS' 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.
- The Distribution and Collection operates, maintains, and repairs the water and wastewater mains, recycled water distribution lines, and chilled water lines 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. Hydrant Maintenance and Leak Detection oversees proactive leak detection, valve assessment, and fire hydrant maintenance programs. Contractor Inspections direct external support of water and sewer repairs as well as concrete and asphalt restoration. Field Utility Coordinators also perform emergency and routine field investigations including utility locate services, and oversees proactive manhole inspections;
    - 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;
    - 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, including surface restoration; and
    - Sewer System Improvements is responsible for developing, implementing, and administering various programs designed to reduce sanitary sewer overflows in the wastewater collection and transmission system ("WCTS"). This is accomplished through 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 – Executes a comprehensive program encompassing activities to optimize the performance of the wastewater collection and transmission system including a system-wide external cleaning program, Fats, Oils, and Grease Control Program, and Smart Cover/Clean Program;
        - Program Administration – Directs 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 – Coordinates and executes activities associated with inspecting, assessing, and performing remedial measures associated with condition and capacity constraints in the wastewater collection and transmission system.

Vice President – Customer Experience & Strategic Initiatives. The Vice President – Customer Experience & 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 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 all meter related services including setting new meters, replacing existing meters, meter reading, service turn-on/off requests, and service investigations. Manages the Advanced Metering Infrastructure operations department, which is responsible for executing the program to install electronic meters across SAWS' service area, managing System performance, and responding to meter-related alarms and events. Reduces revenue loss through theft detection efforts;
- Performance Analysis and Training – Responsible for data analytics, training, and process improvements throughout Customer Service; ensures quality of customer interactions;
- 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;
- Security – Managers a proactive security program and associated support contract for all SAWS facilities; and
- Facilities – Provides building maintenance and management services at SAWS facilities.

Senior Vice President – Production & Treatment. The Senior Vice President – Production & Treatment is responsible for the essential function of managing the 24-hour-a-day operation of the Waterworks System and Wastewater System (each as defined herein).

Production & Treatment

The Production & Treatment 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; and management of the City-wide odor control program. 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 Agua Vista Facility and H$_2$Oaks Facility operations, including the Aquifer Storage and Recovery ("ASR") operations. Also manages the Production Mechanical Maintenance unit and associated instrumentation and controls;
- Treatment Operations Management – Oversees all operations of the three water recycling centers which includes biosolids processing to ensure proper recycling or disposal in compliance with State and federal regulations. Also manages the Wastehauler program and odor control program and operates the recycle water system outfalls and environmental flows to rivers;
- Treatment Maintenance Management – Manages centralized mechanical and electrical maintenance across all the System's production, treatment, and lift station facilities to include the Agua Vista Facility and H$_2$Oaks Facility. The department also maintains the recycle water outfalls and special 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.

Senior Vice President – Engineering & Construction. The Senior Vice President - Engineering & Construction coordinates the development and execution of the System's annual Capital Improvement Program. The group performs engineering analysis of existing facilities and plans new infrastructure to meet the water and wastewater demands of the community. The group also manages the design and construction of new and replacement water and wastewater infrastructure. The Engineering and Construction group is further broken down into the following departments:

- Project Controls – Oversees the 2022 Capital Improvements Plan ("CIP") and supports the Sanitary Sewer Overflow Reduction Program compliance through project execution. Project Controls focuses on cost, schedule, document and data management, quality control and compliance audits;
- Pipelines – Plans and coordinates design activities and for new and rehabilitated or replacement of the water distribution system and wastewater collection system projects. Coordinates the adjustment of SAWS' facilities within public right of way (state, county, and city) in accordance with the governmental program;
- Construction – Inspects 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 and coordinates design activities water transmission projects, potable and recycled water production facilities, and wastewater treatment plants; and
- Asset Management – Oversees efforts of condition assessment activities in order to maximize usage of SAWS' assets and infrastructure and operational support.

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 generally expand its CCN or service areas, for water and sewer service, to the extraterritorial jurisdiction (the "ETJ") boundary of the City. These applications were ultimately approved in 2013 and have added 28,309 acres to the water service area and 276,849 acres to the sewer service area. The Public Utility Commission of Texas (the "PUC") has legal jurisdiction over the application for, and modifications to, CCNs in the State. Consequently, when PUC grants a CCN to a water or sewer purveyor, it provides that purveyor with the exclusive right to provide retail service. By generally expanding the CCN to the ETJ, developments needing retail water and sewer service within the CCN 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 supports development regulations for the City. Within the ETJ, the City has certain, though limited, 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. On July 12, 2022, the Board authorized the transfer to all SAWS' CCN in Kendall County, Texas, consisting of approximately 520 acres of water CCN and 317 acres of sewer CCN to SJWTX, Inc., an investor-owned retail water and sewer service utility and holder of other CCN in Kendall County. The transfer is subject to approval by the PUC.

WATERWORKS SYSTEM

The City acquired its Waterworks System in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. From 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 CCN No. 10640 originally issued by the PUC 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 the County. The System serves approximately 93% of the water utility customers in the County. As of December 31, 2022, the System provided potable water service to approximately 556,100 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 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, 2022, the Waterworks System maintained 7,649 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.

CONNECT H2O PROGRAM

SAWS' Connect H2O program is the union of advanced meter infrastructure ("AMI") technology and a philosophy to empower every City resident to help manage the community's water in a way that's sustainable, simple, and secure. The program utilizes the existing AMI network of CPS Energy to communicate with each water meter. SAWS conducted a pilot in 2021, which included 2,500 water services across three test areas. The pilot demonstrated the feasibility of the ConnectH2O program.

In December 2021, the Board approved an amount not to exceed $215.1 million for the program and authorized proceeding with the full system-wide AMI deployment of more than 550,000 meters beginning in 2022 and carrying through 2026. As of December 31, 2022, more than 38,000 AMI meters have been installed. As total installations are somewhat behind planned levels, SAWS is currently in the process of reviewing various options to move this initiative forward, with one potential option being self-performance.

Customers receiving AMI meters have access to their hourly water usage information online. In addition, these customers are altered to continuous usage within the first week of installation to empower them to manage their own water footprint. SAWS is hoping to improve operational efficiency by reducing both operating costs and non-revenue water once the hourly data is analyzed over time.

WASTEWATER SYSTEM

The City Council created the City Wastewater System in 1894. A major sewer system expansion program began in 1960 with construction of 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, 2022, the System provided wastewater services to approximately 497,300 customer connections.

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

The Wastewater System is composed of approximately 5,800 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 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.

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, 2022, capital expenditures related to the Consent Decree totaled approximately $1.08 billion 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 a record low of 152 SSOs in 2020. From January 2023 through April 2023, 66 SSOs have been recorded.

MICHELL LAKE SEWER MANAGEMENT PROGRAM

Until December 2021, SAWS operated 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. At the direction of the EPA, SAWS explored the conversion of Mitchell Lake from its classification as a wastewater treatment facility to a new classification as a Best Management Practice in a Municipal Separate Storm Sewer System permit ("MS4") held jointly by SAWS and the City. This conversion of the Permit to the MS4 was completed on December 17, 2021.

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 83 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 included a Schedule of Activities, which required completion of the wetlands project by September 30, 2024. On August 11, 2022, in order to allow for completion of additional historical and archaeological reviews, the EPA issued a revised schedule of activities extending the completion date to March 31, 2026.

To provide information for 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 amount 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. On September 23, 2022, SAWS acquired an additional 234-acre tract that will be necessary for the implementation of the project as currently designed. At this time, projected costs for the wetlands project are estimated to be approximately $72 million. No monetary penalties have been assessed, although the EPA reserves all rights to seek any appropriate remedies.

In 2021, engineering design commenced for the dam modifications, new spillway, and constructed wetlands. Design is expected to be completed by 2024, with construction expected to be completed by 2026.

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 $11.7 million in Fiscal Year 2022.

In connection with its 2022 budget process, SAWS implemented a 10% increase in the demand charge for chilled water customers which is expected to generate approximately $550,000 in additional revenues and is the first such increase in more than 15 years.

SAWS has recently taken steps to evaluate how best to optimize the value of its investment in chilled water. In order to assist in this initiative, SAWS engaged Jacobs Engineering ("Jacobs") to assist in charting a path forward for this business unit. As part of this process, Jacobs developed a forward-looking operational and capital plan while also verifying that the existing rates for service are well below market. The results of this analysis, which demonstrated the need to invest approximately $50 million in needed rehabilitation initiatives, as well as the related rate plan required to support this level of capital investment, were recently approved by both the Board and City Council. The rate plan, which includes a 12% increase in Chilled Water rates that went into effect on January 1,2023, envisions additional annual rate adjustments totaling up to a combined 38% during the years 2024 to 2027. Even with these projected adjustments, it is expected that SAWS' chilled water rates will remain below market levels.

RECYCLED 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.

As part of the 2022 Rate Design Study, the RAC recommended that SAWS raise its recycled water rates by 15% for 2023 and then 10% per year for the years 2024-2027. These rate adjustments would bring the existing recycled water rates more in line with the cost to provide this service, while keeping the rates for recycled water less than potable water alternatives. The recommended 2023 rate adjustment was approved by City Council and took effect on January 1, 2023. The City Council also approved additional annual rate adjustments up to 10% each year from 2024 to 2027 subject to review and consultation with the City's Public Utilities Office prior to implementation.

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 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 2023 was approximately $5.5 million for which the System anticipates being reimbursed in full from the stormwater utility fee imposed by the City.

WATER SUPPLY

Water supply and management planning efforts have always been the cornerstone of SAWS' water resources, including a new era of robust planning as early as 1996 These early planning efforts led to City Council actions, including in October 2000 when 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 Water Management Plans are updated approximately every five years, with the most recent update having been approved by the Board in October 2017. SAWS initiated the planning effort in March 2022 to develop a new Water Management Plan. The planning process is ongoing as the recent drought has provided valuable real-time data to analyze and consider in the planning process. The analysis is expected to continue throughout 2023 with a new draft Water Management Plan to be submitted for Board consideration in early 2024. The 2017 Water Management Plan outlines a diversified foundation for the System'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, the Simsboro 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 ASR facility allows SAWS to retain excess Edwards Aquifer permitted water supplies during wet years and use in times of drought. In addition, the System began receiving water from the Vista Ridge project in 2020, providing approximately 50,000 acre-feet per year to the SAWS' distribution system. 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, 2022, the System's annual unrestricted, permitted contractual water supply includes the following:

Water Source	Acre-Feet	Percentage of Permitted Supply
Edwards Aquifer	268,138	41%
H_2Oaks Center Aquifer Storage and Recovery (underground storage)	189,000	29%
Vista Ridge	50,000	8%
Recycled Water to CPS Energy	50,000	8%
Recycled Water to Other Customers	25,000	4%
Trinity Aquifer	20,000	3%
Regional Carrizo Aquifer	12,188	2%
H_2Oaks Center Brackish Groundwater Desalination	11,200	2%
Local Carrizo Aquifer	9,900	1%
Western Canyon	7,400	1%
Canyon Regional Water Authority	6,300	1%
Total	649,126	100%

EDWARDS AQUIFER BACKGROUND

The Edwards Aquifer, the cornerstone of the System'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 small suburban cities and fast-growing population centers such as the County with over 2 million people and its surrounding metropolis. In 2022, the Edwards Aquifer directly supplied approximately 64% 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 694,500 acre-feet. The average annual recharge over the last four decadal period is approximately 829,523 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 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 pursue more efforts focused on 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, 2022, through permitting, purchases, and leases, the System will have access to 268,138 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 245,943 acre-feet, of which a portion is committed to the EAA Regional Water Conservation Program and contractual lease agreements, while 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 AUTHORITY; 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, permitted 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.

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.

During 2022, San Antonio experienced the second driest year in its recorded history with total annual rainfall of 11.51 inches. Due to the extremely dry conditions, and its impacts on the San Antonio pool of the Edwards Aquifer, SAWS was subject to various stages of EAA withdrawal reductions throughout the year. These reductions totaled approximately 26.7% for the entirety of 2022 with the San Antonio Pool remaining in Critical Period Stage 3 as of December 31, 2022. The San Antonio Pool is currently in Critical Period Stage 3 as of the date hereof but may soon move to Critical Period Stage 4, as dry weather conditions continue to persist in the area.

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.

Due to the extremely dry conditions in 2022, SAWS customers were subject to the City's aquifer management plan restrictions from early March through the remainder of the year. Despite these restrictions, SAWS' total operating revenues for 2022 finished the year more than $43 million favorable to budget. Favorable budget variances continued throughout the second quarter of 2023 by approximately $2.3 million, driven primarily by slightly favorable variances in wastewater revenues.

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, also incorporated into State statute are certain existing regulatory restrictions on water availability during periods of drought. When Edwards Aquifer levels at certain well 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 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 are individually, and in certain cases collectively, responsible for implementing conservation measures, as well as the minimization and mitigation measures, defined in the Habitat Conservation Plan (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, 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 actively engaged in the HCP Implementing 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 SAWS ASR Facility, and an EAA Critical Period Stage V Drought Management stage as a back-up to the other activities. The ASR commitment includes 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 forbear 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.

WATER PRODUCTION

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

Total Distribution to Customers by Year (acre-feet)	2018	2019	2020	2021	2022
Edwards Aquifer	192,748	191,941	171,955	146,974	177,624
Vista Ridge	-	-	26,392	50,939	50,778
Aquifer Storage and Recovery Production	4,460	3,930	12,184	5,215	14,876
Trinity Aquifer	9,047	17,141	6,601	9,685	5,780
Regional Carrizo Aquifer	10,780	11,404	11,347	10,749	10,496
Brackish Groundwater Desalination	4,851	4,593	6,706	6,089	4,337
Local Carrizo Aquifer	7,348	6,504	6,149	6,009	4,156
Western Canyon	8,467	8,038	8,072	7,968	6,670
Canyon Regional Water Authority	3,712	7,793	6,288	6,361	4,659
Total Distribution	**241,412**	**246,344**	**255,694**	**249,990**	**279,376**

H2OAKS CENTER

SAWS' H2Oaks Center, located in the far southern portion of the County, is home to three water supplies, all operated from the H2Oaks control room. These include the ASR, 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.

The System plans for a total storage volume of 200,000 acre-feet, including the amounts stored under the HCP. 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 below 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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H$_2$Oaks Aquifer Storage and Recovery (acre-feet)				
Year	SAWS' ASR Recharge	HCP 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	-	13,597	3,930	178,880
2020	-	6,831	12,184	173,527
2021	20,909	3,096	5,215	192,317
2022	11,559	-	14,876	189,000
2023**	5,622	-	516	194,106

** Includes operational authorized water use not put in distribution.*
*** As of April 30, 2023.*

In the summer of 2022, SAWS began performing an operational performance test on the ASR system to ensure that the ASR planning assumptions are in line with the actual performance of the facility's wells, treatment, and production. The production levels from the ASR were increased substantially during this performance test to maximize the design capacity of the treatment system and to ensure that the wells did not experience operational problems. Additionally, sampling is being performed to analyze and better understand the hydrology and chemistry of the stored water and whether any changes would be shown at these higher production levels. Data from the test is expected to inform more robust modeling efforts in the future.

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 H$_2$Oaks 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 H$_2$Oaks 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 portion of the County. Water with a total dissolved solids content of between 1,300 and 1,500 milligrams per liter (mg/L) is treated through a reverse osmosis treatment plant to drinking water standards at the System's H$_2$Oaks 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 "H$_2$Oaks 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 until the 2040 decade. The ongoing water management planning efforts will consider these assumptions again and present any recommended changes as part of the approval of the plan.

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 the northern portion of the County. The System has wholesale contracts with Massah Corporation ("Oliver Ranch"), and the System owned and controlled Timberwood Park wellfield for the purchase and delivery of up to 3,000 acre-feet per year of non-Edwards Aquifer groundwater from the Trinity Aquifer from the north-central portion of the County.

In July 2012, SAWS entered into an agreement with Water Exploration Company, Ltd., currently doing business as Texas Water Supply Co., to purchase groundwater produced by Texas Water Supply Co. 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 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 ("SSGLC") 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 subsequently filed an aggregate permit request on April 30, 2020, and the District granted the aggregate permit June 9, 2020, with an expiration of July 13, 2025.

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. 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

Water Transmission and Purchase Agreement. In 2014, the Board embarked on an effort to achieve significant diversification of the City's water supply, which (at the time) was primarily comprised of Edwards Aquifer groundwater. Through a competitive procurement and subsequent negotiation process, SAWS entered into a Water Transmission and Purchase Agreement (the "Agreement") with Vista Ridge in 2016. Pursuant to the Agreement, and after completion of requisite, privately-financed owned and operated infrastructure, Vista Ridge is obligated to annually make available to SAWS, and for which SAWS is obligated to pay (if made available), up to 50,000 acre-feet of potable water ("Project Water") for an initial period of 30 years, plus a limited (20 year) extension period under certain scenarios (the "Operational Term"). To produce and distribute Project Water, Vista Ridge acquired interests in long-term water leases, developed well fields in Burleson County, Texas to withdraw water from the Carrizo and Simsboro Aquifers, and constructed a 142-mile pipeline route paralleling the Central/South Texas I-35 corridor (one of the highest growth regions in the country) from this well field to the northern portion of the County (the well fields, pumping and related treatment facilities and the pipeline are collectively known as the "Project") where it connected to the System (being the connection point at which Project Water is deemed to have been "made available"). The Project financed by Vista Ridge is non-recourse to SAWS and the City. SAWS constructed approximately $220 million in System improvements necessary to accept and integrate the Project Water upon delivery.

Under the Agreement, SAWS pays for Project Water made available (the price for which includes a component attributable to Project operations and maintenance), as a Maintenance and Operating Expense of the System. At the end of the Operational Term, ownership of the Project will be transferred to SAWS at no cost, in accordance with the Agreement. SAWS has also entered into a separate agreement with Blue Water Vista Ridge, LLC ("Blue Water"), the lessee under the groundwater leases providing the basis for production of Project Water, to continue to acquire 50,000 acre-feet of untreated groundwater for an additional 30-year period after conclusion of the Operational Term and transfer of the Project to SAWS. The cost of such groundwater paid by SAWS after conclusion of the Operational Term will be tied to the costs of then-prevailing two-year Edwards Aquifer water leases.

The execution and implementation of the Agreement represented a significant diversification of the City's water sources. Project Water, if delivered at the maximum amount (which is the expectation of both SAWS and Vista Ridge), will account for approximately 20% of the System's annual usage as of the Agreement's date of execution. See "Project Performance" below.

Production and Transportation Permits. Blue Water has received production and transportation permits for the Project Water from the Post Oak Savannah Groundwater Conservation District ("POSGCD"). POSGCD is currently participating with other groundwater districts in Groundwater Management Area 12 ("GMA 12") in the statutorily required planning process to determine the Desired Future Conditions ("DFCs") of the Simsboro and Carrizo Aquifers, which includes the Project's wellfield. The DFCs are the desired aquifer levels at certain future benchmark periods, expressed as maximum aquifer draw-down levels. This planning process allows POSGCD to manage production levels and permits for production. Vista Ridge has also been involved in the GMA 12 meetings to represent the Project's interest in maintaining the full volume of permitted production. This planning process could result in a regulatory permit reduction at some future date. A ruling by the Post Oak Savannah Groundwater Conservation District in April 2023 granted a temporary amendment to the production permit through August 31, 2023, to increase the instantaneous flow rate from certain Simsboro Aquifer production wells. The temporary amendment grants a change in the production ratio from 70/30 Simsboro/Carrizo to 82/18. The intent of the change in blend of the produced water is to firm up Carrizo Aquifer supplies for local users.

Primary Project Participants. With a majority equity interest therein, Vista Ridge is currently owned and controlled by Ridgewood Infrastructure. The Project is operated by EPCOR Services, Inc. ("EPCOR") under an operating service agreement having a primary 30-year term (ending contemporaneously with the initial term of the Agreement). EPCOR also owns a minority equity interest in Vista Ridge.

Project Performance. Delivery of Project Water to SAWS commenced on April 15, 2020. At the initial start-up of the integration of Project Water into the System, SAWS did not take delivery of all of the Project Water that Vista Ridge was able to make available on a daily basis. Per the terms of the Agreement, SAWS paid for such Project Water available but not integrated into the System. The volumetric amount of Project 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" Project Water purchases is recorded as a prepaid System asset.

Between April 15, 2020 and March 31, 2023, SAWS has paid for approximately 9,029 acre-feet of Project Water that it was unable to receive. As such, SAWS has recorded a prepaid asset totaling approximately $3.4 million. Given the priority of water deliveries and payments, it is currently estimated it will take a number of years to fully amortize this prepaid Project Water amount.

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. During the 2021 Event (see "TEXAS 2021 WINTER WEATHER EVENT" herein), the Project was shut down from February 15 through February 23, 2021 because of power outages and freezing weather. This shutdown resulted in approximately 1,080 acre-feet of Project Water that was unable to be delivered to SAWS. As provided in the Agreement, SAWS did not pay for water that was not made available. Vista Ridge has the opportunity to make up delivery of the undelivered water, 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.

For the year ending December 31, 2022, Vista Ridge made available to SAWS, and SAWS accepted 48,524 acre-feet of Project Water.

Groundwater Lease Litigation. On November 22, 2021, Metropolitan Water Company, LP, the entity that originally signed the groundwater leases, that were then leased to Blue Water, filed for Chapter 11 (business reorganization) bankruptcy protection. The groundwater leases are currently held in trust to insulate their effectiveness from the impacts or results of litigation. SAWS is monitoring the proceedings, and at this time does not believe the proceedings constitute a substantive risk to the Project. The Chapter 11 reorganization plan was approved by the Court on September 13, 2022.

MEDINA LAKE AND RIVER SYSTEM

The Medina Lake and River System consists of a 650 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").

Additionally, under a contract with the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 ("BMA"), SAWS has a take or pay commitment to purchase 19,974 acre feet of untreated water annually from Medina Lake. If BMA is unable to deliver the water to SAWS when requested, BMA issues a credit for the undelivered water, which can be used to offset payments due to BMA during the next calendar year. During Fiscal Years 2022 and 2021, SAWS paid approximately $3.3 million and $3.0 million, respectively, under this agreement. The most current version of this contract was executed in 2007 and runs through 2049. This surface water right has no minimum downstream flow restrictions. On June 16, 2023, SAWS notified BMA that SAWS was invoking the facilitated mediation process outlined in the contract, and contemporaneously filed an Original Petition for Declaratory Relief pursuant to the Texas Uniform Declaratory Judgment Act. See "LITIGATION AND OTHER MATTERS – SAWS' Litigation, Potential Controversies and Claims" herein.

When previously utilized, water from the Medina River was diverted to a surface water treatment plant (the "Plant") located southwest of the City. Due to ongoing water quality concerns, the Plant has been idle since 2015. In connection with its ongoing Water Management Plan update, it was determined that, current available water supplies are expected to be sufficient to meet customers' demand in the foreseeable future without utilizing this source of supply. Based upon this information, the projected costs to rehabilitate the facility and ongoing concerns about the source water availability, the Plant was deemed permanently impaired as of December 31, 2022. The $7.2 million remaining book value of the Plant was written off and the loss has been recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

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 (H_2Oaks Center in the southern portion of the 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 H_2Oaks 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 H_2Oaks Center to 75 million gallons per day. Construction of the pipeline is essentially complete; however, due to delays in the receipt of required pumps, it is not anticipated that Phase II will be operational until late-2023.

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 from the Carrizo Aquifer in Gonzales County, Texas to the City.
- In January 2017, SAWS held the grand opening of the H_2Oaks 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 H_2Oaks 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 to provide up to 50,000 acre-feet per year of groundwater from Burleson County, Texas 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. The website was 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 5.5 percent of the System's customer base but represent 40 percent of the System's annual water sales by volume; 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 requires 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 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 efficiency and irrigation scheduling advice. As part of the site analysis, custom rebates may be approved to encourage irrigation upgrades.

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COMBINED SYSTEM REVENUE DEBT SERVICE REQUIREMENTS[1]

FYE (December 31)	SAWS' Current Debt Service		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]	Total[5]
2023	$3,871,816	$190,507,514	-	$3,579,017	$3,871,816	$194,086,530	$197,958,347
2024	3,871,816	182,151,667	$8,790,000	14,421,681	3,871,816	205,363,348	209,235,165
2025	7,454,546	180,532,375	9,240,000	13,970,931	7,454,546	203,743,306	211,197,852
2026	8,640,216	181,917,469	9,710,000	13,497,181	8,640,216	205,124,650	213,764,866
2027	7,445,080	173,466,126	10,210,000	12,999,181	7,445,080	196,675,307	204,120,387
2028	6,646,184	177,169,288	10,730,000	12,475,681	6,646,184	200,374,969	207,021,153
2029	7,437,403	196,379,828	11,285,000	11,925,306	7,437,403	219,590,134	227,027,537
2030	7,432,157	196,707,748	9,865,000	11,396,556	7,432,157	217,969,305	225,401,462
2031	7,429,489	201,958,390	5,565,000	11,010,806	7,429,489	218,534,196	225,963,685
2032	7,420,629	201,926,726	5,855,000	10,725,306	7,420,629	218,507,033	225,927,661
2033	7,415,388	201,580,291	6,155,000	10,425,056	7,415,388	218,160,348	225,575,736
2034	7,413,392	214,731,187	-	10,271,181	7,413,392	225,002,368	232,415,760
2035	11,810,314	203,680,581	6,470,000	10,109,431	11,810,314	220,260,012	232,070,327
2036	11,797,497	200,114,948	6,800,000	9,777,681	11,797,497	216,692,630	228,490,127
2037	11,790,035	200,073,068	7,150,000	9,428,931	11,790,035	216,651,999	228,442,034
2038	11,777,349	189,354,318	7,515,000	9,062,306	11,777,349	205,931,624	217,708,973
2039	11,759,053	186,815,701	7,900,000	8,676,931	11,759,053	203,392,632	215,151,685
2040	5,552,977	172,039,328	8,305,000	8,271,806	5,552,977	188,616,134	194,169,112
2041	-	129,404,642	8,730,000	7,845,931	-	145,980,573	145,980,573
2042	-	128,578,860	9,180,000	7,398,181	-	145,157,041	145,157,041
2043	-	120,094,631	9,650,000	6,927,431	-	136,672,062	136,672,062
2044	-	107,794,081	10,160,000	6,419,481	-	124,373,563	124,373,563
2045	-	98,282,568	10,705,000	5,871,775	-	114,859,343	114,859,343
2046	-	90,759,777	11,285,000	5,294,538	-	107,339,315	107,339,315
2047	-	80,583,828	11,890,000	4,686,194	-	97,160,022	97,160,022
2048	-	80,592,595	12,535,000	4,045,038	-	97,172,633	97,172,633
2049	-	67,485,437	13,210,000	3,369,231	-	84,064,668	84,064,668
2050	-	56,039,056	13,920,000	2,657,069	-	72,616,125	72,616,125
2051	-	33,407,163	14,670,000	1,906,581	-	49,983,744	49,983,744
2052	-	17,235,869	15,460,000	1,115,669	-	33,811,538	33,811,538
2053	-	-	16,225,000	354,922	-	16,579,922	16,579,922
	$146,965,341	$4,461,365,058	$289,165,000	$249,917,014	$146,965,341	$5,000,447,071	$5,147,412,412

(1) Excludes debt service on Commercial Paper Notes 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" for a discussion related to sequestration.

(3) For purposes of illustration, interest on the City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund) is calculated at the actual rate of 1.00% through October 31, 2026 and an assumed rate of 3.00% thereafter; City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund) is calculated at 3.00% through stated maturity; 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, 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 United States 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 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; $59,745,000 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 June 30, 2023, the termination payment that the City would be liable for, if the swap agreement were terminated on such date, would be $3.4 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, as the swap counterparty. For more information concerning the swap agreement, see "APPENDIX B – EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM ANNUAL COMPREHENSIVE 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 a roll forward of the most recent, audited actuarial valuation, the net pension asset for the Retirement Income Plan was $0.2 million and the cumulative net pension liability for SAWSRP and TMRS was $37.4 million as of the valuations dated either December 31, 2021 or January 1,

2022. This represents a cumulative funded ratio of 93.3%. 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, 2022. (See "APPENDIX B – EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM ANNUAL COMPREHENSIVE 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 a roll forward of the most recent audited actuarial valuation dated January 1, 2022, the net OPEB asset for this plan was $26.4 million, and there was no annual required contribution for 2022. This represents a total funded ratio of 132.5%. 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 2022, the System made contributions to the OPEB Trust of $5.1 million in addition to funding the pay-as-you-go costs of $4.2 million.

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, 2022. (See "APPENDIX B – EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM ANNUAL COMPREHENSIVE 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 2023:

- $70.5 million is budgeted for the wastewater treatment program to repair/replace/upgrade treatment facilities and provide capacity for future growth;
- $15.9 million is budgeted for the wastewater collection program to fix deteriorated components of the collection system and provide capacity for future growth;
- $143.7 million is budgeted to replace sewer and water mains;
- $58.0 million is budgeted for new sewer and water mains;
- $52.5 million is budgeted for the governmental replacement and relocation programs;
- $104.6 million is budgeted to construct new or fix deteriorated components of the production facilities; and
- $25.2 million is budged to repair/replace/upgrade facilities for water supply and recycle water; and
- $17.8 million is budgeted for the chilled water system.

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

Capital Improvement Projections*
Fiscal Year Ended December 31,

	2023	2024	2025	2026	2027	Total
Water Delivery	$215,201,148	$254,911,752	$255,506,349	$202,541,319	$258,531,858	$1,186,692,426
Wastewater	266,613,675	318,436,646	338,393,241	264,469,508	300,839,397	1,488,752,467
Chilled Water	17,769,650	22,926,766	6,472,700	4,483,301	5,230,592	56,883,009
Water Supply	25,157,750	32,405,700	25,398,608	19,381,859	26,717,725	129,061,642
Total Annual Requirements	$524,742,223	$628,680,864	$625,770,898	$490,875,987	$591,319,572	$2,861,389,544

* Preliminary, subject to change.

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,					
	2023	2024	2025	2026	2027	Total
Revenues	$119,519,422	$92,113,137	$94,419,746	$114,170,811	$133,706,304	$553,929,420
Fees	50,000,000	55,000,000	55,000,000	55,000,000	61,000,000	276,000,000
Debt Proceeds	355,222,801	481,567,727	476,351,152	321,705,176	396,613,268	2,031,460,124
Total	$524,742,223	$628,680,864	$625,770,898	$490,875,987	$591,319,572	$2,861,389,544

* 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, approximately 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 December 7, 2021. The System's investments are managed by its Executive 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 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 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, 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 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, (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 270 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; 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. As of March 31, 2023, investable System funds were 56.05% invested in obligations of the United States, or its agencies and instrumentalities, 2.21% invested in money market funds, 26.47% invested in investment pools, and 15.27% 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 97.60% of their book value, with 59.51% 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, 2023, the System funds were invested in the following categories (data presented is unaudited):

	Percentages	Carrying Amount[1]	Market Value
Money Market Deposits	2.21%	$33,309,047	$33,309,047
U.S. Treasury Notes	16.87%	254,219,329	247,400,594
U.S. Agency Notes	37.19%	560,507,374	540,771,290
Investment Pools	26.47%	398,871,349	398,871,349
Municipal Bonds	15.27%	230,113,357	220,590,223
Collateralized Mortgage Obligations	1.99%	29,962,669	29,812,033
Total	100.00%	$1,506,983,126	$1,470,754,536

(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, 2022, 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, 2022. 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", "INFECTIOUS DISEASE OUTBREAK – COVID-19", and "TEXAS 2021 WINTER WEATHER EVENT" herein.

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

	2022	2021	2020	2019	2018	2017	2016	2015[a]	2014	2013
Net Position:										
Net investment in capital assets	$3,521,405	$3,182,373	$2,966,647	$2,758,354	$2,353,841	$2,217,283	$2,106,957	$1,939,292	$1,730,265	$1,661,644
Restricted for operating reserve	78,553	75,675	72,664	58,408	56,642	54,143	52,279	45,801	43,385	40,656
Restricted for debt service	63,465	66,283	74,095	67,380	64,086	59,719	60,396	56,775	47,123	39,710
Restricted for debt service reserve	12,275	16,984	17,938	23,122	54,702	56,364	56,016	62,716	66,665	62,560
Restricted for construction	192,883	243,927	211,917	163,313	209,204	188,227	150,198	168,968	140,937	101,212
Restricted for pension benefits	61,460	3,568	503	-	-	-	-	-	-	-
Unrestricted	549,562	473,874	419,960	359,938	367,220	278,542	187,503	126,352	137,207	118,285
Total Net Position	$4,479,603	$4,062,684	$3,763,221	$3,430,515	$3,105,695	$2,854,278	$2,613,349	$2,399,904	$2,165,582	$2,024,067

[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)

	2022	2021	2020[a]	2019	2018	2017	2016	2015[b]	2014	2013
Operating Revenues:										
Water delivery	$244,748	$215,484	$223,076	$229,203	$218,399	$202,264	$190,913	$168,338	$127,708	$119,767
Water Supply	325,485	273,008	295,682	218,842	202,674	202,143	185,037	163,759	150,079	134,367
Wastewater	295,162	280,014	266,265	274,519	259,124	250,977	234,966	213,833	210,704	195,584
Chilled water & steam	11,712	10,826	9,894	10,615	10,849	11,368	11,541	11,102	11,152	12,621
	877,107	779,332	794,917	733,179	691,046	666,752	622,457	557,032	499,643	462,339
Operating expenses before depreciation:										
Salaries and fringe benefits	149,045	154,788	163,910	162,445	149,970	148,058	142,315	133,681	115,049	125,210
Contractual services	216,418	203,658	184,517	173,187	171,032	168,350	170,845	163,768	127,685	107,194
Materials and supplies	24,638	27,707	25,836	26,469	23,485	23,159	21,959	23,490	20,930	23,355
Other charges	(41,371)	(5,714)	(2,402)	6,726	11,718	11,150	12,702	8,129	12,355	20,423
Less: Costs capitalized to Construction in Progress	(30,647)	(31,244)	(29,921)	(30,743)	(31,612)	(32,275)	(32,426)	(37,822)	(30,964)	(31,834)
Operating expense before depreciation	328,083	349,195	341,940	338,084	324,593	318,442	315,395	291,246	245,055	244,348
Depreciation	208,462	199,332	188,872	157,225	155,549	152,072	142,856	141,259	123,111	111,375
Total operating expenses	536,545	548,527	530,812	495,309	480,142	470,514	458,251	432,505	368,166	355,723
Operating Income	340,562	230,805	264,105	237,870	210,904	196,238	164,206	124,527	131,477	106,616
Non-operating revenues/(expenses):										
Interest and miscellaneous	(24,053)	(1,654)	17,974	32,583	22,488	10,407	8,146	6,079	5,792	5,410
Interest expense on revenue bonds and CP	(92,582)	(92,318)	(90,874)	(96,420)	(88,542)	(86,615)	(86,566)	(89,971)	(78,049)	(75,606)
Interest expense on contract payable	(45,116)	(45,930)	(32,947)	-	-	-	-	-	-	-
Amortization of debt insurance costs	(2,857)	(2,293)	(3,667)	(2,627)	(1,711)	(1,385)	(4,716)	(3,831)	(2,914)	(4,112)
Other finance charges	(2,089)	(1,319)	(1,814)	(2,066)	(1,957)	(2,697)	(2,121)	(2,041)	(2,726)	(2,361)
Gain/(loss) on defeased debt	2,462	326	1,556	(664)	-	-	-	-	-	-
Gain on sale of capital assets	308	2,376	777	886	924	951	3,087	4,674	23	1,075
Payments to City of San Antonio	(34,262)	(30,162)	(31,043)	(21,917)	(18,287)	(17,276)	(14,228)	(12,683)	(13,089)	(11,528)
Payments to other entities	-	(23)	(93)	(99)	(101)	(108)	(109)	(106)	(114)	(130)
Total non-operating expense	(198,189)	(170,997)	(140,131)	(90,324)	(87,186)	(96,723)	(96,507)	(97,879)	(91,077)	(87,252)
Special Items	(7,200)	-	-	-	-	-	-	-	-	-
Increases (decreases) in net position, before capital contributions	135,173	59,808	123,974	147,546	123,718	99,515	67,699	26,648	40,400	19,364
Capital contributions:										
Plant Contributions	139,211	101,251	85,955	73,375	59,761	60,643	73,889	71,967	49,081	32,891
Capital Recovery Fees	129,788	136,963	119,571	94,641	79,794	72,846	67,991	64,056	51,973	37,289
Grant Revenue	12,747	1,441	3,206	9,258	6,435	7,925	3,866	-	61	545
Total contributions	281,746	239,655	208,732	177,274	145,990	141,414	145,746	136,023	101,115	70,725
Change in net position	$416,919	$299,463	$332,706	$324,820	$269,708	$240,929	$213,445	$162,671	$141,515	$90,089

(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)

	2022	2021	2020[a]	2019	2018	2017	2016	2015[b]	2014	2013
Assets:										
Capital Assets,										
net of accumulated depreciation	$7,479,570	$7,117,048	$6,840,293	$5,649,427	$5,266,084	$5,051,777	$4,886,091	$4,647,786	$4,089,478	$3,964,000
Cash and Investments	1,452,772	1,380,260	1,216,526	949,290	1,025,791	924,958	928,593	853,417	819,232	689,483
Other Assets	172,726	105,519	102,442	89,317	83,770	87,530	80,976	81,889	79,478	75,998
Total Assets	9,105,068	8,602,827	8,159,261	6,688,034	6,375,645	6,064,265	5,895,660	5,583,092	4,988,188	4,729,481
Deferred Outflows of Resources										
Deferred Charge on Bond Refunding	21,332	22,005	26,681	35,076	42,048	48,055	54,317	30,103	29,086	30,943
Deferred outflows-pension	25,482	26,490	35,302	60,446	33,411	33,428	28,115	16,083	-	-
Deferred Outflows-asset retirement	35,462	32,108	32,299	32,354	32,511	-	-	-	-	-
Accumulated Decrease in Fair Value of Hedging Derivatives	1,553	10,357	15,014	12,256	9,332	11,857	12,965	16,394	15,520	8,372
Total Deferred Outflows of Resources	83,829	90,960	109,296	140,342	117,302	93,340	95,397	62,580	44,606	39,315
Liabilities:										
Revenue Bonds Payable (net)	3,292,580	3,207,001	3,034,045	2,735,075	2,834,570	2,735,739	2,840,282	2,730,363	2,507,419	2,348,834
Contract and Leases Payable	887,832	904,000	918,958	-	-	-	-	-	-	-
Commercial Paper Notes	229,585	234,020	218,260	281,815	215,695	278,060	241,610	224,005	138,550	186,655
Other Liabilities	206,464	220,091	281,330	367,967	313,140	287,200	293,023	284,617	221,243	209,240
Total Liabilities	4,616,461	4,565,112	4,452,593	3,384,857	3,363,405	3,300,999	3,374,915	3,238,985	2,867,212	2,744,729
Deferred Inflows of Resources										
Deferred inflows - pension	80,014	65,991	52,743	12,794	23,847	2,328	2,793	6,783	-	-
Deferred inflows – gain on bond refunding	8,555									
Deferred invlows – leases	4,264									
Net Position in System	$4,479,603	$4,062,684	$3,763,221	$3,430,515	$3,105,695	$2,854,278	$2,613,349	$2,399,904	$2,165,582	$2,024,067
Percentage Net Position in System	48.8%	46.7%	45.5%	50.2%	47.8%	46.4%	43.6%	42.5%	43.0%	42.4%

(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

						Total Direct Rate			
						Water		Sewer	
Fiscal Year	**Gallons of Water Production[(a)]**	**Gallons of Water Usage**	**Gallons of Water Unbilled**	**Average Percent Unbilled**	**Gallons of Wastewater Treated[(b)]**	**Base Rate[(c)]**	**Usage Rate[(d)]**	**Base Rate[(e)]**	**Usage Rate[(f)]**
2022	91.035	71,194	19,841	21.79%	54,474	$13.03	$30.38	$14.59	$17.11
2021[(h)]	81,460	64,020	17,440	21.41%	52,435	13.03	30.38	14.59	17.11
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

(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.
(h) The increase in gallons of water unbilled is primarily due to the 2021 Event, which resulted in significant leak adjustments.

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

	2022	2021	2020	2019	2018	2017	2016	2015[a]	2014	2013
Water Sales:										
Residential Class	$138,707	$126,128	$133,959	$127,488	$123,006	$113,070	$100,982	$95,068	$74,062	$71,536
General Class	73,888	68,747	65,955	69,326	67,412	60,977	63,781	56,041	37,878	35,099
Wholesale Class	934	993	804	808	744	801	767	432	3,233	1,640
Irrigation Class	26,705	23,012	26,153	26,631	21,304	21,915	20,239	13,113	11,011	10,893
Total Water	240,234	218,880	226,871	224,253	212,466	196,763	185,769	164,654	126,184	119,168
Water Supply Fees										
Residential Class	149,458	125,007	147,131	92,932	86,003	85,809	73,518	60,067	48,270	43,121
General Class	89,304	81,099	76,189	53,620	50,086	47,129	42,748	44,746	39,355	32,393
Wholesale Class	1,549	1,681	1,407	887	790	874	865	588	7,196	3,227
Irrigation Class	29,970	24,821	28,356	19,475	15,122	16,571	15,437	14,491	12,551	12,057
Total Water Supply Fees	270,281	232,608	253,083	166,914	152,001	150,383	132,568	119,892	107,372	90,798
EAA Pass-through fees[b]										
Residential Class	13,209	12,128	13,429	12,996	12,526	13,108	14,110	10,915	9,654	9,905
General Class	8,969	8,518	8,177	9,013	8,687	8,865	9,606	7,380	6,874	6,991
Wholesale Class	109	132	120	124	119	123	157	114	1,271	659
Irrigation Class	1,435	1,249	1,441	1,288	1,241	1,434	1,639	1,136	1,061	1,134
Total Pass-through fees	23,722	22,027	23,167	23,421	22,573	23,530	25,512	19,545	18,860	18,689
Conservation Fees:										
Residential Class	3,281	2,244	3,047	2,747	2,644	2,727	2,189	2,246	1,956	2,394
General Class	5,564	4,885	4,628	4,570	4,871	5,071	5,078	3,941	3,760	4,396
Irrigation Class	4,207	4,398	4,859	4,827	4,119	3,274	3,375	3,063	2,738	2,270
Total Conservation	13,052	11,527	12,534	12,144	11,634	11,072	10,642	9,250	8,454	9,060
Wastewater Sales:										
Residential Class	165,356	164,498	158,460	153,273	146,684	142,530	134,860	124,992	125,051	116,775
General Class	108,508	101,013	96,816	101,247	92,427	88,551	80,696	71,267	68,371	62,300
Wholesale Class	13,814	14,260	11,829	11,706	10,659	9,936	8,729	8,064	7,848	7,599
Surcharge	5,290	5,741	5,626	6,370	6,245	6,056	6,292	5,401	5,450	5,438
Total Wastewater	292,968	285,512	272,731	272,596	256,015	247,073	230,577	209,724	206,720	192,112
TCEQ Pass-through fees[c]										
Water customers	1,994	1,937	1,882	1,743	1,683	1,420	1,460	1,412	1,169	1,086
Wastewater customers	523	509	495	481	465	435	448	429	433	347
	2,517	2,446	2,377	2,224	2,148	1,855	1,908	1,841	1,602	1,433
Recycled Water Sales	7,520	6,351	6,694	6,094	5,568	5,651	5,691	5,097	5,086	5,161
Stormwater Fees	5,745	5,252	5,037	5,223	5,221	5,209	4,967	4,797	4,420	5,058
Chilled Water & Steam[d]	11,712	10,826	9,894	10,615	10,849	11,368	11,548	11,184	11,251	12,719
Miscellaneous Fees and Charges	13,838	7,899	6,225	15,545	17,415	17,709	17,634	16,769	13,860	12,787
Provision for Uncollectible Accounts	(4,482)	(23,996)	(23,696)	(5,849)	(4,844)	(3,860)	(4,359)	(5,721)	(4,166)	(4,646)
Total Operating Revenue	$877,107	$779,332	$794,917	$733,179	$691,046	$666,752	$622,457	$557,032	$499,643	$462,339

(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

	2022	2021[f]	2020	2019	2018	2017	2016	2015[a]	2014	2013
Water Sales:[b]										
Residential Class	39,641	35,246	38,947	36,084	35,325	36,566	35,360	35,769	29,310	29,206
General Class	26,917	24,756	23,719	25,011	24,498	24,731	24,074	23,212	20,870	20,614
Wholesale Class	326	386	347	352	337	344	393	354	3,861	1,943
Irrigation Class	4,310	3,632	4,179	4,208	3,500	4,000	4,107	3,561	3,220	3,345
Total Water	71,194	64,020	67,193	65,655	63,660	65,641	63,934	62,896	57,261	55,108
Wastewater Sales:										
Residential Class	27,426	26,908	26,062	25,263	26,318	26,809	26,462	26,048	27,896	27,617
General Class	23,928	22,328	21,213	22,393	21,873	21,654	20,503	20,281	20,502	20,100
Wholesale Class	3,120	3,199	2,616	2,486	2,584	2,482	2,317	2,234	2,291	2,359
Total Wastewater	54,474	52,435	49,891	50,142	50,775	50,945	49,282	48,563	50,689	50,076
Conservation - Residential Class[c][d][e]	10,808	7,969	10,358	9,189	8,658	9,572	6,611	2,284	2,296	2,520
Recycled Water Sales	19,127	17,919	18,172	18,208	18,346	18,949	18,436	18,421	18,323	18,359

(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.
(f) The 2021 Event resulted in significant leak adjustments, which impacted Water Sales, including Conservation Sales.

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

	2022	2021	2020	2019	2018	2017	2016	2015[a]	2014	2013
Water Sales:[b]										
Residential Class	521,750	507,794	492,922	481,994	473,333	465,241	457,485	450,725	347,789	343,667
General Class	30,246	30,010	29,584	29,358	28,682	28,518	29,155	28,366	23,777	23,713
Wholesale Class	9	9	9	9	9	9	9	9	7	8
Total Water	552,005	537,813	522,515	511,361	502,024	493,768	486,649	479,100	371,573	367,388
Irrigation Class[c]	11,428	11,170	10,883	10,676	10,465	10,260	9,291	9,829	8,966	8,821
Wastewater Sales:										
Residential Class	466,999	454,494	441,356	431,695	424,127	416,996	409,988	402,409	395,574	390,256
General Class	26,638	26,453	26,093	25,911	25,754	25,544	25,352	25,175	25,079	25,021
Wholesale Class	12	12	12	12	12	12	12	12	12	12
Total Wastewater	493,649	480,959	467,462	457,618	449,893	442,552	435,352	427,596	420,665	415,289
Conservation - Residential Class[d][e]	130,443	108,618	132,152	113,152	149,940	159,994	83,991	18,539	20,716	20,867
Recycled Water Sales	140	133	127	123	116	112	107	109	102	97

(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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water										
Service Availability Charge by meter size:										
5/8”	$12.82	$12.82	$12.82	$12.82	$12.77	$11.64	$10.72	$7.57	$7.31	$7.14
3/4”	16.97	16.97	16.97	16.97	16.90	15.41	14.19	10.63	10.26	10.01
1”	25.22	25.22	25.22	25.22	25.12	22.90	21.09	16.72	16.14	15.75
1-1/2”	45.85	45.85	45.85	45.85	45.67	41.63	38.33	31.94	30.83	30.09
2”	70.58	70.58	70.58	70.58	70.30	64.08	59.01	50.18	48.44	47.28
3”	128.34	128.34	128.34	128.34	127.83	116.53	107.30	92.80	89.58	87.44
4”	210.83	210.83	210.83	210.83	209.99	191.42	176.26	153.67	148.33	144.78
6”	417.07	417.07	417.07	417.07	415.41	378.67	348.68	305.86	295.23	288.17
8”	664.55	664.55	664.55	664.55	661.90	603.37	555.59	488.47	471.50	460.22
10”	953.27	953.27	953.27	953.27	949.47	865.51	796.97	701.52	677.14	660.95
12”	1,778.20	1,778.20	1,778.20	1,778.20	1,771.12	1,614.51	1,486.66	1,310.24	1,264.71	1,234.47
Reduction applied if usage is less than 2,993 gallons:	(2.57)	(2.57)	(2.57)	(2.57)	(2.55)	(2.32)	(2.14)			
Usage *(per 100 gallons)*										
First 2,992 Gallons	0.0740	0.0740	0.0740	0.0740	0.0737	0.0672	0.0619			
Next 1,497 Gallons	0.1295	0.1295	0.1295	0.1295	0.1290	0.1176	0.1083			
Next 1,496 Gallons	0.1665	0.1665	0.1665	0.1665	0.1658	0.1511	0.1391			
Next 1,496 Gallons	0.2034	0.2034	0.2034	0.2034	0.2026	0.1847	0.1701			
Next 2,992 Gallons	0.2405	0.2405	0.2405	0.2405	0.2395	0.2183	0.2010			
Next 4,489 Gallons	0.2775	0.2775	0.2775	0.2775	0.2764	0.2520	0.2320			
Next 5,237 Gallons	0.3329	0.3329	0.3329	0.3329	0.3316	0.3023	0.2784			
Over 20,199 Gallons	0.4809	0.4809	0.4809	0.4809	0.4790	0.4366	0.4020			
Standard:										
First 5,985 gallons								0.1006	0.0971	0.0948
Next 6,732 gallons								0.1457	0.1406	0.1372
Next 4,488 gallons								0.2053	0.1982	0.1935
Over 17,205 gallons								0.3596	0.3471	0.3388
Seasonal:[a]										
First 5,985 gallons								0.1006	0.0971	0.0948
Next 6,732 gallons								0.1584	0.1529	0.1492
Next 4,488 gallons								0.2355	0.2273	0.2219
Over 17,205 gallons								0.4880	0.4710	0.4597
Sewer										
Service Availability Charge by meter size[b]										
5/8”	$14.53	$14.53	$14.53	$14.53	$13.45	$12.98	$12.29	$12.69	$11.93	$11.49
3/4”	15.97	15.97	15.97	15.97	14.79	14.28	13.52	12.69	11.93	11.49
1”	18.14	18.14	18.14	18.14	16.80	16.22	15.36	12.69	11.93	11.49
1-1/2”	25.41	25.41	25.41	25.41	23.53	22.71	21.51	12.69	11.93	11.49
2”	36.31	36.31	36.31	36.31	33.62	32.45	30.73	12.69	11.93	11.49
3”	72.61	72.61	72.61	72.61	67.23	64.89	61.45	12.69	11.93	11.49
4”	108.91	108.91	108.91	108.91	100.84	97.34	92.18	12.69	11.93	11.49
6”	181.52	181.52	181.52	181.52	168.07	162.23	153.63	12.69	11.93	11.49
8”	290.41	290.41	290.41	290.41	268.90	259.56	245.80	12.69	11.93	11.49
10”	435.65	435.65	435.65	435.65	403.38	389.36	368.71	12.69	11.93	11.49
12”	580.86	580.86	580.86	580.86	537.83	519.14	491.61	12.69	11.93	11.49
Usage per 100 gallons[c]	$0.3104	$0.3104	$0.3104	$0.3104	$0.2874	$0.2774	$0.2627			
1,497 gallons – 2,992 gallons	$0.4657	$0.4657	$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

[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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water										
Service Availability Charge by meter size:										
5/8”	$16.67	$16.67	$16.67	$16.67	$16.60	$15.14	$13.94	$9.86	$9.52	$9.29
3/4”	22.06	22.06	22.06	22.06	21.97	20.03	18.44	13.82	13.34	13.02
1”	32.97	32.97	32.97	32.97	32.66	29.78	27.42	21.72	20.97	20.47
1-1/2”	59.61	59.61	59.61	59.61	59.37	54.12	49.83	41.52	40.08	39.12
2”	91.75	91.75	91.75	91.75	91.38	83.30	76.70	65.26	62.99	61.48
3”	166.84	166.84	166.84	166.84	166.18	151.49	139.49	120.66	116.47	113.68
4”	274.06	274.06	274.06	274.06	272.97	248.84	229.13	199.78	192.84	188.23
6”	542.18	542.18	542.18	542.18	540.02	492.27	453.29	397.62	383.80	374.62
8”	863.89	863.89	863.89	863.89	860.45	784.37	722.26	635.03	612.96	598.30
10”	1,239.24	1,239.24	1,239.24	1,239.24	1,234.30	1,125.16	1,036.06	911.98	880.29	859.24
12”	2,311.67	2,311.67	2,311.67	2,311.67	2,302.46	2,098.87	1,932.66	1,703.33	1,644.14	1,604.82
Reduction applied if usage is less than 2,993 gallons:	(3.34)	(3.34)	(3.34)	(3.34)	(3.32)	(3.03)	(2.79)			
Usage *(per 100 gallons)*										
First 2,992 Gallons	0.0962	0.0962	0.0962	0.0962	0.0958	0.0873	0.0804			
Next 1,497 Gallons	0.1683	0.1683	0.1683	0.1683	0.1676	0.1528	0.1407			
Next 1,496 Gallons	0.2165	0.2165	0.2165	0.2165	0.2156	0.1965	0.1809			
Next 1,496 Gallons	0.2645	0.2645	0.2645	0.2645	0.2634	0.2401	0.2211			
Next 2,992 Gallons	0.3125	0.3125	0.3125	0.3125	0.3113	0.2838	0.2613			
Next 4,489 Gallons	0.3607	0.3607	0.3607	0.3607	0.3593	0.3275	0.3016			
Next 5,237 Gallons	0.4328	0.4328	0.4328	0.4328	0.4311	0.3930	0.3619			
Over 20,199 Gallons	0.6253	0.6253	0.6253	0.6253	0.6228	0.5677	0.5227			
Standard:										
First 5,985 gallons								0.1310	0.1264	0.1234
Next 6,732 gallons								0.1894	0.1828	0.1784
Next 4,488 gallons								0.2671	0.2578	0.2516
Over 17,205 gallons								0.4675	0.4513	0.4405
Seasonal:[(a)]										
First 5,985 gallons								0.1310	0.1264	0.1234
Next 6,732 gallons								0.2060	0.1988	0.1940
Next 4,488 gallons								0.3062	0.2956	0.2885
Over 17,205 gallons								0.6341	0.6121	0.5975
Sewer										
Service Availability Charge by meter size[(b)]										
5/8”	$17.43	$17.43	$17.43	$17.43	$16.14	$15.58	$14.75	$15.25	$14.33	$13.81
3/4”	19.18	19.18	19.18	19.18	17.76	17.14	16.23	15.25	14.33	13.81
1”	21.78	21.78	21.78	21.78	20.17	19.47	18.44	15.25	14.33	13.81
1-1/2”	30.50	30.50	30.50	30.50	28.24	27.26	25.81	15.25	14.33	13.81
2”	43.58	43.58	43.58	43.58	40.35	38.95	36.88	15.25	14.33	13.81
3”	87.12	87.12	87.12	87.12	80.67	77.87	73.74	15.25	14.33	13.81
4”	130.70	130.70	130.70	130.70	121.02	116.81	110.62	15.25	14.33	13.81
6”	217.83	217.83	217.83	217.83	201.69	194.68	184.36	15.25	14.33	13.81
8”	348.52	348.52	348.52	348.52	322.70	311.49	294.97	15.25	14.33	13.81
10”	522.77	522.77	522.77	522.77	484.05	467.23	442.45	15.25	14.33	13.81
12”	697.03	697.03	697.03	697.03	645.40	622.97	589.93	15.25	14.33	13.81
Usage per 100 gallons[(c)]										
1,497 gallons - 2,992 gallons	0.3726	0.3726	0.3726	0.3726	0.3450	0.3330	0.3153	0.4038	0.3795	0.3656
Over 2,992 Gallons	0.5588	0.5588	0.5588	0.5588	0.5174	0.4994	0.4729	0.4038	0.3795	0.3656

(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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water										
Service Availability Charge by meter size:										
5/8”	$13.86	$13.86	$13.86	$13.86	$13.80	$12.58	$11.58	$10.53	$10.16	$9.92
3/4”	19.79	19.79	19.79	19.79	19.71	17.97	16.55	15.05	14.53	14.18
1”	31.66	31.66	31.66	31.66	31.53	28.74	26.46	24.08	23.24	22.68
1-1/2”	61.29	61.29	61.29	61.29	61.05	55.65	51.24	46.65	45.03	43.95
2”	96.79	96.79	96.79	96.79	96.40	87.88	80.92	73.74	71.18	69.48
3”	179.74	179.74	179.74	179.74	179.02	163.19	150.27	136.96	132.20	129.04
4”	298.19	298.19	298.19	298.19	297.00	270.74	249.30	227.28	219.38	214.13
6”	594.32	594.32	594.32	594.32	591.95	539.61	496.88	453.06	437.32	426.86
8”	949.73	949.73	949.73	949.73	945.95	862.31	794.02	723.99	698.83	682.12
10”	1,364.34	1,364.34	1,364.34	1,364.34	1,358.90	1,238.74	1,140.64	1,040.08	1,003.94	979.93
12”	2,548.96	2,548.96	2,548.96	2,548.96	2,538.80	2,314.31	2,131.04	1,943.21	1,875.69	1,830.83
Usage *(per 100 gallons)*										
Base[(a)]	0.1810	0.1810	0.1810	0.1810	0.1803	0.1644	0.1514	0.1218	0.1176	0.1148
100-125% of base	0.2084	0.2084	0.2084	0.2084	0.2076	0.1892	0.1742	0.1457	0.1406	0.1372
125-150% of base	0.2717	0.2717	0.2717	0.2717	0.2706	0.2467	0.2272	0.2042	0.1971	0.1924
Over 175% of base	0.3171	0.3171	0.3171	0.3171	0.3158	0.2879	0.2651	0.2991	0.2887	0.2818
Sewer										
Service Availability Charge by Meter Size[(b)]										
5/8”	$14.53	$14.53	$14.53	$14.53	$13.45	$12.98	$12.29	$12.69	$11.93	$11.49
3/4”	15.97	15.97	15.97	15.97	14.79	14.28	13.52	12.69	11.93	11.49
1”	18.14	18.14	18.14	18.14	16.80	16.22	15.36	12.69	11.93	11.49
1-1/2”	25.41	25.41	25.41	25.41	23.53	22.71	21.51	12.69	11.93	11.49
2”	36.31	36.31	36.31	36.31	33.62	32.45	30.73	12.69	11.93	11.49
3”	72.61	72.61	72.61	72.61	67.23	64.89	61.45	12.69	11.93	11.49
4”	108.91	108.91	108.91	108.91	100.84	97.34	92.18	12.69	11.93	11.49
6”	181.52	181.52	181.52	181.52	168.07	162.23	153.63	12.69	11.93	11.49
8”	290.41	290.41	290.41	290.41	268.90	259.56	245.80	12.69	11.93	11.49
10”	435.65	435.65	435.65	435.65	403.38	389.36	368.71	12.69	11.93	11.49
12”	580.86	580.86	580.86	580.86	537.83	519.14	491.61	12.69	11.93	11.49
Usage *(per 100 gallons)*										
All gallons in excess of 1,496	0.4159	0.4159	0.4159	0.4159	0.3851	0.3717	0.3520	0.3365	0.3163	0.3047

(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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water										
Service Availability Charge by meter size:										
5/8”	$16.94	$16.94	$16.94	$16.94	$16.87	$15.38	$14.16	$13.69	$13.21	$12.89
3/4”	24.12	24.12	24.12	24.12	24.02	21.90	20.17	19.56	18.88	18.43
1”	38.45	38.45	38.45	38.45	38.30	34.91	32.15	31.29	30.20	29.48
1-1/2”	74.27	74.27	74.27	74.27	73.97	67.43	62.09	60.65	58.54	57.14
2”	117.20	117.20	117.20	117.20	116.73	106.41	97.98	95.87	92.54	90.33
3”	217.47	217.47	217.47	217.47	216.60	197.45	181.81	178.06	171.87	167.76
4”	360.65	360.65	360.65	360.65	359.21	327.45	301.52	295.46	285.19	278.37
6”	718.67	718.67	718.67	718.67	715.81	652.52	600.85	588.98	568.51	554.91
8”	1,148.31	1,148.31	1,148.31	1,148.31	1,143.74	1,042.61	960.05	941.20	908.49	886.76
10”	1,649.54	1,649.54	1,649.54	1,649.54	1,642.97	1,497.69	1,379.09	1,352.11	1,305.13	1,273.92
12”	3,081.65	3,081.65	3,081.65	3,081.65	3,069.37	2,797.97	2,576.40	2,526.17	2,438.39	2,380.08
Usage *(per 100 gallons)*										
Base[(a)]	0.2354	0.2354	0.2354	0.2354	0.2345	0.2138	0.1969	0.1584	0.1529	0.1492
100-125% of base	0.2710	0.2710	0.2710	0.2710	0.2699	0.2460	0.2265	0.1893	0.1827	0.1783
125-150% of base	0.3533	0.3533	0.3533	0.3533	0.3519	0.3208	0.2954	0.2654	0.2562	0.2501
Over 175% of base	0.4121	0.4121	0.4121	0.4121	0.4105	0.3742	0.3446	0.3887	0.3752	0.3662
Sewer										
Service Availability Charge by Meter Size[(b)]										
5/8”	$17.43	$17.43	$17.43	$17.43	$16.14	$15.58	$14.75	$15.25	$14.33	$13.81
3/4”	19.18	19.18	19.18	19.18	17.76	17.14	16.23	15.25	14.33	13.81
1”	21.78	21.78	21.78	21.78	20.17	19.47	18.44	15.25	14.33	13.81
1-1/2”	30.50	30.50	30.50	30.50	28.24	27.26	25.81	15.25	14.33	13.81
2”	43.58	43.58	43.58	43.58	40.35	38.95	36.88	15.25	14.33	13.81
3”	87.12	87.12	87.12	87.12	80.67	77.87	73.74	15.25	14.33	13.81
4”	130.70	130.70	130.70	130.70	121.02	116.81	110.62	15.25	14.33	13.81
6”	217.83	217.83	217.83	217.83	201.69	194.68	184.36	15.25	14.33	13.81
8”	348.52	348.52	348.52	348.52	322.70	311.49	294.97	15.25	14.33	13.81
10”	522.77	522.77	522.77	522.77	484.05	467.23	442.45	15.25	14.33	13.81
12”	697.03	697.03	697.03	697.03	645.40	622.97	589.93	15.25	14.33	13.81
Usage *(per 100 gallons)*										
All gallons in excess of 1,496	0.4992	0.4992	0.4992	0.4992	0.4622	0.4461	0.4224	0.4038	0.3795	0.3656

(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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water										
Service Availability										
Charge by meter size:										
6”	$538.85	$538.85	$538.85	$538.85	$536.70	$489.24	$450.50	$397.62	$383.80	$374.62
8”	860.58	860.58	860.58	860.58	857.15	781.36	719.48	635.03	612.96	598.30
10”	1,235.91	1,235.91	1,235.91	1,235.91	1,230.99	1,122.14	1,033.28	911.98	880.29	859.24
12”	2,308.35	2,308.35	2,308.35	2,308.35	2,299.15	2,095.85	1,929.88	1,703.33	1,644.14	1,604.82
Usage *(per 100 gallons)*										
Base[(a)]	0.2099	0.2099	0.2099	0.2099	0.2091	0.1906	0.1755			
Over base	0.6299	0.6299	0.6299	0.6299	0.6274	0.5719	0.5266			
Usage *(per 100 gallons)*										
Base[(a)]								0.1098	0.1060	0.1035
100-125% of base								0.1650	0.1593	0.1555
125-175% of base								0.2383	0.2300	0.2245
Over 175% of base								0.3369	0.3252	0.3174
Sewer										
Service Availability Charge	$340.07	$340.07	$340.07	$340.07	$314.88	$303.94	$287.82	$149.02	$140.06	$134.93
Usage *(per 100 gallons)*	0.4438	0.4438	0.4438	0.4438	0.4109	0.3966	0.3756	0.3641	0.3422	0.3297

(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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Inside City Limits										
Service Availability Charge by meter size:										
5/8”	$13.86	$13.86	$13.86	$13.86	$13.80	$12.58	$11.58	$10.53	$10.16	$9.92
3/4”	19.79	19.79	19.79	19.79	19.71	17.97	16.55	15.05	14.53	14.18
1”	31.66	31.66	31.66	31.66	31.53	28.74	26.46	24.08	23.24	22.68
1-1/2”	61.29	61.29	61.29	61.29	61.05	55.65	51.24	46.65	45.03	43.95
2”	96.79	96.79	96.79	96.79	96.40	87.88	80.92	73.74	71.18	69.48
3”	179.74	179.74	179.74	179.74	179.02	163.19	150.27	136.96	132.20	129.04
4”	298.19	298.19	298.19	298.19	297.00	270.74	249.30	227.28	219.38	214.13
6”	594.32	594.32	594.32	594.32	591.95	539.61	496.88	453.06	437.32	426.86
8”	949.73	949.73	949.73	949.73	945.95	862.31	794.02	723.99	698.83	682.12
10”	1,364.34	1,364.34	1,364.34	1,364.34	1,358.90	1,238.74	1,140.64	1,040.08	1,003.94	979.93
12”	2,548.96	2,548.96	2,548.96	2,548.96	2,538.80	2,314.31	2,131.04	1,943.21	1,875.69	1,830.83
Usage *(per 100 gallons)*										
First 8,229 gallons	0.3292	0.3292	0.3292	0.3292	0.3279	0.2989	0.2752			
Next 9,725 gallons	0.4607	0.4607	0.4607	0.4607	0.4589	0.4183	0.3852			
Next 144,362 gallons	0.5925	0.5925	0.5925	0.5925	0.5901	0.5379	0.4953			
Over 163,316 gallons	0.7570	0.7570	0.7570	0.7570	0.7540	0.6873	0.6329			
Standard:										
First 6,732 gallons								0.1713	0.1653	0.1613
Next 10,473 gallons								0.2053	0.1982	0.1935
Over 17,205 gallons								0.3596	0.3471	0.3388
Seasonal:[(a)]										
First 6,732 gallons								0.1713	0.1653	0.1613
Next 10,473 gallons								0.2384	0.2301	0.2246
Over 17,205 gallons								0.4936	0.4764	0.4650
Outside City Limits										
Service Availability Charge by meter size:										
5/8”	$16.94	$16.94	$16.94	$16.94	$16.87	$15.38	$14.16	$13.69	$13.21	$12.89
3/4”	24.12	24.12	24.12	24.12	24.02	21.90	20.17	19.56	18.88	18.43
1”	38.45	38.45	38.45	38.45	38.30	34.91	32.15	31.29	30.20	29.48
1-1/2”	74.27	74.27	74.27	74.27	73.97	67.43	62.09	60.65	58.54	57.14
2”	117.20	117.20	117.20	117.20	116.73	106.41	97.98	95.87	92.54	90.33
3”	217.47	217.47	217.47	217.47	216.60	197.45	181.81	178.06	171.87	167.76
4”	360.65	360.65	360.65	360.65	359.21	327.45	301.52	295.46	285.19	278.37
6”	718.67	718.67	718.67	718.67	715.81	652.52	600.85	588.98	568.51	554.91
8”	1,148.31	1,148.31	1,148.31	1,148.31	1,143.74	1,042.61	960.05	941.20	908.49	886.76
10”	1,649.54	1,649.54	1,649.54	1,649.54	1,642.97	1,497.69	1,379.09	1,352.11	1,305.13	1,273.92
12”	3,081.65	3,081.65	3,081.65	3,081.65	3,069.37	2,797.97	2,576.40	2,526.17	2,438.39	2,380.08
Usage *(per 100 gallons)*										
First 8,229 gallons	0.4279	0.4279	0.4279	0.4279	0.4262	0.3885	0.3577			
Next 9,725 gallons	0.5991	0.5991	0.5991	0.5991	0.5967	0.5439	0.5008			
Next 144,362 gallons	0.7702	0.7702	0.7702	0.7702	0.7671	0.6993	0.6439			
Over 163,316 gallons	0.9841	0.9841	0.9841	0.9841	0.9802	0.8935	0.8227			
Standard:										
First 6,732 gallons								0.2225	0.2148	0.2097
Next 10,473 gallons								0.2670	0.2577	0.2515
Over 17,205 gallons								0.4675	0.4513	0.4405
Seasonal:[(a)]										
First 6,732 gallons								0.2225	0.2148	0.2097
Next 10,473 gallons								0.3100	0.2992	0.2920
Over 17,205 gallons								0.6416	0.6193	0.6045

(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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water Supply Fees:[(a)]										
Usage (*per 100 gallons*)										
Residential Class										
First 2,992 gallons	$0.1585	$0.1585	$0.1585	$0.140	$0.0997	$0.0954	$0.0892			
Next 1,497 gallons	0.2772	0.2772	0.2772	0.1819	0.1744	0.1669	0.1561			
Next 1,496 gallons	0.3563	0.3563	0.3563	0.2338	0.2242	0.2145	0.2007			
Next 1,496 gallons	0.4357	0.4357	0.4357	0.2859	0.2741	0.2623	0.2454			
Next 2,992 gallons	0.5150	0.5150	0.5150	0.3379	0.3240	0.3100	0.2900			
Next 4,489 gallons	0.5942	0.5942	0.5942	0.3899	0.3738	0.3577	0.3346			
Next 5,237 gallons	0.7129	0.7129	0.7129	0.4678	0.4485	0.4292	0.4015			
Over 20,199 gallons	1.0296	1.0296	1.0296	0.6756	0.6477	0.6198	0.5798			
First 5,985 gallons								$0.1285	$0.1223	$0.1080
Next 6,732 gallons								0.1858	0.1768	0.1562
Next 4,488 gallons								0.2622	0.2495	0.2204
Over 17,205 gallons								0.4589	0.4366	0.3857
General Class										
Base[(b)]	0.2989	0.2989	0.2989	0.1961	0.1880	0.1799	0.1683	0.1976	0.1880	0.1661
100-125% of base	0.3438	0.3438	0.3438	0.2256	0.2163	0.2070	0.1936	0.1976	0.1880	0.1661
125-175% of base	0.4482	0.4482	0.4482	0.2941	0.2820	0.2699	0.2525	0.1976	0.1880	0.1661
Over 175% of base	0.5232	0.5232	0.5232	0.3433	0.3291	0.3149	0.2946	0.1976	0.1880	0.1661
Wholesale Class										
Base[(c)]	0.3892	0.3892	0.3892	0.2554	0.2449	0.2344	0.2193	0.1976	0.1880	0.1661
Over base	1.1681	1.1681	1.1681	0.7665	0.7349	0.7033	0.6579	0.1976	0.1880	0.1661
Irrigation Class										
First 8,229 gallons	0.3911	0.3911	0.3911	0.2566	0.2460	0.2354	0.2202			
Next 9,725 gallons	0.5474	0.5474	0.5474	0.3592	0.3444	0.3296	0.3083			
Next 144,362 gallons	0.7039	0.7039	0.7039	0.4619	0.4429	0.4238	0.3964			
Over 162,316 gallons	0.8996	0.8996	0.8996	0.5903	0.5660	0.5416	0.5066			
First 6,732 gallons								0.1976	0.1880	0.1661
Next 10,473 gallons								0.2622	0.2495	0.2204
Over 17,205 gallons								0.4976	0.4735	0.4183
EAA Fee[(d)]	0.03452	0.03452	0.03452	0.03561	0.03533	0.03612	0.04259	0.03311	0.03295	0.03425
State-Imposed TCEQ Fees[(e)]										
Water Connection Fee	0.21	0.21	0.21	0.20	0.20	0.18	0.18	0.18	0.18	0.17
Wastewater Connection Fee	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06

(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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Edwards Exchange Customers[(a)]										
Service Availability Charge by meter size:										
5/8”	$14.71	$14.71	$14.71	$12.34	$12.12	$11.24	$10.42	$9.51	$9.26	$9.04
3/4”	19.13	19.13	19.13	16.05	15.77	14.63	13.56	12.37	12.05	11.76
1”	24.94	24.94	24.94	20.92	20.55	19.06	17.66	16.11	15.69	15.31
1-1/2”	39.62	39.62	39.62	33.24	32.65	30.29	28.07	25.61	24.95	24.35
2”	57.93	57.93	57.93	48.60	47.74	44.29	41.05	37.45	36.48	35.61
3”	154.09	154.09	154.09	129.27	126.98	117.79	109.17	99.61	97.03	94.71
4”	229.04	229.04	229.04	192.15	188.75	175.09	162.27	148.06	144.22	140.77
6”	436.90	436.90	436.90	366.53	360.05	334.00	309.55	282.44	275.12	268.54
8”	658.58	658.58	658.58	552.50	542.73	503.46	466.60	425.73	414.70	404.78
10”	903.06	903.06	903.06	757.60	744.20	690.35	639.81	583.77	568.64	555.04
12”	1,114.22	1,114.22	1,114.22	934.75	918.22	851.78	789.42	720.77	701.61	684.83
Usage *(per 100 gallons)*										
Standard:										
Transferred amount	0.0387	0.0387	0.0387	0.0325	0.0319	0.0296	0.0274	0.0250	0.0244	0.0238
In excess of transferred amount	0.1452	0.1452	0.1452	0.1218	0.1196	0.1109	0.1028	0.0938	0.0914	0.0892
Seasonal:[(b)]										
Transferred amount	0.0387	0.0387	0.0387	0.0325	0.0319	0.0296	0.0274	0.0250	0.0244	0.0238
In excess of transferred amount	0.1542	0.1542	0.1542	0.1294	0.1271	0.1179	0.1093	0.0997	0.0971	0.0948
Non-exchange Customers										
Service Availability Charge by meter size:										
5/8”	$14.71	$14.71	$14.71	$12.34	$12.12	$11.24	$10.42	$9.51	$9.26	$9.04
3/4”	19.13	19.13	19.13	16.05	15.77	14.63	13.56	12.37	12.05	11.76
1”	24.94	24.94	24.94	20.92	20.55	19.06	17.66	16.11	15.69	15.31
1-1/2”	39.62	39.62	39.62	33.24	32.65	30.29	28.07	25.61	24.95	24.35
2”	57.93	57.93	57.93	48.60	47.74	44.29	41.05	37.45	36.48	35.61
3”	154.09	154.09	154.09	129.27	126.98	117.79	109.17	99.61	97.03	94.71
4”	229.04	229.04	229.04	192.15	188.75	175.09	162.27	148.06	144.22	140.77
6”	436.90	436.90	436.90	366.53	360.05	334.00	309.55	282.44	275.12	268.54
8”	658.58	658.58	658.58	552.50	542.73	503.46	466.60	425.73	414.70	404.78
10”	903.06	903.06	903.06	757.60	744.20	690.35	639.81	583.77	568.64	555.04
12”	1,114.22	1,114.22	1,114.22	934.75	918.22	851.78	789.42	720.27	701.61	684.83
Usage *(per 100 gallons)*										
Standard:										
First 748,000 gallons	0.1553	0.1553	0.1553	0.1303	0.1280	0.1187	0.1100	0.1004	0.0978	0.0955
Over 748,000 gallons	0.1588	0.1588	0.1588	0.1332	0.1308	0.1213	0.1124	0.1026	0.0999	0.0975
Seasonal:[(b)]										
First 748,000 gallons	0.1670	0.1670	0.1670	0.1401	0.1376	0.1276	0.1183	0.1079	0.1051	0.1026
Over 748,000 gallons	0.1684	0.1684	0.1684	0.1413	0.1388	0.1288	0.1194	0.1089	0.1061	0.1036

(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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water										
Flow – All Areas	$1,188.00	$1,188.00	$1,188.00	$1,188.00	$1,182.00	$1,182.00	$1,182.00	$1,182.00	$1,182.00	$1,247.00
System Development:										
Low Elevation Service Area	855.00	855.00	855.00	855.00	619.00	619.00	619.00	619.00	619.00	579.00
Middle Elevation Service Area	1,014.00	1,014.00	1,014.00	1,014.00	799.00	799.00	799.00	799.00	799.00	774.00
High Elevation Service Area	1,203.00	1,203.00	1,203.00	1,203.00	883.00	883.00	883.00	883.00	883.00	966.00
Wastewater										
Treatment:										
Dos Rios/Leon Creek Service Area	651.00	651.00	651.00	651.00	786.00	786.00	786.00	786.00	786.00	552.00
Medio Creek	1,222.00	1,222.00	1,222.00	1,222.00	1,429.00	1,429.00	1,429.00	1,429.00	1,429.00	1,379.00
Upper and Lower Service Area										
Far West-Medio Service Areas										
Collection:										
Medio Creek	861.00	861.00	861.00	861.00	838.00	838.00	838.00	838.00	838.00	582.00
Upper Medina	1,422.00	1,422.00	1,422.00	1,422.00	1,565.00	1,565.00	1,565.00	1,565.00	1,565.00	1,053.00
Lower Medina	520.00	520.00	520.00	520.00	475.00	475.00	475.00	475.00	475.00	594.00
Upper Collection	2,800.00	2,800.00	2,800.00	2,800.00	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	1,795.00
Middle Collection	2,013.00	2,013.00	2,013.00	2,013.00	1,469.00	1,469.00	1,469.00	1,469.00	1,469.00	1,142.00
Lower Collection	902.00	902.00	902.00	902.00	719.00	719.00	719.00	719.00	719.00	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	2,706.00	2,706.00	2,796.00	2,796.00	2,796.00	2,796.00	1,590.00	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, 2022:					
CITY OF SAN ANTONIO	Municipal Entity	606	0.9	$4,884	0.9
HEB GROCERY	Grocery	645	0.9	4,031	0.7
SAN ANTONIO HOUSING AUTHORITY	Public Housing	517	0.7	3,189	0.6
METHODIST HEALTH CARE SYSTEM	Hospital System	374	0.5	2,892	0.5
BEXAR COUNTY	County Government	424	0.6	2,533	0.5
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	296	0.4	2,501	0.5
MARRIOTT HOTELS	Hotels	202	0.3	2,259	0.4
UNIVERSITY OF TEXAS AT SAN ANTONIO	Public University	177	0.2	1,589	0.3
TOWER JAZZ TEXAS, INC.	Semiconductors	290	0.4	1,558	0.3
NORTH EAST INDEPENDENT SCHOOL DISTRICT	School System	189	0.3	1,458	0.3
Subtotal (10 largest)		3,720	5.2	26,894	4.9
Balance from Other Customers		67,474	94.8	522,389	95.1
Total		71,194	100.0	$549,283	100.0
Fiscal Year Ended December 31, 2013:					
SAN ANTONIO WATER SYSTEM DISTRICT SPECIAL PROJECT[c]	Public Water Utility	1,808	3.3	$5,062	2.1
CITY OF SAN ANTONIO	Municipal Entity	547	1.0	2,646	1.1
HEB GROCERY	Grocery	471	0.9	1,743	0.7
SAN ANTONIO HOUSING AUTHORITY	Public Housing	471	0.9	1,723	0.7
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	303	0.5	1,325	0.6
BEXAR COUNTY	County Government	349	0.6	1,222	0.5
CPS ENERGY	Public Power Utility	271	0.5	937	0.4
MAXIM INTEGRATED PRODUCT, INC.	Electronics	265	0.5	837	0.4
NORTH EAST INDEPENDENT SCHOOL DISTRICT	School System	166	0.3	739	0.3
SAN ANTONIO INDEPENDENT SCHOOL DISTRICT	School System	151	0.3	727	0.3
Subtotal (10 largest)		4,802	8.7	16,961	7.1
Balance from Other Customers		50,306	91.3	221,840	92.9
Total		55,108	100.00	$238,801	100.00

(a) Potable water only.
(b) Includes Water Delivery, Water Supply, EAA fees, Conservation fees, and TCEQ water fees.
(c) In 2012, all assets, liabilities, rights, duties and obligations of the former Bexar Metropolitan Water District was transferred into an entity known as the San Antonio Water System District Special Project (DSP). DSP was reported as a discrete component unit of the City of San Antonio until formally merged into SAWS on January 1, 2017. In order to meet DSP customer demands during 2013, SAWS provided DSP with 1.8 billion gallons of water through various interconnects between the two systems.

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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, 2022:					
HEB GROCERY	Grocery	588	0.8	$2,949	1.1
SAN ANTONIO HOUSING AUTHORITY	Public Housing	510	0.7	2,224	0.8
BEXAR COUNTY	County Government	411	0.6	1,839	0.7
CITY OF SAN ANTONIO	Municipal Entity	271	0.4	1,352	0.5
METHODIST HEALTH CARE SYSTEM	Hospital System	293	0.4	1,261	0.5
TOWER JAZZ TEXAS, INC.	Electronics	249	0.3	1,038	0.4
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	170	0.2	890	0.3
TOYOTA	Automobile Manufacturer	193	0.3	846	0.3
FRITO LAY, INC.	Food Manufacturer	79	0.1	630	0.2
UNIVERSITY OF TEXAS AT SAN ANTONIO	Public University	130	0.2	556	0.2
Subtotal (10 largest)		2,893	4.1	13,585	4.9
Balance from Other Customers		68,301	95.9	266,092	95.1
Total		71,194	100.00	$279,677	100.00
Fiscal Year Ended December 31, 2013:					
HEB GROCERY	Grocery	410	0.9	$2,026	1.1
SAN ANTONIO HOUSING AUTHORITY	Public Housing	459	1.0	1,414	0.8
BEXAR COUNTY	County Government	275	0.6	923	0.5
L & H PACKING COMPANY	Beef Processor	128	0.3	723	0.4
MAXIM INTEGRATED PRODUCT, INC.	Electronics	230	0.5	713	0.4
TOYOTA	Automobile Manufacturer	203	0.4	619	0.3
OAK FARMS DAIRY	Dairy Producer	47	0.1	611	0.3
CITY OF SAN ANTONIO	Municipal Entity	174	0.4	569	0.3
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	155	0.3	543	0.3
FRITO LAY, INC.	Food Manufacturer	58	0.1	446	0.2
Subtotal (10 largest)		2,139	4.5	8,587	4.6
Balance from Other Customers		45,578	95.5	176,273	95.4
Total		47,717	100.00	$184,860	100.00

* Excludes Wholesale Wastewater usage and revenues; includes TCEQ wastewater fees.

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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, 2022:			
LACKLAND AIR FORCE BASE	Military	$5,156	37.3
JOINT BASE SAN ANTONIO - FORT SAM HOUSTON	Military	2,369	17.2
LEON VALLEY	Municipal Government	1,626	11.8
ALAMO HEIGHTS	Municipal Government	1,431	10.4
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	904	6.5
KIRBY	Municipal Government	629	4.6
BALCONES HEIGHTS	Municipal Government	612	4.4
OLMOS PARK	Municipal Government	467	3.4
LACKLAND ANNEX	Military	311	2.3
AIR FORCE VILLAGE II	Municipal Government	120	0.9
Subtotal (10 largest)		13,627	98.6
Balance from Other Customers		187	1.4
Total		$13,814	100.00
Fiscal Year Ended December 31, 2013:			
JOINT BASE SAN ANTONIO - FORT SAM HOUSTON	Military	$1,559	20.5
LEON VALLEY	Municipal Government	1,203	15.8
LACKLAND AIR FORCE BASE	Military	1,191	15.7
ALAMO HEIGHTS	Municipal Government	1,150	15.1
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	673	8.9
BALCONES HEIGHTS	Municipal Government	479	6.3
KIRBY	Municipal Government	431	5.7
OLMOS PARK	Municipal Government	395	5.2
LACKLAND AIR FORCE BASE/ANNEX @ MEDINA	Military	212	2.8
HOLLYWOOD PARK	Municipal Government	95	1.3
Subtotal (10 largest)		7,388	97.2
Balance from Other Customers		211	2.8
		$7,599	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

	Total Debt Outstanding by Type									
	Revenue Bonds[b]									
Year	Principal Outstanding	Unamortized Premium & Discount	Net Revenue Bonds Payable	Commercial Paper Notes[a]	Other Debt[b]	Total Debt Outstanding	Gross Revenues[c]	Ratio of Total Debt to Gross Revenue	Customer Connections[d]	Debt Per Customer Connection
2022	$2,991,525	$301,055	$3,292,580	$229,585		$3,522,165	$885,326	3.98	1,053,482	$3,343
2021	2,907,860	299,141	3,207,001	234,020	-	3,441,021	781,304	4.40	1,032,355	3,333
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

[a] Details regarding outstanding revenue bonds and commercial paper notes can be found in the notes to the financial statements.
[b] Includes notes payable.
[c] 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 Tax Credit Bonds. Beginning in 2018, investment mark-to-market adjustments were also excluded.
[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

Year	Gross Revenues[(a)]	Operating Expenses[(b)]	Net Available Revenue	Revenue Bond Debt Service[(c)] Principal	Interest[(d)]	Total	Coverage	Maximum Annual Debt Service Requirements Total Debt[(e)]	Coverage	Senior Lien Debt[(e)]	Coverage[(f)]
2022	$885,326	$459,306	$426,020	$80,910	$112,556	$193,466	2.20	$227,195	1.88	$14,111	30.19
2021*	781,304	436,077	345,227	90,260	113,989	204,249	1.69	219,263	1.57	33,532	10.30
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**	703,202	330,235	372,967	84,875	103,922	188,797	1.98	194,518	1.92	81,428	4.58
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

* The 2021 Maximum Annual Debt Service Senior Lien Debt reflects the 2021 senior lien debt.
** In 2018, the pledged revenue calculation began excluding non-cash revenues and expenses.
(a) 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 Tax Credit Bonds. Beginning in 2018, investment mark to market adjustments were also excluded.
(b) 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.
(c) 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.
(d) Interest reported net of the U.S. federal interest subsidy on the Tax Credit Bonds.
(e) Debt service requirements consist of principal and interest payments net of the U.S. federal interest subsidy on the Tax Credit 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[b]	Personal Income[c] (*thousands of dollars*)	Per Capita Personal Income[b]	School Enrollment[b]	Building Permits-Dwelling Units[d]	Employment[e]	Unemployment Rate[d]
2022*						24,006	1,142,300	3.4%
2021	1,451,863	34.1	$41,900,766	$28,860	372,075	22,266	1,091,400	3.8%
2020	1,434,625	33.8	37,770,807	26,328	410,917	16,777	1,045,900	6.1%
2019	1,547,250	34.4	41,506,529	26,826	411,357	15,931	1,094,900	2.7%
2018	1,532,212	33.6	37,821,121	24,684	411,539	11,586	1,074,900	3.2%
2017	1,511,913	33.5	37,230,858	24,625	410,625	12,515	1,052,400	3.1%
2016	1,492,494	33.1	35,701,949	23,921	401,867	12,239	1,035,100	3.7%
2015	1,469,824	33.2	34,905,380	23,748	403,558	7,824	1,005,400	3.5%
2014	1,436,723	32.9	32,790,329	22,823	401,771	10,274	976,100	3.8%
2013	1,409,000	33.0	31,581,326	22,414	407,047	8,065	939,000	5.0%

* 2022 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: U.S. Census American Community Survey (1 year estimates), except 2020 which is from 2020 Decennial Census.
(b) Source: U.S. Census American Community Survey (1 year estimates), except 2020 data which is from American Community Survey (5 year estimate).
(c) Equals (Population * Per Capital Income)/1,000. Calculation for 2022 not available.
(d) Source: Real Estate Center, Texas A&M University, Building Permits (single & multi-family), San Antonio – New Braunfels Metropolitan Statistical Area.
(e) Source: Bureau of Labor Statistics, San Antonio – New Braunfels Metropolitan Statistical Area, Total Non-Farm Employment and Unemployment Rate.
2022 data is as of November 2022

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

Employer	2022 Employees[a]	2022 Rank	2022 Percentage of Total City Employment[b]	2013 Employees[c]	2013 Rank	2013 Percentage of Total City Employment[d]
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph[c]	82,639	1	7.23%	92,301	1	9.83%
HEB Grocery	20,000	2	1.75%	20,000	3	2.13%
USAA	19,000	3	1.66%	17,000	2	1.81%
City of San Antonio	13,420	4	1.17%	11,371	5	1.21%
Northside Independent School District	12,206	5	1.07%	12,751	4	1.36%
Methodist Health Care System	12,000	6	1.05%	8,000	7	0.85%
North East Independent School District	8,208	7	0.72%	10,522	6	1.12%
San Antonio Independent School District	7,500	8	0.66%	7,374	8	0.79%
University of Texas Health Science Center	7,200	9	0.63%	5,500	10	0.59%
Baptist Health Systems	6,490	10	0.57%	6,216	9	0.66%
Total	188,663		16.51%	191,035		20.35%

Source: Economic Development Division, City of San Antonio, Texas, Book of Lists 2021, and Department of Defense personnel statistics.

(a) 2021 employment data from City of San Antonio's 2021 Annual Report.
(b) Percent based on an Employment Estimate of 1,142,300 of non-farm jobs in the San Antonio – New Braunfels Metropolitan Statistical Area from the Bureau of Labor Statistics as of November 2022.
(c) 2013 employment data from City of San Antonio's 2022 Annual Report.
(d) Percent based on an Employment Estimate of 939,000 of non-farm jobs in the San Antonio – New Braunfels Metropolitan Statistical Area from Bureau of Labor Statistics for 2012.

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

	Fiscal Year									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Functional Group										
President/CEO	13	13	13	9	9	8	7	10	13	14
Production & Treatment Operations	268	256	267	373	358	299	302	138	131	292
Distribution & Collection Operations	433	403	459	482	517	561	540	485	446	455
Operation Services	3	4	6	7	24	112	112	346	257	116
Operations Support	109	101	105	-	-	-	-	-	-	-
Sewer System Improvements	6	25	28	33	35	33	33	31	31	28
Public Affairs	52	51	52	51	57	51	24	28	26	24
Customer Service	309	282	310	238	230	231	229	233	235	229
Engineering & Construction	182	181	174	180	177	177	166	191	221	202
Water Resources	111	121	117	120	97	19	40	42	138	158
Financial Services	61	62	57	63	60	64	65	67	62	64
Information Services	94	88	93	92	91	89	92	72	65	64
Human Resources	52	48	50	50	42	42	45	42	35	44
Legal	36	34	35	36	36	37	37	39	39	42
Total Employees	1,729	1,669	1,766	1,734	1,733	1,723	1,692	1,724	1,699	1,732

[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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water Delivery[a]	$3,270,657	$3,155,038	$3,002,938	$2,855,896	$2,732,899	$2,760,533	$2,664,891	$2,489,921	$1,998,502	$1,882,369
Water Supply:										
Water Resources[b]	2,200,258	2,195,624	2,194,284	1,051,909	1,052,048	1,047,530	1,036,861	740,434	708,825	628,445
Recycle	177,875	178,058	178,260	178,213	177,846	181,281	178,219	177,487	159,171	159,059
Conservation	466	466	471	556	563	561	559	558	511	465
Stormwater	247	247	247	247	310	314	321	354	302	277
Wastewater	3,685,014	3,447,384	3,229,184	2,997,086	2,813,016	2,796,525	2,702,938	2,551,854	2,390,077	2,202,056
Chilled Water and Steam	56,780	56,780	68,590	66,710	65,553	61,280	62,800	61,162	51,117	56,929
Construction in Progress	775,306	603,821	521,627	673,633	506,810	332,635	228,595	485,962	368,688	506,829
Total assets before accumulated depreciation	10,166,603	9,637,418	9,195,601	7,854,250	7,349,045	7,180,659	6,875,184	6,507,462	5,677,193	5,436,429
Accumulated Depreciation	2,687,033	2,520,370	2,355,308	2,204,823	2,082,961	2,128,882	1,989,093	1,859,676	1,587,715	1,472,429
Net Capital Assets	$7,479,570	$7,117,048	$6,840,293	$5,649,427	$5,266,084	$5,051,777	$4,886,091	$4,647,786	$4,089,478	$3,964,000

[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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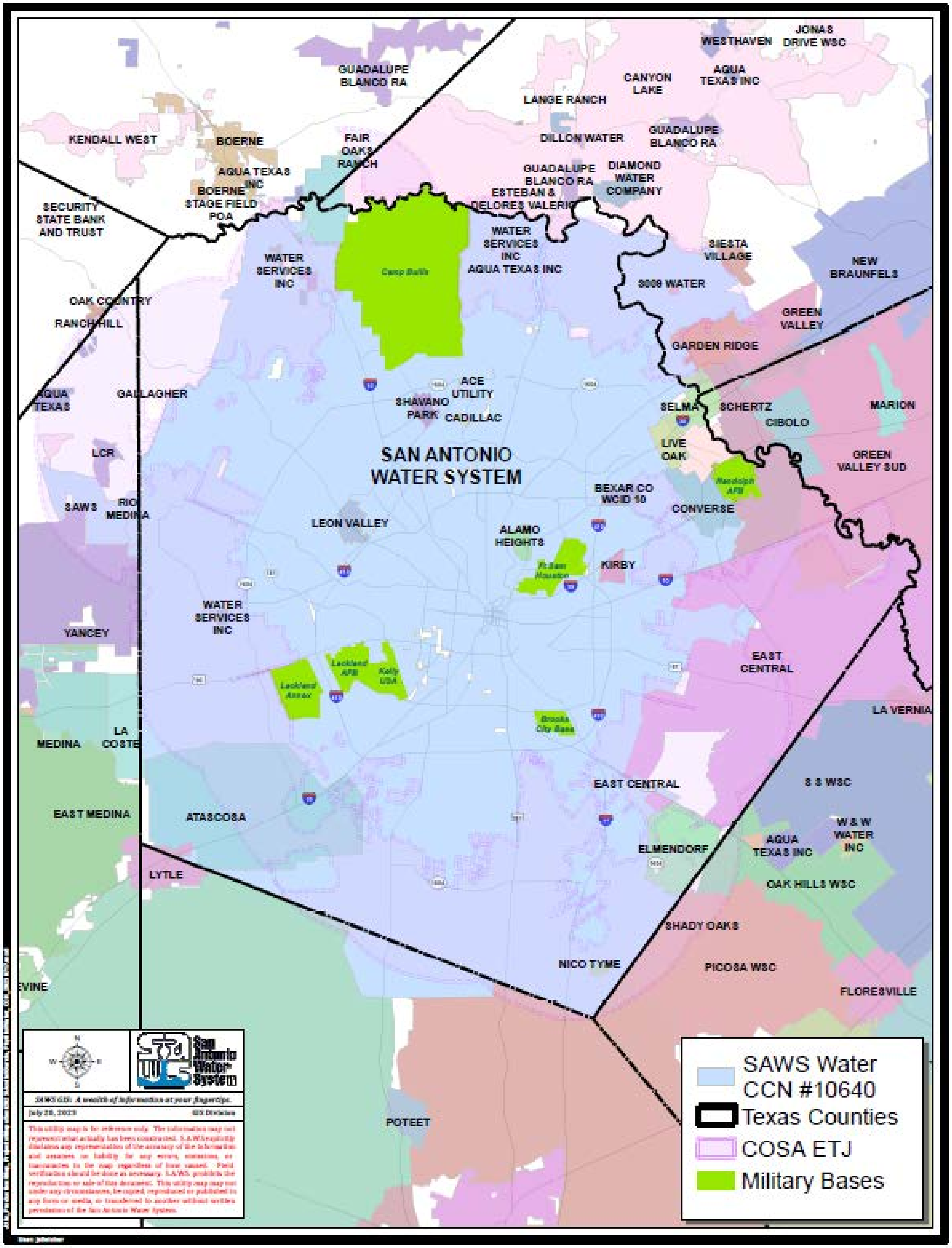
San Antonio Water System
Map 1 – Map of Water Service Area



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

	2022[f]	2021[f]	2020[g]	2019	2018	2017	2016	2015[h]	2014	2013
Rainfall (Inches)	11.51	34.61	20.7	22.02	41.20	27.33	43.92	44.22	27.63	32.00
Customers/Connections[a]	556,151	544,991	529,392	515,981	505,627	496,543	488,705	482,821	373,920	367,408
Water Pumpage (Million Gallons)										
Annual Water Pumped	94,801	89,281	85,547	84,702	85,092	89,843	88,016	83,138	69,834	69,020
ASR Recharge[b]	3,766	7,822	2,226	4,430	6,427	11,198	11,159	6,911	1,569	2,629
ASR Production[b]	4,847	1,699	3,970	1,281	1,453	462	697	1,903	6,374	4,793
Annual Pumped for Usage	91,035	81,460	83,321	80,271	78,665	78,645	76,857	76,227	68,265	66,391
Average Daily	249.4	223.2	234.0	232.1	233.1	245.6	240.5	227.8	191.3	189.1
Maximum Daily	336.1	442.4	315.0	328.6	301.0	302.8	359.9	335.0	261.0	270.2
Metered Usage (Million Gallons)	71,194	64,020	67,193	65,655	63,660	65,641	63,934	62,896	57,261	55,108
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights[c]	87,124	87,871	88,353	88,753	89,989	92,632	93,289	94,144	83,126	82,902
Non-Edwards supply[d]	39,638	39,507	35,664	23,543	25,905	24,634	27,710	23,233	12,931	11,476
Stored in ASR[e]	61,586	62,667	56,544	58,288	55,138	50,165	39,429	28,967	23,959	28,764
Total water available for production	188,347	190,045	180,562	170,584	171,032	167,431	160,428	146,344	121,086	122,484
Number of Wells in Service	180	180	180	181	182	191	191	182	147	149
Overhead Storage Capacity (Million Gallons)	124.1	124.1	124.1	120.1	120.1	117.1	119.9	119.9	101.8	91.3
Total Storage Capacity (Million Gallons)	308.4	308.4	308.4	287.6	287.6	277.2	269.2	261.7	220.6	197.4
Miles of Water Main in Place	7,649	7,511	7,391	7,260	7,144	7,060	6,961	6,831	5,259	5,072
Water Main Breaks	3,148	1,599	2,494	2,357	2,329	1,843	1,194	2,363	2,018	1,863
Fire Hydrants in Place	45,446	44,305	43,345	42,513	41,553	40,872	39,988	38,460	28,753	28,323

(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 plant. Starting in 2020, includes water available under the Vista Ridge Pipeline Project. 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) Increase in Maximum Daily Pumpage is primarily due to the 2021 Event's impact to the System.
(g) 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.
(h) 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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Arlington										
6000 Gallons	$26.78	$25.50	$25.50	$25.50	$25.50	$24.20	$24.20	$22.40	$21.12	$19.49
9000 Gallons	$35.57	$33.87	$33.87	$33.87	$33.87	$32.57	$32.57	$29.78	$27.96	$25.55
Austin										
6000 Gallons	$37.02	$37.02	$37.02	$37.02	$37.02	$38.35	$38.35	$37.37	$37.21	$29.74
9000 Gallons	$68.34	$68.34	$68.34	$68.34	$68.34	$70.30	$70.30	$66.88	$62.60	$51.74
Corpus Christi(a)										
6000 Gallons	$39.06	$45.65	$45.18	$44.05	$44.05	$42.37	$42.37	$34.76	$34.76	$32.25
9000 Gallons	$59.46	$71.35	$70.65	$68.93	$68.93	$66.29	$66.29	$55.78	$55.78	$51.79
Dallas										
6000 Gallons	$22.27	$21.00	$21.00	$20.77	$20.77	$21.69	$21.35	$20.86	$19.87	$19.39
9000 Gallons	$35.26	$33.15	$33.15	$32.77	$32.77	$34.71	$34.10	$33.25	$31.60	$30.70
El Paso(b)										
6000 Gallons	$33.45	$30.78	$30.10	$28.27	$27.19	$25.23	$23.82	$21.62	$17.84	$17.84
9000 Gallons	$43.96	$40.40	$39.52	$37.25	$35.82	$37.40	$31.28	$28.42	$24.10	$24.10
Fort Worth										
6000 Gallons	$31.44	$31.44	$31.44	$30.82	$30.82	$29.39	$28.60	$26.62	$24.82	$23.32
9000 Gallons	$43.75	$43.75	$43.75	$42.73	$42.73	$41.14	$40.77	$38.49	$36.05	$34.55
Houston										
6000 Gallons	$45.80	$39.46	$36.37	$35.43	$34.46	$33.52	$32.42	$31.97	$30.62	$30.26
9000 Gallons	$73.19	$63.46	$53.65	$52.84	$50.42	$49.03	$47.42	$46.76	$44.78	$44.27
Lubbock										
6000 Gallons	$41.59	$41.09	$41.09	$42.09	$41.09	$44.56	$44.56	$45.18	$43.86	$45.00
9000 Gallons	$62.50	$62.00	$62.00	$62.00	$62.00	$58.84	$58.84	$63.72	$56.79	$57.00
Plano										
6000 Gallons	$34.73	$31.86	$31.86	$31.22	$29.48	$29.48	$25.98	$25.98	$25.41	$23.10
9000 Gallons	$47.09	$43.20	$43.20	$42.35	$40.07	$40.07	$35.28	$35.28	$33.72	$30.66
San Antonio (Standard)(b)										
6000 Gallons	$36.02	$36.06	$36.06	$31.20	$30.72	$28.65	$27.09	$23.50	$22.65	$21.54
9000 Gallons	$57.97	$58.03	$58.03	$48.29	$47.40	$44.37	$41.96	$34.43	$33.16	$31.37

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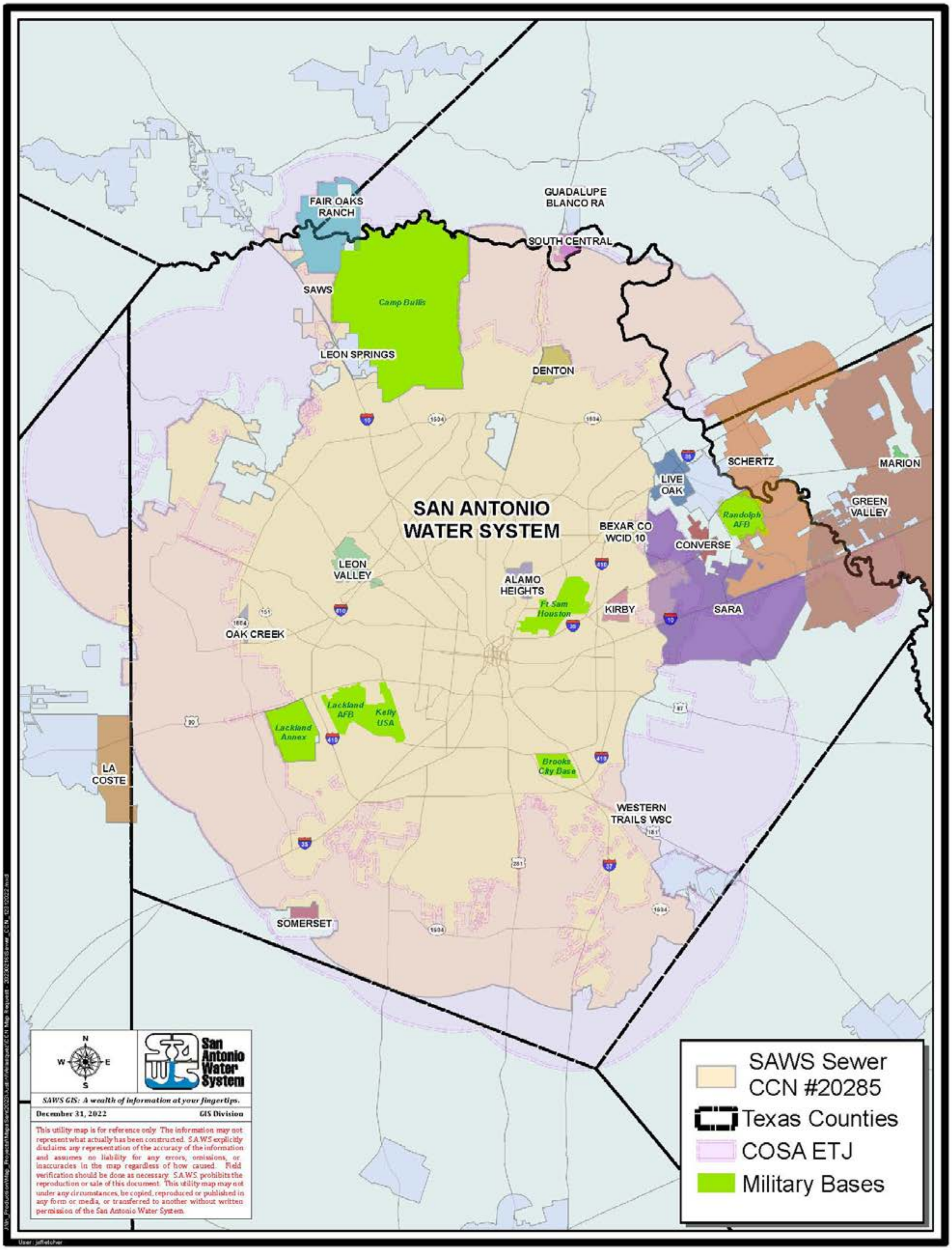
San Antonio Water System
Map 2 – Map of Wastewater Service Area



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

	Fiscal Year									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Customers/Connections[a]	497,331	487,364	473,478	461,555	449,893	442,552	437,460	429,609	424,257	416,801
Effluent Volumes for Major Facilities (million gallons per day)										
Clouse Water Recycling 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	89.94	94.81	86.77	94.34	94.70	94.46	98.26	93.84	85.20	78.47
Maximum Monthly Average Flow	128.84	108.12	92.01	105.39	114.90	106.44	117.01	112.44	91.19	86.78
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)	32.61	31.03	29.11	29.88	35.91	35.52	38.59	35.04	28.98	37.68
Maximum Monthly Average Flow (two outfalls)	46.14	35.07	30.53	32.67	46.36	38.61	45.06	44.26	39.03	44.16
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	9.49	10.37	10.04	10.05	6.84	6.43	7.73	6.92	7.08	7.76
Maximum Monthly Average Flow	15.83	11.57	10.72	10.92	8.75	7.08	9.73	8.24	7.49	8.45
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	132.04	136.22	125.92	134.27	137.45	136.41	144.58	135.79	121.26	124.26
Maximum Monthly Average Flow	190.81	154.75	133.26	148.98	170.01	152.13	171.80	162.54	137.71	139.40
Amount Treated Annually (millions of gallons)[c]	48,195	49,719	46,085	49,009	50,170	50,945	49,282	48,563	50,689	50,076
Amount Treated Peak Day (millions of gallons)	191	213	198	187	235	245	311	286	196	221
Miles of Sewer Main in Place	5,894	5,795	5,699	5,629	5,535	5,482	5,375	5,322	5,247	5,238
Number of Manholes in Place	117,429	115,012	112,767	110,836	108,580	107,247	105,346	103,874	100,017	99,037
Number of Lift Stations	152	149	146	146	154	151	155	153	156	155

(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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Arlington										
6000 Gallons	$45.94	$43.72	$43.72	$41.44	$38.02	$34.98	$31.56	$31.10	$30.26	$28.03
9000 Gallons	$62.11	$59.11	$59.11	$55.69	$50.56	$47.52	$42.69	$42.20	$41.24	$38.02
Austin										
6000 Gallons	$60.66	$60.66	$60.66	$60.66	$60.66	$62.30	$62.30	$59.86	$55.84	$54.40
9000 Gallons	$90.93	$90.93	$90.93	$90.93	$90.93	$93.35	$93.95	$89.68	$83.23	$81.22
Corpus Christi										
6000 Gallons	$61.66	$59.36	$59.36	$45.60	$45.60	$60.79	$60.79	$52.23	$52.23	$46.96
9000 Gallons	$82.72	$79.43	$79.43	$60.15	$60.15	$80.86	$80.86	$69.48	$69.48	$62.71
Dallas										
6000 Gallons	$39.09	$37.29	$37.29	$36.94	$36.94	$37.06	$36.56	$35.78	$34.15	$33.80
9000 Gallons	$56.10	$53.52	$53.52	$53.02	$53.02	$53.20	$52.49	$51.38	$49.00	$48.50
El Paso										
6000 Gallons	$29.80	$26.36	$25.86	$24.63	$22.82	$21.14	$19.73	$17.79	$16.48	$16.48
9000 Gallons	$39.79	$35.18	$34.52	$32.89	$30.48	$28.23	$26.35	$23.77	$22.01	$22.01
Fort Worth										
6000 Gallons	$40.29	$40.29	$40.29	$38.10	$38.10	$35.53	$34.49	$30.60	$27.96	$27.96
9000 Gallons	$57.02	$57.02	$57.02	$53.90	$53.90	$50.05	$48.49	$43.16	$39.39	$39.39
Houston										
6000 Gallons	$62.03	$53.50	$45.10	$42.57	$42.39	$41.23	$39.87	$39.31	$37.65	$37.20
9000 Gallons	$97.67	$85.00	$71.83	$68.40	$67.53	$65.68	$63.51	$62.62	$59.97	$59.25
Lubbock										
6000 Gallons	$38.81	$38.76	$38.76	$38.76	$38.26	$35.02	$35.02	$28.70	$27.50	$27.50
9000 Gallons	$49.94	$49.89	$49.89	$49.89	$49.39	$44.53	$44.53	$36.05	$34.25	$34.50
Plano										
6000 Gallons	$53.98	$45.85	$43.67	$43.67	$41.57	$41.57	$39.23	$37.40	$34.40	$33.54
9000 Gallons	$75.49	$64.12	$61.07	$61.07	$58.13	$58.13	$54.86	$52.31	$47.51	$46.32
San Antonio										
6000 Gallons	$33.24	$33.24	$33.24	$33.24	$30.78	$29.71	$28.13	$27.91	$26.24	$25.26
9000 Gallons	$47.21	$47.21	$47.21	$47.21	$43.72	$42.20	$39.96	$38.00	$35.73	$34.40

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

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MONTHLY WATER, SEWER, AND WATER SUPPLY FEE RATES

As discussed in "Advisory Committees - Rates Advisory Committee" above, in November 2022, the Board and the City Council approved revisions to the System's rate structure. The revised rate structure is designed to enhance affordability for essential water use while sending price signals for discretionary water use. The revised rate structure went into effect on or about January 1, 2023.

Residential Water Service
(Effective for Consumption on or about January 1, 2023.)

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 and the ADP Discount Program Recovery Rate volumetric rate, measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge*
5/8"	$ 9.00
3/4"	11.93
1"	17.79
1-1/2"	32.44
2"	50.02
3"	96.90
4"	149.64
6"	296.14
8"	471.94
10"	589.14
12"	823.54

* Water Service Availability Charge shall be increased by $2.00 Inside City Limits, if usage exceeds 4,000 gallons.

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
4,000	$ 0.907
7,000	1.678
12,000	3.039
20,000	3.991
Over 20,000	5.669

Water Uplift Assistance Program Fee Rate	
All Volumes	$ 0.159

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 and the ADP Discount Program Recovery Rate volumetric rate, measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge*
5/8"	$ 11.70
3/4"	15.51
1"	23.13
1-1/2"	42.18
2"	65.03
3"	125.97
4"	194.54
6"	384.99
8"	613.53
10"	765.89
12"	1,070.61

* Water Service Availability Charge shall be reduced by $2.60 Outside City Limits, if usage exceeds 4,000 gallons.

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
4,000	$ 1.180
7,000	2.182
12,000	3.951
20,000	5.189
Over 20,000	7.370

Water Uplift Assistance Program Fee Rate	
All Volumes	$ 0.159

Uplift Assistance Program Residential Water Service
(Effective for Consumption on or about January 1, 2023.)

Households at or below 125 percent of the Federal Poverty Level (FPL) are eligible to apply to be subject to the Uplift Assistance Program (UAP) water rates. The Service Availability Charge (minimum bill) is assessed for all UAP residential water service **INSIDE THE CITY LIMITS** of the City exceeding 2,000 gallons per month of usage furnished through meters of the following sizes together with the Monthly Volume Charge measured per 1,000 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	
Meter Size	Service Availability Charge*	Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
Tier 1 *	$ 0.00	2,000	$ 0.000
Tiers 2 – 5	3.00	6,000	1.000
		10,000	1.500
		15,000	2.500
		Over 15,000	3.500

*The UAP Water Service Availability Charge is zero if monthly consumption does not exceed the Tier 1 usage block threshold of 2,000 gallons.

The Service Availability Charge (minimum bill) is assessed for all UAP residential water service **OUTSIDE THE CITY LIMITS** of the City exceeding 2,000 gallons per month of usage furnished through meters of the following sizes together with the Monthly Volume Charge measured per 1,000 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	
Meter Size	Service Availability Charge*	Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
Tier 1 *	$ 0.00	2,000	$ 0.000
Tiers 2 – 5	3.90	6,000	1.300
		10,000	1.950
		15,000	3.250
		Over 15,000	4.550

*The UAP Water Service Availability Charge is zero if monthly consumption does not exceed the Tier 1 usage block threshold of 2,000 gallons.

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General Water Service
(Effective for Consumption on or about January 1, 2023.)

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 and the Water ADP Discount Program Recovery Rate volume charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge
5/8"	$ 12.70
3/4"	16.48
1"	24.04
1-1/2"	42.94
2"	65.62
3"	126.10
4"	194.14
6"	383.14
8"	609.94
10"	761.14
12"	1,063.54

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons	Rate Per 1,000 Gallons
Base*	$ 1.958
>100-125% of Base	2.252
>125-175% of Base	2.937
>175% of Base	3.427

Water Uplift Assistance Program Fee Rate	
All Volumes	$ 0.159

* 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 and the Water ADP Discount Program Recovery Rate volume charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge
5/8"	$ 16.00
3/4"	20.66
1"	29.98
1-1/2"	53.28
2"	81.23
3"	155.77
4"	239.64
6"	472.59
8"	752.13
10"	938.49
12"	1,311.21

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons	Rate Per 1,000 Gallons
Base*	$ 2.546
>100-125% of Base	2.928
>125-175% of Base	3.819
>175% of Base	4.456

Water Uplift Assistance Program Fee Rate	
All Volumes	$ 0.159

* 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, 2023.)

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

Meter Size[(1)]	Service Availability Charge
6”	$ 298.14
8”	473.94
10”	591.14
12”	825.54

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons	Rate Per 1,000 Gallons
Base*	$ 2.723
Over Base	5.446

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

(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, 2023.)

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 and the Water ADP Discount Program Recovery Rate measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge
5/8”	$ 12.70
3/4”	16.48
1”	24.04
1-1/2”	42.94
2”	65.62
3”	126.10
4”	194.14
6”	383.14
8”	609.94
10”	761.14
12”	1,063.54

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
8,000	$ 3.475
18,000	4.865
160,000	6.255
Over 160,000	7.993

Water Uplift Assistance Program Fee Rate	
All Volumes	$ 0.159

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 and the Water ADP Discount Program Recovery Rate measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge
5/8”	$ 16.00
3/4”	20.66
1”	59.98
1-1/2”	53.28
2”	81.23
3”	155.77
4”	239.64
6”	472.59
8”	752.13
10”	938.49
12”	1,311.21

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
8,000	$ 4.518
18,000	6.325
160,000	8.132
Over 160,000	10.391

Water Uplift Assistance Program Fee Rate	
All Volumes	$ 0.159

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Recycled Water Service – Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2023.)

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

Meter Size	Net Meter Charge
5/8”	$ 16.92
3/4”	22.00
1”	28.69
1-1/2”	45.57
2”	66.62
3”	177.21
4”	263.40
6”	502.44
8”	757.31
10”	1,038.52
12”	1,281.36

MONTHLY VOLUME CHARGE

Usage Blocks	Rate Per 1,000 Gallons Standard*	Seasonal*
Transferred Amount	$ 0.446	$ 0.446
All in Excess of Transferred Amount	1.670	1.774

* The Volume Charge “Seasonal” Rate Per 1,000 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 1,000 Gallons shall be utilized.

Recycled Water Service – Non-Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2023.)

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 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Net Meter Charge
5/8”	$ 16.92
3/4”	22.00
1”	28.69
1-1/2”	45.57
2”	66.62
3”	177.21
4”	263.40
6”	502.44
8”	757.37
10”	1,038.52
12”	1,281.36

MONTHLY VOLUME CHARGE

Usage Blocks	Rate Per 1,000 Gallons Standard*	Seasonal*
First 748,000	$ 1.786	$ 1.921
Over 748,000	$ 1.827	$ 1.937

* The Volume Charge “Seasonal” Rate Per 1,000 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 1,000 Gallons shall be utilized.

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Water Supply Fee
(Effective for Consumption on or about January 1, 2023.)

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:

Rate Class	Usage Blocks, Gallons Threshold	Fee to be Assessed (Per 1,000 gallons)
Residential	4,000	$ 1.631
	7,000	3.018
	12,000	5.464
	20,000	7.177
	Over 20,000	10.194
General	Base*	$ 3.079
	125% of Base	3.541
	175% of Base	4.619
	Over 175% of Base	5.389
Wholesale	Base**	$ 3.567
	Over Base	7.134
Irrigation	8,000	$ 3.813
	18,000	5.339
	160,000	6.864
	Over 160,000	8.770
Uplift Assistance Program Residential	2,000	$ 0.000
	6,000	1.650
	10,000	2.475
	15,000	4.125
	Over 150000	5.775

* 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 Board.

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Residential Sewer Service
(Effective for Consumption on or about January 1, 2023.)

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 Monthly Sewer Service Availability Charge, Monthly Sewer Volume Charge and the Sewer ADP Discount Program Recovery Rate schedules below.

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge*
5/8”	$ 10.00
3/4”	13.89
1”	21.66
1-1/2”	41.08
2”	64.39
3”	126.55
4”	196.48
6”	390.73
8”	623.83
10”	779.23
12”	1,090.03

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
4,000	$ 2.539
Over 4,000	4.444

Sewer Uplift Assistance Program Fee Rate	
All Volumes	$ 0.161

* 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 Monthly Sewer Service Availability Charge, Monthly Sewer Volume Charge and the Sewer ADP Discount Program Recovery Rate schedules below.

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge*
5/8”	$ 12.00
3/4”	16.67
1”	26.00
1-1/2”	49.30
2”	77.27
3”	151.86
4”	235.78
6”	468.88
8”	748.60
10”	935.08
12”	1,308.04

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons Threshold	Rate Per 1,000 Gallons
4,000	$ 3.047
Over 4,000	5.333

Sewer Uplift Assistance Program Fee Rate	
All Volumes	$ 0.161

* Customers who do not have a winter record of water usage or an interim average will be billed for sewer service assuming 5,895 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.

Uplift Assistance Program Residential Sewer Service
(Effective for Consumption on or about January 1, 2023.)

Households at or below 125 percent of the Federal Poverty Level (FPL) are eligible to apply to be subject to the Uplift Assistance Program (UAP) sewer rates. Sewer service charge for all metered residential water connections shall be the application of the Sewer Monthly Volume Charges to average monthly 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 schedule below.

Usage Blocks, Gallons	Inside City Limits Rate Per 1,000 Gallons	Outside City Limits Rate Per 1,000 Gallons
Threshold		
2,000	$ 0.000	$ 0.000
Over 2,000	2.700	3.240

Customers who do not have a winter record of water usage or an interim average will be billed for sewer service assuming 5,895 gallons monthly sewer usage.

General Class Sewer Service
(Effective for Consumption on or about January 1, 2023.)

INSIDE CITY LIMITS ("ICL")

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge*
5/8"	$ 10.00
3/4"	13.89
1"	21.66
1-1/2"	41.08
2"	64.39
3"	126.55
4"	196.48
6"	390.73
8"	623.83
10"	779.23
12"	1,090.03

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons	Rate Per 1,000 Gallons
All Volumes	$ 4.368

Sewer Uplift Assistance Program Fee Rate	
All Volumes	$ 0.161

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

OUTSIDE CITY LIMITS ("OCL")

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge*
5/8"	$ 12.00
3/4"	16.67
1"	26.00
1-1/2"	49.30
2"	77.27
3"	151.86
4"	235.78
6"	468.88
8"	748.60
10"	935.08
12"	1.308.04

MONTHLY VOLUME CHARGE

Usage Blocks, Gallons	Rate Per 1,000 Gallons
All Volumes	$ 5.242

Sewer Uplift Assistance Program Fee Rate	
All Volumes	$ 0.161

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

Wholesale Sewer Service
(Effective for Consumption on or about January 1, 2023.)

MONTHLY SERVICE AVAILABILITY CHARGE	MONTHLY VOLUME CHARGE
	Rate Per 1,000 Gallons
All Meter Sizes: $ 340.07	All Usage: $ 4.256

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.

Year	EAA Fee *(per 100 gallons) ($)*
2014	0.3295
2015	0.3311
2016	0.4259
2017	0.3612
2018	0.3533
2019	0.3561
2020	0.3452
2021	0.3452
2022	0.3385
2023	0.2992

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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.

	TCEQ Pass-Through Fee	
Service Type (Monthly Fee)	Water Connection Fee	Wastewater Connection Fee
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
2022	0.21	0.06
2023	0.21	0.06

ENVIRONMENTAL 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. Consistent with the Biden administration's enhanced focus on environmental regulation, on September 24, 2022, the EPA announced that it is establishing the new Office of Environmental Justice and External Civil Rights that will be charged with advancing environmental justice and civil rights concerns. It is too early to determine how active this new office will be and what impact it may have on the System.

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. It was anticipated that the EPA's Groundwater Rule could have an impact on the System if it was determined that any individual production well might need additional treatment. To date, the impact has been minimal with only an occasional increase in testing. While the highest estimated cost for compliance with the Groundwater Rule could be up to $2.00 per gallon at any well that may be affected, this potential worst case would be limited to a very small number of wells.

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 initial 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. Water sampling and analysis is required with exceedance triggering more extensive sampling and potential adjustments to corrosion control measures. Mandatory testing at schools and childcare facilities is also a component of the proposed revisions. 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 public water systems to develop an inventory of all service lines in both the water system's distribution system and in customer systems. The inventory must categorize service lines in one of four categories: lead, galvanized requiring replacement, non-lead, or unknown. Annual updates to the inventory are expected to reduce the number of unknown service lines and show the results of replacement operations. On June 16, 2021, the EPA issued an update that stated that it would continue to review the Lead Rule, comments and other collected information as well as continue stakeholder engagement and further delayed the effective date for the Lead Rule to December 16, 2021, and the compliance date to October 16, 2024. After completion of the stakeholder engagement process, and a review of the proposed Lead Rule, the EPA announced on December 16, 2021 that the Lead Rule should take effect as it is currently drafted. The Lead Rule that became effective delayed the requirement for testing at schools and childcare facilities until after October 16, 2024. The EPA has committed to issuing new guidance for the Lead Rule to include guidance on developing lead service line inventories, best practices, case studies, and templates.

While still awaiting this further guidance, SAWS has recently begun taking steps to quantify the number of water service lines within its System which are of unknown material and may require inspection. Initial estimates are that there are approximately 392,000 such service lines with approximately 292,000 of these being customer owned and approximately 100,000 being SAWS owned. As the testing rates and requirements are still being finalized, it is uncertain as to exactly how many of these service lines SAWS will be required to inspect. However, SAWS currently estimates that the average cost to conduct potholing inspections would be approximately $1,000 per service line. Additionally, any required service line replacements identified are estimated to cost approximately $5,000 per service line with this amount projected to increase with inflation in subsequent years. SAWS would be responsible for the cost of replacing any SAWS owned service lines while the cost to replace any customer owned service lines is ultimately the responsibility of the homeowner. SAWS does not currently anticipate needing to replace a significant portion of its SAWS owned service lines but is unable to reasonably estimate until further testing is completed.

SAWS obtained a consultant to assist in preparing an inventory of pipes to submit to the TCEQ by the October 2024 deadline, which SAWS expects to meet. SAWS is working with the consultant to develop strategies on how best to determine the pipe material on the customer's side of the service lateral, including a pilot program to target specific areas of the city to identify pipe material. SAWS recently received approval of a City Council ordinance to amend the City's plumbing code to require plumbers to identify and document the pipe material when exposing a private lateral for submittal to SAWS.

The EPA announced that it will develop a new proposed rulemaking to strengthen key elements of the Lead Rule. The EPA anticipates finalizing the forthcoming Lead and Copper Rule Improvements (the "LCRI") prior to October 16, 2024. Additional analysis will be necessary when the LCRI is finalized in October 2024 to assess potential changes to the action and trigger levels in the current Lead Rule, and a possible requirement to identify and replace all lead service in the public water systems.

In October of 2021, the EPA issued a Strategic Roadmap to address per- and poly-fluoroalkyl substances ("PFAS"). Since that time, the EPA has utilized a whole-of-agency approach to PFAS by taking multiple actions, including revising non-regulatory health advisory limits for PFOA and PFOS; proposed a rule to include PFAS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as Superfund; and established requirements for monitoring of PFAS in drinking water under the fifth Unregulated Contaminant Monitoring Rule ("UCMR"). The UCMR requires all public water systems in the country to test for 29 PFAS substances between 2023 and 2025. Test results will be reported to the EPA and eventually made available to the public. In March 2023, the EPA announced proposed national primary drinking water regulations and a Maximum Contaminant Limit for PFOA and PFOS of 4 parts per trillion, and a mixed hazard index for PFNA, HFPO-DA, PFHxS, and PFBS. The proposed rule requires monitoring of public water supplies and reports of PFAS levels. It is expected that the EPA will finalize the PFAS rule by the end of 2023. At this time, the PFAS Rule only applies to drinking water and does not address wastewater or its treatment. A compliance date for the PFAS Rule will likely have an effective date three (3) years from promulgation of the final rule. Additionally, in April 2023, the EPA issued an Advance Notice of Proposed Rulemaking asking for public input regarding the designation of an additional seven (7) PFAS substances as hazardous substances under CERCLA. Generally, CERCLA imposes liability on any party responsible for, in whole or in part, the presence of hazardous substances at a specific site. It is unclear how this model of liability applies to passive recipients of contamination from manufacturers and users of products containing PFAS substance.

Continued changes in rules and regulations, specifically the Lead Rule and the rapidly evolving rules regarding PFAS, 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. SAWS' 2023 budget includes $1.5 million in maintenance and operations costs for the Lead Rule initiative. Additional modifications and upgrades may be required to address modified rules, resulting in 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. In June 2021, the EPA and the Army announced they would initiate a new rulemaking process to restore protection in place prior to the 2015 definition.

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. On August 30, 2021, a U.S. District Court in Arizona vacated the Navigable Waters Protection Rule and remanded to the EPA and the Army for reconsideration. In light of this order, the Army and the EPA have halted the implementation of the Navigable Waters Protection Rule and are interpreting WOTUS consistent with the pre-2015 regulatory regime until further notice.

On November 18, 2021, the EPA and Army (the "Agencies") announced a proposed rule to re-establish the pre-2015 definition of WOTUS which had been in place for decades, updated to reflect consideration of Supreme Court of the United States (the "Supreme Court") decisions. The proposed rule was described by the Agencies upon its release as establishing a durable definition of WOTUS that protects public health, the environment, and downstream communities while supporting economic opportunity, agriculture, and other industries that depend on clean water. The Agencies will continue to consult with states, tribes, local governments, and stakeholders in both the implementation of WOTUS and future regulatory actions. The proposed rule was published in the Federal Register on December 7, 2021. The proposed rule had a 60-day comment period that expired on February 7, 2022.

Multiple suits have been filed and likely will continue to be filed related to the Clean Water Rule's provisions. On October 4, 2022, the Supreme Court heard oral arguments in *Sackett v. Environmental Protection Agency* to determine whether the United States Court of Appeals for the Ninth Circuit utilized the proper test for determining whether wetlands are WOTUS under the Clean Water Act.

On January 18, 2023, the Agencies' Final Rule was published in the Federal Register. The Final Rule reverts in large measure to the definition that was effective prior to 2015, i.e., the definitional framework that was in place in the 1980s as modified through guidance to take account of Supreme Court decisions. Under the Final Rule, WOTUS include the territorial seas, interstate waters and waters used in interstate commerce (traditional navigable waters), as well as tributaries to any of these waters and adjacent wetlands. The Final Rule adopts the approach that to be considered WOTUS tributaries must satisfy either the "relatively permanent" test or the "significant nexus" test from the Scalia and Kennedy opinions in *Rapanos v. U.S.*, 547 U.S. 715 (2006).

On January 18, 2023, the State of Texas filed a lawsuit challenging the Final Rule, arguing that it was vague and ambiguous, established arbitrary and capricious standards, and that the Agencies exceeded their authority in violation of the relatively new "major questions" doctrine. The Final Rule is currently stayed in Texas, among other states.

On May 25, 2023, the Supreme Court issued its decision in the *Sackett* case, finding that the Clean Water Act extends only to those "wetlands with a continuous surface connection to bodies that are waters of the United States in their own rights." The Court's decision went further by stating that wetlands must have a "continuous surface connection" with a body of water, "making it difficult to determine where the water ends and the wetland begins." The Supreme Court decision establishes the test for determining whether a wetland area can be considered "adjacent" to water of the United States and eliminates the regulation of free-standing wetlands with no physical connection to another body of water that is itself WOTUS.

It is anticipated that the EPA and Army will work to draft a new definition for WOTUS consistent with the Supreme Court decision in *Sackett*, with a new rule expected by September 1, 2023. It is premature to anticipate how that new version will specifically seek to address the decision.

While the *Sackett* lawsuit did not specifically address the Final Rule, it is anticipated that the Supreme Court's decision will certainly have an impact on pending litigation regarding the Final Rule. At this time, it is premature to speculate on the potential effects of the Supreme Court's decision on pending lawsuits, and on any revisions that may develop as a result, and their ultimate impact 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 AND VIOLATIONS FOR THE CITY'S WASTEWATER SYSTEM

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 $56,460 per day per violation. Effective January 12, 2022, the maximum amount of a civil penalty that may be assessed increased to $59,973 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.

SAWS recently received an audit report from TCEQ related to SAWS' pre-treatment plan, where the TCEQ identified three violations (two of which have been partially resolved and the third is completely resolved).

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, Governor Rick Perry submitted a list of 27 counties in Texas, including the 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 the County was marginal "non-attainment" under the NAAQS ozone standard with an effective date of September 24, 2018. The State is required to amend its State Implementation Plan ("SIP") to include the new non-attainment area. Under a marginal classification, the County was required to attain the 2015 eight-hour ozone standard by the end of 2020 to meet a September 24, 2021 attainment date. Within 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. The State of Texas submitted a revised SIP addressing the 2015 NAAQS to the EPA on August 17, 2018.

To help achieve ozone attainment by September 2021, 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 2022 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, there have been no particulate matter exceedance days that the TCEQ monitors in 2021 or in 2022.

In April 2022, the EPA announced a proposed action to move the County from "Marginal" to "Moderate Nonattainment" for ozone. If finalized, this new designation will mean that the City and adjacent areas (the "San Antonio Area") will be required to comply with new EPA air quality regulations and meet the ozone standard of 70 parts per billion (ppb) by September 24, 2024. A virtual hearing was held on May 9, 2022 regarding this proposed reclassification. The comment period for the EPA's proposed action closed on June 13, 2022. With the reclassification to Moderate Nonattainment, the TCEQ will have the regulatory role to enforce the EPA's Clean Air Act regulations. The TCEQ will prepare a SIP for the San Antonio Area by an as yet to be determined deadline set by the EPA. The purpose of the SIP is to provide a comprehensive plan to improve air quality consistent with the federal statutory and regulatory requirements.

Any State plan formulated to reduce ground-level ozone may curtail new industrial, commercial, and residential development in 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 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 continue to impact a wide cross-section of the business and residential community.

Failure by an area to comply with ozone standards 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.

Additionally, on February 13, 2023, the EPA disapproved the SIP submitted by Texas in 2018. The disapproval of the Texas SIP was one of 19 state-submitted SIPs that were disapproved by the EPA on that date based on "good neighbor" and "interstate transport" provisions in the Clean Air Act. The EPA identified several "technical flaws in TCEQ's modeling and analysis of modeling results" in the Texas SIP. The EPA further found that Texas's approach to the SIP was "inadequately justified and legally and technically flawed." Disapproval of a SIP allows the EPA to promulgate a Federal Implementation Plan (FIP) within two years of the disapproval. On February 14, 2023, the State of Texas filed suit in the United States Court of Appeals for the Fifth Circuit against the EPA for taking an arbitrary and capricious action in disapproving the SIP. The EPA sought removal and transfer of the suit to Washington, D.C. The State of Texas opposed the transfer and further asked for a stay of EPA action pending the completion of litigation. On March 15, 2023, the EPA signed the Federal Good Neighbor Plan for the 2015 Ozone NAAQS ("Final FIP"), which provides FIPs for 23 upwind States, including Texas. On May 1, 2023, the Fifth Circuit Court of Appeals denied the EPA's request for transfer of the matter to Washington, D.C. and issued a stay on EPA action. In its opinion issuing the stay of proceedings, the Fifth Circuit noted that the Clean Air Act confines the EPA's review of SIPs submitted by the states to a ministerial function of reviewing SIPs for consistency with the Clean Air Act's requirements. The Appeals Court found that the EPA exceeded its ministerial role, by "rather than merely ensuring that Texas's SIP complied with the text of the Clean Air Act, the EPA instead subjected the [SIP] to a range of factors not found in the Act." The Court also found that the EPA acted arbitrarily and capriciously by grounding its disapproval in modeling data that wasn't available when Texas submitted its SIP, and in exceeding the 12-month timeframe within which to approve or disapprove of the submitted plan. This ongoing litigation will play a significant part in how air quality standards for the State of Texas are developed and ultimately approved.

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 are required to demonstrate emissions reductions by 2022.

Lawsuits were filed challenging the new rules and consolidated into one case in the U.S. Court of Appeals for the District of Columbia Circuit (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 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 D.C. Circuit Court that seeks repeal of the ACER. On January 19, 2021, the D.C. Circuit Court vacated the ACER governing emissions controls for power plants and its embedded repeal of the Obama-era Clean Power Plan. On February 12, 2021, the EPA issued a memorandum that clarified that because the court vacated the ACER and did not expressly reinstate the Clean Power Plan, the EPA understands the court's decision as leaving neither rule in effect. The Biden administration and EPA stated that a revised Clean Power Plan would be forthcoming but major elements of the plan were lost in negotiations over the 2021 federal budget. On October 29, 2021, the Supreme Court agreed to hear an appeal of the decision made by the D.C. Circuit Court in January 2021. The appeal was filed by Republican-led states and coal companies seeking to limit the EPA's authority to regulate carbon emissions under the Clean Air Act. The Supreme Court issued an opinion on June 30, 2022 in *West Virginia v. EPA*. The Supreme Court held that Congress did not grant the EPA the authority to devise emissions caps based on the generation shifting approach the agency took in the Clean Power Plan based on Section 111(d) of the Clean Air Act. This decision represents the Supreme Court's first formal assertion of the "major questions" doctrine, which would be triggered when an agency claims broad authority based on new interpretations of older statutes, or statutes in which a grant of authority is not explicitly stated. The Supreme Court did not address the ACER in its consideration of the case. The decision reversed the D.C. Circuit Court ruling and remanded the proceedings back to the D.C. Circuit Court for further proceedings consistent with the Supreme Court ruling. On October 27, 2022, the D.C. Circuit Court responded to the Supreme Court decision by issuing an order that withdrew the mandate vacating the ACER, thereby reinstating the ACER. Because the EPA had informed the court that it is presently undertaking a rulemaking process to replace the ACER with a new rule governing greenhouse gas emissions from existing fossil-fuel-fired power plants, the court placed the case in abeyance pending completion of that rulemaking, rather than proceed to consider the remaining factual and legal issues raised by petitioners with respect to the ACER.

On March 10, 2023, the EPA promulgated a final rule and addressed the state plan submittal deadline. The EPA notes that because of the extensive legal proceedings, the ACER was vacated for a significant portion of the three-year period for state plan submittal, beginning on January 19, 2021, and extending through July 8, 2022. The rule remained vacated through October 26, 2022, and then was reinstated on October 27, 2022. Because the ACER has been reinstated, the states are once again under an obligation to submit the state plans required under the rule. However, because the rule's July 8, 2022, deadline has passed, and because the states had no reason to continue to work on their plans during the period when the ACER was vacated, the EPA has extended the deadline for submission of plans to April 15, 2024.

However, it should be noted that the EPA expects to propose the repeal and replacement of the ACER via rulemaking in 2023. If finalized, states would no longer be required to submit state plans to meet the requirements of the ACER, and instead would be required to submit state plans to meet the requirements of the replacement emissions guideline, on the schedule established by that guideline.

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.

TEXAS LEGISLATURE

The 88th Texas Legislature convened in regular session on January 10, 2023 and concluded on May 29, 2023. The Texas Governor called the first special session of the 88th Texas Legislature on May 29, 2023, and the Texas Governor called the second special session on June 27, 2023, which ended sine die on July 13, 2023. The Texas Governor may hereafter call one or more special sessions.

Neither SAWS nor the City make any representation regarding any actions the Texas Legislature has taken or may take, but SAWS is analyzing and monitoring passed and proposed legislation for any developments applicable thereto.

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, 2022, the amount of $31,064,067 (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:

Rogelio Carlos III, et al. v. Carlos Chavez, et al. San Antonio Police Department ("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.

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. The Court granted the City's motion for summary judgment in part and denied it in part. It denied the officer's motion for summary judgment. The officer filed an interlocutory appeal currently pending before the Fifth Circuit. No trial date has been set.

Marlo Ondrej, et al. v. City of San Antonio and David Perry. San Antonio Police received a call reporting a female at a local shopping center with an automatic weapon. SAPD officer David Perry arrived on the scene and saw plaintiff's decedent, Hannah Westall, in the parking lot. Officer Perry exited his vehicle and drew his weapon instructing Westall to raise her hands. Westall initially complied, then turned her body to show what appeared to be an automatic weapon in the back waistband of her pants. As Westall turned back, she lowered her hands towards her back waist. Officer Perry discharged his weapon, fatally striking Westall. Subsequent examination of the weapon revealed that it was a toy. Plaintiffs have filed suit under 42 U.S.C. § 1983 alleging use of excessive, deadly force. Plaintiff has agreed to drop the City as a Defendant. Defendant officer is preparing a Motion for Summary Judgement. No trial date has been set.

Associated Builders & Contractors of South Texas, Inc., et al. v. City of San Antonio, et al. In 2018, the City was served with a petition to enact a paid sick leave ordinance or to place the initiative on the ballot for an election. On August 16, 2018, the City enacted Ordinance No. 2018-08-16-0620 mandating that all private employers provide employees paid sick leave. This suit was filed by various business organizations alleging that the ordinance violated the Texas Minimum Wage Act. Plaintiffs sought a temporary injunction and declaratory judgment. A temporary injunction was granted. While this matter was on appeal, the Texas Supreme Court issued an opinion in an Austin case concerning a similar ordinance, finding the ordinance was preempted. Plaintiffs in this case are seeking attorneys' fees in an amount in excess of $250,000 which is still pending. This matter is not currently set for trial.

Alamo Aircraft, Ltd. v. City of San Antonio. Alamo Aircraft, Ltd. owned and/or leased business properties at 2602 SW 36th Street, 2613 SW 36th Street, and 2602 SW 36th Street for the business of buying and selling commercial and military aircraft parts, tools, and ground support equipment. The business required wide street access for tractor-trailers entering and exiting the property. In approximately 2009, the City began a roadway project for the upgrade and widening of SW 36th Street, and acquired portions of multiple properties, including Plaintiff's properties. Plaintiff alleges the project, as built, substantially altered portions of Plaintiff's properties impacting its ability to conduct business, including forcing Plaintiff to relocate its businesses. Plaintiff also claims the City violated a relocation agreement between the parties. Plaintiff filed suit for review of the City's actions and recovery for alleged violations of 42 U.S.C. § 4621 and 49 CFR, Part 24 and the Texas Property Code Section 21.046. Plaintiff seeks an order setting aside and reversing the City's relocation determinations and rulings, an award of an unspecified amount of damages for relocation entitlements and payments due and owing to Plaintiff, and attorneys' fees and costs. This case is not currently set for trial.

Alexander Lance v. City of San Antonio, et al. On May 30, 2020, Plaintiff and two friends were spectators at a George Floyd protest march in downtown San Antonio. As an unidentified SAPD officer walked past, Plaintiff yelled out that the rifle the officer carried "had better have the safety on". Plaintiff alleges the officer shot him at close range in the arm and leg with a rubber bullet. Plaintiff alleges other officers rushed over to surround the officer and used flashlights to prevent other witnesses from taking cell phone video. He also claims he was denied medical assistance. Plaintiff filed sued in federal court under 42 U.S.C. § 1983 alleging use of excessive force, negligent retention, and failure to train and supervise. Plaintiff sued the City and unnamed John Doe Officers. During the course of discovery, the names of the officers were disclosed, and the officers have been served and answered. Discovery is ongoing, and the case has not been set for trial.

Anja Contreras, individually and as Representative and Beneficiary to the Estate of Asante Contreras, Deceased v. Mazda Motor Corporation, Mazda Motor of America, Inc., City of San Antonio, Joseph W. Woolard, and Stephen Palade. On May 3, 2020, Defendant Joseph Woolard was wanted on four felony warrants for firing a shotgun at a BCSO deputy. When police officers attempted to contact him at a gas station, he fled for 40 minutes before going the wrong way on IH 35, striking a vehicle and causing the death of Asante Contreras. Plaintiff filed suit in state court alleging violations of 42 USC § 1983, the TTCA, and general negligence. Plaintiffs also asserted claims against Mazda Motor Corp. alleging negligence for the design and safety flaws of the Mazda 3 decedent was driving. Discovery is ongoing. This matter is set for trial on February 5, 2024.

Tyshell Klinedinst, individually and a/n/f of Shyla Klinedinst, Jhase Klinedinst, and Dominik Sally, minor children, and Necoa Baker v. City of San Antonio. Tyshell Klinedinst, three minor children, and a passenger were driving east on Rigsby Avenue near W.W. White Road when their vehicle was rear-ended by a City Public Works pickup. Plaintiff suffered a back injury with a recommendation for future surgery. Discovery is ongoing. This matter is set for trial on February 12, 2024.

Morgan Harrison v. City of San Antonio. On July 28, 2021, Plaintiff was attending a convention at the Henry B. Gonzalez Convention Center. Plaintiff was walking across the lobby, which had been recently cleaned with a floor scrubbing machine, when she slipped and fell. Plaintiff suffered a compound fracture to her leg which required surgery. Discovery is on-going. This case is not currently set for trial.

Crystal Bass v. City of San Antonio. On May 4, 2018 Plaintiff was driving on Roosevelt Avenue when she claims a Parks & Recreation vehicle failed to yield to the right of way and collided with her vehicle. Plaintiff suffered significant bodily injuries to her neck and back. Discovery is on-going. This case has not been set for trial.

Jordan Foster Construction v. City of San Antonio. Jordan Foster Construction ("Jordan Foster") entered into a contract with the City to provide construction of a drainage project on McCullough Avenue. Jordan Foster made a claim for underpayment of pay applications and quantities, owner caused delays, and failure to timely designate date of substantial completion. After initial attempts to negotiate a resolution, Jordan Foster filed suit against the City alleging breach of contract. The City contends that the work performed by Jordan Foster is faulty and must be repaired. Discovery is on-going. No trial date has been set.

Maria Monsibais v. City of San Antonio. Plaintiff alleges she was involved in a hit and run with a City vehicle. She claims to have followed the vehicle and photographed it. The City had no record of any vehicle involved in an accident on the date in question. Recently, facts have developed which indicate a City driver may have been involved. Plaintiff alleges back and neck injuries with a future medical procedure recommendation. This matter is not currently set for trial.

Texas Disposal System v. City of San Antonio. Texas Disposal System ("TDS") holds a contract with the City to operate the City's waste transfer station on Starcrest Road. TDS alleges the rates allowed under the contract, even with Consumer Price Index adjustments, does not properly compensate them and sought to change the terms of the contract, which the City denied. TDS brought suit against the City in late 2022 claiming the City breached the terms of the contract and seeks damages in excess of $250,000. Discovery is on-going. This case is set for trial on December 4, 2023.

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 May 12, 2022, which provides for a term through September 30, 2026.

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 bargaining agreement was awarded pursuant to arbitration. The new contract took effect immediately with an expiration date of December 31, 2024.

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 (the "Fourth Court") to abate the matter until the Texas Supreme Court issued a decision in the pending appeal concerning a similar Austin Paid Sick Leave ordinance. On March 4, 2020, the Fourth Court 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, Intervenors/Appellants in the San Antonio matter filed an opposed motion to lift the abatement. On June 26, 2020, the Fourth Court entered an order reinstating the case to the docket. Intervenor/Appellant filed a brief with the Fourth Court on July 16, 2020. On July 16, 2020, the City filed a letter notifying the Fourth

Court 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 issued its opinion affirming the temporary injunction. On May 19, 2021, the Fourth Court issued a mandate affirming the trial court's order and assessing court costs for appeal against the Intervenor/Appellant. The City will be satisfying the costs.

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. The Fourth Court reversed in part and affirmed in part. The City filed a petition for review to the Texas Supreme Court, who declined to review the jurisdictional issue; consequently, the suit returned to the trial court and is proceeding with discovery on the merits.

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, which reversed the denial and rendered judgment in favor of the City. Plaintiffs appealed to the Texas Supreme Court. The Texas Supreme Court issued an opinion on April 1, 2022, finding the Plaintiffs failed to plead facts to overcome immunity but reversing and remanding to the trial court to allow the Plaintiffs an opportunity to amend. To date, Plaintiffs have not replead their case.

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., in 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, and issued to SAWS a Writ of Possession, allowing work to proceed pending final resolution of the case. The case was set for a jury trial on September 26, 2022, but at a pre-trial hearing on September 19, 2022, amongst several orders issued in SAWS' favor, the Judge stayed the case to allow the landowner the right to an interlocutory appeal of his order affirming SAWS' right to take the property for a public necessity. Construction of the sewer line is now complete, and the line is in service. The landowner failed to timely file an interlocutory appeal, and a hearing has been set for August 10, 2023 on a Motion for Reconsideration of Summary Judgment and to obtain a trial setting. The landowner continues to challenge whether a public necessity exists for SAWS' taking of the property. If the landowner is successful in its claim about the public necessity for the sewer line, the sewer line may have to be relocated. If the landowner is not successful in its claim, the jury will determine the just compensation owed to the landowner.

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 alleged the construction caused damage to their property and interfered with Plaintiffs' reasonable use and enjoyment of the property. Plaintiffs claimed negligent nuisance, constitutional takings, and negligence. SAWS filed a Plea to the Jurisdiction, which was granted by the trial court, dismissing all Plaintiffs' claims with prejudice. Plaintiff filed a notice of appeal of the order granting SAWS' Plea to the Jurisdiction with the Fourth Court on May 20, 2022. The Fourth Court affirmed the District Court's granting of the plea to jurisdiction and denied Plaintiff's appeal on May 24, 2023. On July 10, 2023, Plaintiff filed a Petition for Review with the Supreme Court of Texas. 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 Fourth Court of Appeals, Bexar County, Texas. This lawsuit was served on August 10, 2020, seeking 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 alleged 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 appealed that ruling to the Fourth Court, who reversed the trial court's denial and remanded the case back to the trial court with instructions to render judgment of dismissal and determine whether any fees should be awarded. On August 1, 2022, Campbellton Road Ltd. filed a petition for review with the Texas Supreme Court. The Texas Supreme Court requested briefing on the merits from the parties, which was timely submitted by SAWS on June 19, 2023. SAWS will continue to 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. Shortly thereafter, certain intervenors in the case brought a motion for sanctions against SAWS and the motion has not been determined. The court never acted on SAWS' proposed order confirming the nonsuit or intervenors' motion for sanctions, and the District Clerk's office has declared the matter closed.

Cause No. 2023CI11920; San Antonio Water System, an agency of the City of San Antonio v. Bexar Medina Atascosa Counties Water Control and Improvement District Number One, in the 407th Judicial District Court, Bexar County, Texas. On June 16, 2023, SAWS notified the BMA that SAWS was invoking the facilitated mediation process pursuant to the terms of a 2007 Amended and Restated Water Supply Agreement between BMA and Bexar Metropolitan Water District ("Bexar Met") (the "BMA Agreement"). Contemporaneously with said mediation notice, SAWS filed its Original Petition and Application for Deposit of Contract Funds into the Registry of the Court, asking the court to construe and interpret the validity of the BMA Agreement. The BMA Agreement is a "take or pay" contract that gave Bexar Met the right to receive up to 19,974 acre-feet of water per year from Medina Lake for a benchmark price. Following years of mismanagement, Bexar Met was dissolved in 2012 after a legislatively-directed vote of its customers, and SAWS assumed Bexar Met's rights and obligations under the BMA Agreement. Due to low lake levels and poor water quality, SAWS has not taken water from Medina Lake since around October of 2015 and has paid around $3 million per year pursuant to the BMA Agreement. In the event that the facilitated mediation process is not successful, SAWS is seeking a judicial declaration that the BMA Agreement is void because its terms are in violation of public policy and its provisions are in violation of the Texas Water Code Section 11.036(b) requiring that the terms be "just and reasonable, and without discrimination". Mediation is set for August 24, 2023.

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 2021 Event. See "TEXAS 2021 WINTER WEATHER EVENT" herein. The Claim Notice alleges that 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 solely against CPS Energy, which has since been consolidated into multi-district litigation in Harris County pertaining to claims related to the 2021 Event. As of the date of this posting, SAWS has not been named as a defendant in the lawsuit or any other lawsuit related to the 2021 Event. 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 Escamilla & Poneck, LLP, Co-Bond Counsel to the City, will render their 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 their opinion, Co-Bond Counsel to the City will rely upon the Verification Report and (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of 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 their legal judgment based upon their 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 their legal judgment based upon its review of Existing Law and the representations of the City that they deem relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not 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 DISCUSSIONS CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in a corporation's "adjusted financial statement income" imposed by section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

STATE, LOCAL, AND FOREIGN TAXES

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

INFORMATION REPORTING AND BACKUP WITHHOLDING

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

FUTURE AND PROPOSED LEGISLATION

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

RATINGS

Fitch, Moody's Investors Service, Inc., 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 March 7, 2023), 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 2023.

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 ensure prospective compliance with its undertaking obligations.

INFECTIOUS DISEASE OUTBREAK – COVID-19

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared the Pandemic 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. The national emergency declaration was terminated on April 10, 2023.

The Pandemic negatively affected travel, commerce, and financial markets globally, and could potentially continue to negatively affect economic output worldwide and within the City and the County. Future 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 any continued spread of COVID-19 on the finances or operations and maintenance of the City or the System, respectively.

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 the Pandemic 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. SAWS began charging late fees again in August 2021, and resumed disconnections in late 2021.

Since the beginning of the Pandemic, SAWS has experienced an increase in past due accounts receivable overall; however, the level of such delinquencies has begun to decline. As of March 31, 2020, receivable balances 30 or more days past due totaled $16.2 million. This balance steadily increased over the next 18 months, reaching $57.1 million as of September 30, 2021. Since the resumption of service disconnections for non-payment and the receipt of approximately $9.0 million in American Rescue Plan Act ("ARPA") funding to provide bill assistance to certain qualifying SAWS customers, the level of delinquent balances has fallen to $43.9 million as of December 31, 2022. To account for the increased level of delinquencies, SAWS increased its provision for uncollectable accounts from historical levels of approximately 0.7% of operating revenues to an average of 2.9% of operating revenues for 2020 and 3.0% for 2021. As a result, the allowance for doubtful accounts increased from $8.5 million as of March 31, 2020 to $44.1 million as of September 30, 2021. Reflecting the receipt of the ARPA assistance and the resumption of service disconnections, the provision for uncollectable accounts returned to more normal levels in 2022 with the allowance for doubtful accounts declining to $32.7 million or almost 75% of total delinquencies as of December 31, 2022. SAWS believes that with this allowance, the anticipated receipt of additional federal disaster recovery funds, and the resumption of normal customer payment patterns, it has adequately reserved for potentially uncollectable accounts receivable.

While the increase in the provision for uncollectable accounts resulted in operating revenues for both the years ended December 31, 2020 and 2021, falling short of budgeted levels by $12.2 million and $21.4 million, respectively, favorable expense variances more than offset both of these revenue shortfalls. Due to unseasonably hot and dry weather conditions in the area, during 2022 operating revenue was $13.3 million favorable to budget. Through May 2023, the provision of uncollectable accounts improved due to County assistance received under the Low Income Household Water Assistance Program, as well as monthly account write-offs. SAWS is currently favorable to budgeted levels. For additional information concerning SAWS' fiscal year 2022 and 2021 operating results, please see "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION" herein. Also, see "APPENDIX C – UNAUDITED FINANCIAL STATEMENTS (THROUGH JUNE 30, 2023)" for current financial information compared to the prior year.

The financial and operating data contained herein are for the periods indicated. These results may or may not be indicative of SAWS' future financial and operational performance.

TEXAS 2021 WINTER WEATHER EVENT

General

During the 2021 Event, 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, CRWA, GBRA, and SSLGC 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 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.

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, with all repairs complete by year-end 2022.

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 public utilities facilities, including 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 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 were required to submit their emergency preparedness plan ("EPP") 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. The TCEQ approved SAWS' EPP on June 5, 2023, with SAWS responding with clarifications on July 17, 2023. The implementation of the EPP will take several years. In addition to placing key segments of SAWS' infrastructure on dedicated power circuits and further weatherizing equipment, the Board approved an agreement with CPS Energy on September 21, 2022 that will result in the use of shared generators at select pump stations, in compliance with SB 3 (the "Resiliency Agreement"). Under the Resiliency Agreement, SAWS will pay an estimated $97 million to acquire and install the generators for CPS Energy operation. The entirety of these improvements is expected to exceed $200 million. In order to complete any required work in 2022, SAWS included approximately $25 million in the 2022 CIP to address its emergency preparedness, with more than $240 million of additional resiliency related capital improvements planned during the period of years 2023 to 2027. On January 10, 2023, the Board approved the purchase of natural gas generators for the Resiliency Agreement from Enchanted Rock Electric, LLC for $63 million and a ten-year maintenance services agreement for $6.2 million.

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 2030. The current reduction in debt subsidy payment received by the City from the U.S. Treasury as a result of Sequestration is 5.7 % through 2030. 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 on the City's outstanding obligations payable from SAWS' revenues as a result of a prior defeasance and refunding of certain Tax Credit Bonds, as well as the delayed processing of returns by the IRS.

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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, 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 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 Escamilla & Poneck, LLP, San Antonio, Texas, have reviewed the information appearing in this Official Statement under the captions "PLAN OF FINANCING", "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 has 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 Cantu Harden Montoya LLP, San Antonio, 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

Barclays Capital Inc., 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 $1,020,628.87, 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 have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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 or the System.

Stifel, Nicolaus & Company, Incorporated ("Stifel"), an Underwriter of the Bonds, has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC ("Vining-Sparks") for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase Bonds from Stifel at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that Vining-Sparks sells.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The issuance of the Bonds will be subject to delivery by the Accountants of the Verification Report of the mathematical accuracy of certain computations. The Accountants will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Federal Securities and cash deposits listed in the schedules provided by PFM Financial Advisors LLC (as Co-Financial Advisor) to be held in the Escrow Fund, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Obligations. The Accountants will express no opinion on the assumptions provided to them. Such verification of accuracy of such mathematical computation will be based upon information and assumptions supplied by the City and PFM Financial Advisors LLC, and such verification, information and assumptions will be relied on by Co-Bond Counsel in rendering their opinion described herein.

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 Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

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

ATTEST:

/s/ Debbie Racca-Sittre
City Clerk
City of San Antonio, Texas

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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 2013E (No Reserve Fund)

Maturity Date (5/15)	Interest Rate (%)	Par Amount ($)	Call Date	Call Price (%)
2024	5.000	5,105,000	9/19/2023	100
2025	5.000	5,365,000	9/19/2023	100
2026	5.000	5,640,000	9/19/2023	100
2027	5.000	5,930,000	9/19/2023	100
2028	5.000	6,235,000	9/19/2023	100
2029	5.000	6,555,000	9/19/2023	100
2030	4.000	4,870,000	9/19/2023	100

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

APPENDIX A

CITY OF SAN ANTONIO, TEXAS
GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

The entirety of this Appendix is qualified by the impact to the City of San Antonio, Texas (the "City" or "San Antonio") and its operations and financial condition resultant from the effects of the COVID-19 pandemic. Within the Official Statement, under captions "INTRODUCTION – COVID-19" and "THE CITY – Impacts of COVID-19 to City Operations and City Responses Thereto", the City has described this event, its impact on City operations and financial condition, and the City's initial responses to these impacts. The City has not attempted to update the descriptions included in this Appendix A to account for the effects of COVID-19, as the specific impacts of this event are evolving and their extent unknown; rather, the City makes reference to the aforementioned sections of the Official Statement and directs the reader thereto for a general discussion of the COVID-19 pandemic and its impact to the City and its operations and financial condition as of the date of the Official Statement.

Furthermore, this Appendix is qualified by the impact to CPS Energy (defined herein) and its operations and financial condition resultant from winter storm Uri (the "2021 Winter Weather Event"). A description of the known effects and current status of CPS Energy are summarized herein. Much of the information included in this Appendix is based on historical data that does not include the impact of, but is prospective and will prospectively be impacted by, the result of the 2021 Winter Weather Event and the various responses thereto. Readers are directed to revert to the disclosure written in this section, as all information included herein is qualified by the application of these impacts, the scope and breath still remain fully unknown.

This Appendix contains a brief discussion of certain economic and demographic characteristics of the City and of the metropolitan area in which the City is located. Although the information in this Appendix has been provided by sources believed to be reliable, no investigation has been made by the City to verify the accuracy or completeness of such information.

Population and Location

The 2020 Decennial Census ("2020 Census"), prepared by the United States Census Bureau ("U.S. Census Bureau"), found a City population of 1,434,625 [1]. The City's Information Technology Services Department has estimated the City's population to be 1,466,924 [2] for 2022. The U.S. Census Bureau ranks the City as the second largest in the State of Texas (the "State" or "Texas") and the seventh largest in the United States ("U.S.").

The City is the county seat of Bexar County. Bexar County had a population of 2,009,324 [1] according to the 2020 Census. The City's Information Technology Services Department has estimated Bexar County's population to be 2,097,776 [2] and the San Antonio-New Braunfels Metropolitan Statistical Area ("MSA") population to be 2,684,061 [2] in 2022. The City is located in south central Texas approximately 80 miles south of the State capital of Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo.

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The following table provides the population of the City, Bexar County, and the San Antonio-New Braunfels MSA for the years shown:

Year	City of San Antonio	Bexar County	San Antonio-New Braunfels MSA [3]
1920	161,379	202,096	255,928
1930	231,542	292,533	351,048
1940	253,854	338,176	393,159
1950	408,442	500,460	556,881
1960	587,718	687,151	749,279
1970	654,153	830,460	901,220
1980	785,880	988,800	1,088,710
1990	935,933	1,185,394	1,324,749
2000	1,144,646	1,392,931	1,711,703 [4]
2010	1,326,539	1,714,773	2,142,508
2020	1,434,625	2,009,324	2,558,143 [1]

[1] Provided by the 2020 Decennial Census.

[2] Estimates are based on 2010 and 2020 Decennial Census total population counts, rather than American Community Survey estimate data used in years when census data are not available. The apparent drop in population over the past year is due to more accurate numbers being provided by the Decennial Census, rather than an actual drop in population.

[3] Data for 1920-1990 has been restated to the redefined eight-county MSA from the original four-county MSA.

[4] As of June 2003, the U.S. Office of Management and Budget redefined the MSA by increasing the number of counties from four to eight: Atascosa, Bandera, Kendall, and Medina Counties were added to its mainstays of Bexar, Comal, Guadalupe, and Wilson Counties. (The 2000 figure reflects the new 2003 redefined eight-county area.) As of December 2009, New Braunfels, Texas qualified as a new principal city of the San Antonio MSA, and the MSA was re-titled San Antonio-New Braunfels MSA.

Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project; and City of San Antonio, Information Technology Services Department.

Area and Topography

The area of the City has increased through numerous annexations and now contains approximately 518 square miles. The topography of San Antonio is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 788.68 feet above mean sea level.

Annexation Process

Like other large American cities, San Antonio experienced unprecedented population growth and suburbanization after World War II. San Antonio has historically been able to capture most of the growth in its Extraterritorial Jurisdiction ("ETJ") through annexation. The City of San Antonio has grown from its 1940s area of 36 square miles to its current size of over 500 square miles. San Antonio has a net taxable assessed value of $131.9 billion in tax year 2021.

Annexations and Municipal Boundary Adjustments

On December 16, 2021, San Antonio annexed approximately 57.72 acres (.09 square miles) of land as consented to by way of development agreements between the City and each landowner. Previously, in September 2021, the City annexed approximately 25.79 acres (.04 square miles) at the request of another landowner. As a result of these annexations being of minimal amounts, San Antonio's corporate land remains at approximately 518 square miles.

In March 2017, the Cities of San Antonio and Converse approved an interlocal agreement ("ILA") that established future municipal and ETJ boundaries between the two cities through a multi-phased schedule over the course of 17 years. In 2017 and in 2019, State annexation laws ended the ability of municipalities to strategically annex properties without landowner's consent or requires an annexation election to do so. Hence, the cities amended the ILA to reflect statutory changes in December 2019. The cities currently are re-evaluating the viability of completing future phases of the ILA.

Changes to State annexation law in 2017 curtailed the annexation powers of Texas municipalities. The City's current Annexation Policy does not reflect these recent changes in the state law, nor does it provide the guidance necessary to evaluate requests for special districts and development agreements. Currently, the City is in the process of updating its Annexation and Growth Policy (the "Policy") which will provide guidance on how to evaluate requests for special districts and development agreements in its ETJ. However, the City has seen an influx in the number of requests for special districts and development agreements in the City's ETJ. His policy update will be important as the City has seen an influx in the number of requests for special districts and development agreements in the City's ETJ. The policy is anticipated to be considered by the City Council this year.

Governmental Structure

The City is a "Home Rule Municipality" that operates pursuant to the City Charter, which was adopted on October 2, 1951, became effective on January 1, 1952, and was last amended pursuant to an election held on May 1, 2021, whereby, subject only to the limitations imposed by the Texas Constitution, Texas statutes, and the City Charter, all powers of the City are vested in an 11-member City Council which enacts legislation, adopts budgets, and determines policies. The City Charter provides for a Council-Manager form of government with ten council members elected from single-member districts, and the Mayor elected at-large, each serving two-year terms, limited to four full terms of office as required by the City Charter. The Office of the Mayor is considered a separate office. All members of the City Council stand for election at the same time in odd-numbered years. The City Council appoints a City Manager who administers the government of the City and serves as the City's chief administrative officer. The City Manager serves at the pleasure of City Council, limited to a term of eight (8) years.

City Charter

See "THE CITY-City Charter" in the Official Statement for a discussion regarding the City Charter, its amendment process, and recent developments with respect thereto.

Services

The full range of services provided to its constituents by the City includes ongoing programs to provide health, welfare, art, cultural, and recreational services; maintenance and construction of streets, highways, drainage, and sanitation systems; public safety through police and fire protection; and urban redevelopment and housing. The City also considers the promotion of convention and tourism and participation in economic development programs high priorities. The funding sources from which these services and capital programs are provided include ad valorem, sales and use, and hotel occupancy tax receipts, grants, user fees, debt proceeds, tax increment financing, and other sources.

In addition to the above-described general government services, the City provides services financed by user fees set at levels adequate to provide coverage for operating expenses and the payment of outstanding debt. These services include airport and solid waste management.

Electric and gas services to the San Antonio area are provided by CPS Energy, an electric and gas utility owned by the City that maintains and operates certain utilities infrastructure. This infrastructure includes a 19-generating unit electric system and the gas system that serves the San Antonio area. CPS Energy operations and debt service requirements for capital improvements are paid from revenues received from charges to its customers. As specified in the City ordinances authorizing the issuance of its system debt, CPS Energy is obligated to transfer a portion of its revenues to the City. CPS Energy revenue transfers to the City for the City's fiscal year ended September 30, 2021 were $352,974,634. (See "San Antonio Electric and Gas Systems" herein.)

Economic Factors

The City facilitates a favorable business environment that supports economic diversification and growth. San Antonio's economic base is comprised of a variety of industries, including: healthcare and bioscience, aerospace, information technology, advanced manufacturing, new energy, and financial services; all with growing international trade. Support for these economic activities is demonstrated through the City's commitment to ongoing infrastructure improvements and development, and investment in a growing and dedicated workforce. This commitment and the City's historical status as one of the top leisure and convention destinations in the country support a strong and growing economy.

Though impacted by the unforeseen COVID-19 pandemic, the City of San Antonio demonstrated its resistance through mostly positive economic growth indicators. According to the Federal Reserve Bank of St. Louis, the San Antonio MSA population grew by over 6,536 from 2019 to 2020 with an estimated additional increase of over 45,100 in 2021. As expected, given the impact of the onset of the COVID-19 pandemic in 2020, the San Antonio-New Braunfels MSA GDP increased from $132 billion in 2020 to $140 billion in 2021 following no growth from 2019 to 2020, according to the U.S. Bureau of Economic Analysis and Emsi, respectively. Additionally, as of May 2022, the San Antonio unemployment rate of 3.5% which is below

average when compared to the state unemployment rate of 3.8% and above average when compared to the national unemployment rate of 3.4%. San Antonio experienced a 4.6% annual job growth rate between 2021 and 2022, with total nonfarm employment in the San Antonio MSA for May 2022 increasing to 1,104,200 See "Employment Statistics" herein.

The City's Economic Development Department ("EDD") seeks to promote inclusive growth through strategic investments and partnerships. All full-time employees associated with a project receiving an economic incentive from the City must earn at least $13.34 per hour, which is considered the poverty level for a family of four by the U.S. Department of Health and Human Services. In addition, at least 70% of all full-time employees must meet the all-industry wage within one year of the execution of an incentive agreement with the City. The all-industry wage is currently $18.23 and is determined by the Bureau of Labor Statistics by conducting an Occupational Employment Survey in the San Antonio – New Braunfels MSA. The City obtains this data from the Texas Workforce Commission on an annual basis. These wage standards are intended to drive an incremental increase in wages in San Antonio.

The San Antonio Economic Development Corporation ("SAEDC") was established by the City "to promote, assist, and enhance economic development activities for the City," and has worked to foster the commercialization of intellectual property in San Antonio through direct equity investment in projects. This economic development strategy seeks to realize a direct return on investment back to the City. By making equity investments in later stage companies or key entrepreneurs with proven track records, the City supports commercialization of intellectual property in San Antonio, creating more jobs, investments, and entrepreneurs.

Major Initiative - Covid-19 Response and Workforce Development

The beginning of 2021 marked the second year of the presence and impact of the COVID-19 pandemic, which was also met with the February winter storm, Uri. As these circumstances took a toll on communities, and on the economy, vaccine development and rollouts along with Council approved initiatives such as the COVID-19 Recovery and Resiliency Plan, played a critical role in recovering from the impact of the pandemic. The plan took effect to support communities around its for pillars: Housing Security, Workforce Development, Small Business Support, and Digital Inclusion.

City Council continued to build on existing programs and funding to provide robust support to vulnerable and affected populations. In addition to the Emergency Housing Assistance Program approved in April 2020, on November 18, 2021, City Council approved a $30 million utility assistance program using funds from the American Rescue Plan Act ("ARPA"). Such support provided much needed aid to those in need.

As part of the Workforce Development Pillar efforts under the COVID-19 Recovery and Resiliency Plan, the City has implemented the $55 million Train for Jobs SA program to provide eligible City residents with skills and career assessments followed by short-term, long-term, and on-the-job training in career pathways that promote wage growth. Also, the City has provided living-wage stipends to residents while they are in classes. Enrollment for Train for Jobs SA ended in December 2021; however, courses continue through 2023. Over 10,000 people have expressed interest in the program.

On April 1, 2022, the City will launch SA: Ready to Work, which was overwhelmingly approved by voters in November 2020. SA: Ready to Work is a $200 million training, education, and job placement program funded by local sales tax which began accepting applications May 16, 2022. SA: Ready to Work is led by employer guidance, and it will offer tuition assistance, support services, job placement, and job retention services for thousands of unemployed, under-employed, and historically underserved residents through 2027.

Continuing to support Covid-19 recovery, on Thursday, February 18, 2021, City Council reallocated $14.1 million to create the Hospitality Grants Program. In partnership with LiftFund, the program supported hospitality industry businesses including restaurant & catering, lodging, travel and transportation, and entertainment, and recreation with annual gross revenues under $8 million. By the conclusion of the program in July 2021, 465 recipients were awarded a total of $13.1 million in funding.

In 2021, City Council also approved the creation of the Small Business Advisory Commission ("SBAC") to review upcoming policies, regulations, and issues affecting small businesses, outside of the SBEDA Ordinance, and provide recommendations to City staff, Mayor and City Council. The 15-member commission included eleven members who will be Mayor and Council District specific appointments with four members appointed at-large. This commission was engaged in November 2021 in an extensive and multis-strategy community engagement process to obtain feedback on the use of the ARPA Funds in relation to the needs and priorities of small businesses impacted by COVID-19. The public meetings and survey responses engaged nearly 200 local small business owners. Based on this feedback, SBAC recommended priorities to City Council for consideration of ARPA investments, namely: access to capital, capacity building, localism, ecosystem enhancements, and geographic placemaking. Based on this community feedback and board review, City Council identified key spending priorities which funding to support impactful investments on December 9, 2021.

In April 2022, City of San Antonio's Small Business Economic Development Division presented findings from the San Antonio Small Business Ecosystem Assessment to the Economic and Workforce Development Committee. The study, funded by JPMorgan Chase, was completed in 2020 by Next Street and Common Future and included identification of gaps in small business support and capital resources, the impact of COVID-19, and recommendations for impactful and inclusive strategies for supporting small businesses owned by people of color, to address racial and ethnic inequities in opportunity and wealth creation and promote the growth of San Antonio's economy. Since the completion of the study, the Economic Development Department along with LISC San Antonio have led the efforts to address the study recommendations.

As part of the City of San Antonio's ongoing initiatives to empower and further establish local businesses owned by persons of color and women, the City of San Antonio's Small Business Economic Development Division, in partnership with Maestro Entrepreneur Center was created and offered the inaugural cohort of the Embracing Entrepreneurial Equity Program in FY 2021 using funds allocated in 2020. This program provided hands on, one-on-one coaching, business organization referrals, and technical assistance for ten aspiring entrepreneurs and granted them up to 20,000 after successfully meeting assigned milestones. Ninety percent of entrepreneurs were women and 100% were either Black or Latino.

Healthcare and Bioscience

According to the Healthcare and Bioscience Economic Impact Study, a 2020 Economic Impact Study commissioned by the San Antonio Chamber of Commerce, the economic impact from this industry sector totaled approximately $32.6 billion in 2019 measured conservatively, and $42.4 billion by a more comprehensive estimate. The industry was composed of 187,825 jobs in 2019, meaning that more than one of every five employees in San Antonio works in the healthcare and bioscience industry. Since 2009, the healthcare and bioscience industry has added 46,602 net new jobs, an increase of 33%.

Central to the healthcare and bioscience industry is the University of Texas Health Science Center at San Antonio ("UT Health"), located on more than 100 acres in the heart of the medical center. A total of 4,290 students (including residents and fellows) are enrolled in UT Health's five schools. UT Health employs a total workforce of 7,100 people with an operating budget of nearly $1 billion, supporting campuses in San Antonio, Laredo, and the Rio Grande Valley. UT Health leads the world's largest research group focused on combat-related PTSD and related conditions, with more than $150 million dedicated to 60 related research projects.

Brooke Army Medical Center ("BAMC") contains the largest inpatient medical facility in the Department of Defense ("DoD"), the only DoD Burn Center, and the only DoD Level 1 Trauma Center in the U.S. Wilford Hall Ambulatory Surgical Center ("WHASC") at Joint Base San Antonio-Lackland is the largest outpatient ambulatory surgical center in the DoD with 37 graduate medical education programs. The facility provides primary and specialty care; outpatient surgery; a sleep center; a contingency aeromedical staging facility; and eye, hearing and diabetes centers of excellence. The San Antonio Military Health System ("SAMHS") oversees the healthcare delivery of 240,000 DoD beneficiaries in the San Antonio metropolitan region with a staff of approximately 12,000 people. Healthcare services are provided by the BAMC and the WHASC. The SAMHS treatment facilities manage a total combined budget of over $1.2 billion.

In June 2014, the University of the Incarnate Word ("UIW") announced plans to build the City's first osteopathic medical school (the "School of Medicine") on the campus of Brooks City-Base ("Brooks"). Phase I of the medical school consisted of four buildings in the historic district of Brooks. The cost of building the School of Medicine was approximately $50 million. UIW began leasing the buildings in 2014 and will take ownership after 25 years. After its opening in July 2017, the second 141-student class graduated in May 2022. In 2020, UIW announced plans to grow even further with their purchase of seven buildings spanning 23.5 acres on the Brooks campus. This expansion will house its health professions programs.

The Texas Biomedical Research Institute ("Texas Biomed") is one of the largest independent, non-profit, biomedical research institutions in the U.S. conducting internationally renowned fundamental and applied research in the medical sciences. With the nation's only privately-owned biosafety level 4 laboratory, designed for maximum containment, Texas Biomed investigators can safely study deadly pathogens for which there currently are no treatments or vaccines, including potential bioterror agents and emerging diseases. Texas Biomed has history of success including work on the first COVID-19 vaccine, the first Ebola treatment, the first Hepatitis-C therapy, and thousands of developmental discoveries.

The University of Texas at San Antonio ("UTSA") houses several research institutes. On December 16, 2021, UTSA announce that it achieved R1 Classification from the Carnegie Classification Institute of Higher Education. This classification highlights and validates the significant level of research activity and aligns UTSA with the nation's top public and private research institutions. The Neurosciences Research Institute, previously Neuroscience Research Center, is tasked with training students in research skills while they perform basic neuroscience research on subjects such as aging and Alzheimer's disease. UTSA is also a partner in Morris K. Udall Centers of Excellence for Parkinson's Disease Research. A joint partnership between UTSA, the UT Health Science Center, and the participation of Texas Biomed and the Southwest National Primate Research Center, has resulted in the formation of the San Antonio Institute of Cellular and Molecular Primatology ("SAICMP"). The focus of the SAICMP is the study of primate stem cells and early embryos to develop nonhuman model systems for studies of primate stem cells and their applications to regenerative medicine. The South Texas Center for Emerging Infectious Diseases was established to focus State and national attention on UTSA in the fields of molecular microbiology, immunology, medical mycology, virology, microbial genomics, vaccine development, and biodefense. UTSA has extensive research collaborations with local research organizations that reinforce and accelerate the research in each. These collaborations include UT Health San Antonio, Southwest Research Institute ("SwRI"), Brooke Army Medical Center and Joint Base Saint Antonio. In 2021, the SwRI initiated 98 new projects, investing more than $8 million in internal research and contributed more than $1.2 billion to the local economy, according to their 2021 Annual Report.

The SAEDC has supported several projects within the healthcare and bioscience sphere. To date, the SAEDC has incentivized the following bioscience and healthcare companies, StemBioSys, Inc., InCube, Innovative Trauma Care, Inc., and BioAffinity Technologies. In 2017 and 2018, EDD and the SAEDC facilitated an ongoing working group of local military, academic, and private life science industry leaders on a study and action plan for greater commercialization out of the military medical research missions in San Antonio. This group of leaders in the bioscience, healthcare, and military fields helped develop The final San Antonio Military Life Science Commercialization Action Plan and recommendation for a San Antonio Military Medical Innovation ("SAMMI") Director. Based on the plan's recommendation, the SAEDC Board approved the creation and guidelines for a SAMMI Fund with the goal of providing financial assistance to early-stage local companies that are engaged in the development of products and technologies that support military medicine with the potential application for broader civilian markets. This SAMMI Fund has led to the investment of $100,000 in five entrepreneurial start-up companies. Additionally, SAEDC and VelocityTX began preparations to host the third Military Medical Industry Day on April 19, 2022 to bring together military researcher organizations, industry, academia, non-profit organizations, and other organizations to exchange ideas and enable collaborative medical research and development ("R&D"), discuss military needs, obtain information on funding opportunities, and enable community commercialization opportunities to address needs and create lifesaving technologies. The MMID event was preceded by a series of seminars hosted by VelocityTX. The event brought together over 230 military, medical, and research practitioners and exhibitioners to the Henry B. Gonzales Convention Center with about 50 participants participating virtually.

The Texas Research and Technology Foundation ("TRTF") is a non-profit organization that focuses on life science and technology-based economic development in San Antonio. In August 2017, TRTF acquired the 4-acre Merchant's Ice complex to establish a life science and technology focused Innovation District (the "Innovation District") that will be managed by VelocityTX, the organization's innovation, commercialization, and entrepreneurial development-focused subsidiary. The $220 million Innovation District will include an incubator and innovation center to serve multiple target industries and provide a broad array of resources to entrepreneurs. TRTF estimates that when completed, the Innovation District will support over 700 jobs and produce $736 million in increased economic activity between 2019 and 2023.

Heat Biologics, a Durham, North Carolina–based biopharmaceutical firm focused on developing anti-cancer drugs had growing presence in San Antonio during 2021. In September 2017, City Council approved a grant of up to $200,000 for Pelican Therapeutics, a subsidiary of Heat Biologics, to relocate its headquarters to San Antonio and create 22 new full-time jobs within five years. Pelican Therapeutics focuses on drug development in small scale manufacturing facility located in Velocity, TX and is carrying out work to support efforts linked to a $15.2 million Cancer Prevention Research Institute of Texas grant. In early 2021, Heat Biologics announced plans to expand operations through its subsidiary Scorpion Biological Services, Inc. ("Scorpion") in San Antonio's East side. Scorpion is an integrated contract research, and contract development and manufacturing organization focused on cell- and gene-based therapies and large molecule biologics. On July 1, 2021, Bexar County commissioners approved an incentive package that would create a 75% tax abatement on improvements made to the 20,000-square-foot facility over the next 10 years. Additionally, following plans to further expand manufacturing through Scorpion, City Council approved a 40% tax abatement to support property improvements over the next 10 years, on August 5, 2021. Scorpion is set to invest $24 million in the Eastside facility that created at least 44 jobs with the facility that opened in the first quarter of 2022.

Founded in 2005, BioMedSA serves as a hub for the healthcare and bioscience industry, providing industry programming, convening industry leader forums to conquer challenges, communicating opportunities and resources, and facilitating key collaborations throughout San Antonio. BioMedSA was founded with the purpose of accelerating growth of the healthcare and bioscience sector, creating regional economic benefit, and contributing to the health of San Antonio and beyond by establishing San Antonio as a leader in healthcare and bioscience. In 2022, BioMedSA held their second annual BioFest Invest event which 25 sponsors supported. The event brought together potential investors from across the nation and Texas bioscience companies seeking investment funding, while sharing best practices, connections, and valuable guidance. Over 240 people registered for the event which featured a pitch competition with 13 companies that were selected to participate from across Texas. Among attendees were investors from across the country ranging in the investment spectrum from angel to venture capitalists.

Financial Services

The financial services industry in San Antonio provided over 97,000 jobs as of December 2021. This is a 3.5% increase from those available at the same time in 2020, according to data from the Bureau of Labor Statistics. The largest private-sector employer in the financial services industry here in San Antonio is United Services Automobile Association ("USAA"). The company has approximately 13 million customers, comprised of military members, veterans, and their families. The company currently employs over 35,000 people nationwide. While this sector is led by USAA, San Antonio is home to other insurance company headquarters and regional operations centers for many health care insurers. Insurers with substantial regional operations centers in San Antonio include: Nationwide Mutual Insurance Company, Caremark, United Health, and PacifiCare.

San Antonio is also home to a number of regional banking operations centers and financial services headquarters, such as Frost Bank, Broadway National Bank, Credit Human, Security Service Federal Credit Union ("SSFCU"), and USAA Federal Savings Bank. In December 2014, SSFCU, the largest credit union in Texas and seventh-largest credit union in the United States, established its corporate headquarters in City Council District 8. In October of 2017, San Antonio-based lending institution Credit Human announced plans to invest $113 million to construct a new state-of-the-art corporate headquarters on the Broadway corridor in City Council District 1. The facility was completed and began operations in early 2021. The new headquarters will bring 485 jobs to the urban core. Other companies with large regional operations centers in San Antonio include: Bank of America, Wells Fargo, J.P. Morgan Chase, Citigroup, Pentagon Federal Credit Union, and Victory Capital Management ("Victory Capital").

Headquartered in San Antonio, Victory Capital, a diversified global asset management firm, experienced growth in 2021. Victory capital acquired three companies: THB Asset Management a Norwalk, CT based company that manages strategies in the U.S. micro-cap and mid-cap asset classes as well as international small-cap and global small-cap portfolios; New Energy Capital a leading alternative asset management firm focused on debt and equity investments in clean energy infrastructure projects and companies, and WestEnd Advisors, a leader in the fast-growing third-party ETF model space. Victory Capital ended 2021 with total assets under management of $183.7 billion, a 25% increase over year-end 2020 and saw Gross long-term sales reach a record $27.9 billion in 2021, which was 20% above the prior record level achieved in 2020.

Hospitality Industry

The City's diversified economy includes a significant sector relating to the hospitality industry. An Economic Impact Report of San Antonio's Hospitality Industry (representing 2019 and 2020 data) found that the hospitality industry had an economic impact of $17.4 billion in 2019 (pre-pandemic numbers). The estimated annual payroll for the industry was $3.6 billion, and the industry provided an estimated 145,056 jobs. Indeed, 2019 was another year of steady growth the industry had experienced over the past two decades. However, in 2020, for understandable reasons from the pandemic, the economic impact of the industry declined to $13.9 billion. The estimated payroll dropped to $2.9 million and estimated jobs reduced to 117,020.

In 2021, lodging statistics began to rebound from the circumstances associated with the COVID-19 pandemic. As compared to 2020, the City's overall level of hotel occupancy was up 40.5%; room supply increased 2.9%; total room nights sold increased 44.6%; the average daily room rate increased 23.3%; revenue per available room increased 73.2%; and overall revenue increased 78.2%.

Tourism. The list of attractions in the San Antonio area includes, among many others, the Alamo and other sites of historic significance, the River Walk, and two major theme parks, SeaWorld San Antonio, and Six Flags Fiesta Texas. Prior to the COVID-19 pandemic, San Antonio would attract 41 million visitors a year. Of these, over 24.9 million are overnight visitors, historically placing San Antonio as one of the top U.S. destinations in Texas. For FY 2021, Visit San Antonio was able to achieve the following results: (1) obtained 30.7 million in online engagement, showing consumer interest in San Antonio through the Visit San Antonio website and social-media channels, both important travel decision influencers and (2) reported an estimated $6.5 million in earned media. Visit San Antonio focused on Texas and regional media while being opportunistic and taking advantage of any national and international that may come on a reactive basis. This media value is the dollar value of the positive media coverage generated by the Visit San Antonio communications team, which represents the stories and articles in print (i.e., magazines, newspapers, etc.), TV, radio, and online media; the dollar figure aligns with what the advertising cost of that coverage would have been if Visit San Antonio had purchased the exposure.

Conventions. San Antonio has traditionally been one of the top convention cities in the country and normally hosts 7.0 million business visitors a year to the area for a convention, meeting, or other business purpose. However, in FY 2021, Visit San Antonio experienced 140 group cancellations worth 427,214 room nights due to the COVID-19 pandemic. Total group sales production for FY 2021 resulted in 265 group and meeting events with 339,105 group room nights booked. This represents a decrease year over year of (5%) in events booked and a decrease of (27%) in group room nights. In March 2021, a successful booking event that San Antonio hosted was the entire NCAA Women's Basketball Championship Tournament, which represented a total of 27,811 room nights. The Alamo City was able to create a "bubble" type environment and hosted all 64 teams in the tournament. As San Antonio recovers from the COVID-19 pandemic, Visit San Antonio will continue to be proactive in attracting convention business through its management practices and marketing efforts.

The following table shows both overall performance as well as convention activity hosted by Visit San Antonio for the calendar years indicated:

Calendar Year	Hotel Occupancy [1]	Revenue per Available Room (RevPAR) [1]	Room Nights Sold [1]	Convention Attendance [2]	Convention Room Nights [2]
2011	61.3	58.08	8,236,019	499,171	637,593
2012	63.5	60.79	8,651,826	449,202	635,829
2013	63.1	63.44	8,610,676	712,577	734,190
2014	64.9	67.32	8,817,338	652,443	725,333
2015	65.7	69.55	8,913,575	699,662	773,569
2016	65.9	71.12	9,116,363	637,658	676,501
2017	66.0	73.45	9,268,201	823,561	816,582
2018	67.1	77.88	9,568,119	672,288	882,650
2019	67.4	75.98	9,989,643	605,093	766,259
2020	42.1	37.10	5,986,600	218,957	181,737
2021	59.1	64.04	8,727,861	238,192	287,167

[1] Data obtained from Smith Travel Research based on hotels in the San Antonio selected zip code reports dated January 2022 (reporting 2021 numbers), and historical annual reports for prior years.
[2] Reflects only those conventions hosted by Visit San Antonio.
Source: Visit San Antonio

Military Industry

The growth in new missions and significant construction activities brought about by Base Realignment and Closure ("BRAC 2005") strengthened San Antonio's role as a leading military research, training, and education center. One of the major outcomes of BRAC 2005 was the creation of Joint Base San Antonio ("JBSA") which is the largest joint base in the DoD. JBSA consolidates all the base support functions, real property, and land for JBSA-Lackland, JBSA-Randolph, and JBSA-Fort Sam Houston (including Camp Bullis) under the 502nd Air Base Wing. JBSA (includes over 46,500 acres), supports over 80,000 personnel, has a plant replacement value of $30 billion, and an annual budget of $800 million. Over 138,000 personnel are trained at JBSA facilities every year. In addition, JBSA currently has approximately $275 million in Military Construction ("MILCON") projects underway making it the largest MILCON program in the Air Force.

JBSA and its 266 mission partners represent a significant component of the City's economy providing an annual economic impact, when combined with other DoD contracts and contractors, military retirees, veterans, and direct and indirect jobs, of over $16 billion for the City and approximately $41billion to the State of Texas. In addition, the property of the former Brooks Air Force Base, a fourth major military installation, was transferred from the U.S. Air Force to the City, who created Brooks Development Authority in 2002 as part of the Brooks City-Base Project. Furthermore, the military is still leasing over 1.7 million square feet of space at Port San Antonio (the "Port"), which is the former Kelly Air Force Base that was closed in 2001.

One of the other significant events brought about by BRAC 2005 is the realignment of medical facilities resulting in a major positive impact on military medicine in San Antonio, with $3.2 billion in construction and the addition of approximately 12,500 jobs at the JBSA complex. Currently, BAMC, the DoD's only Level I Trauma Center, continues to play a critical role in patient care, graduate medical education, and research, as well as caring for wounded military service members, and civilian members of the community. Along with other institutions, BAMC provides support to 22 counties in Southwest Texas, covering over 26,000 square miles, including the City, and servicing over 2.2 million people.

Regarded as one of the top medical facilities in the DoD, BAMC benefits the community by serving as an additional tertiary referral center to care for the most complex and critically wounded civilian patients without concerns for payor status. The bulk of BAMC's funding for civilian trauma patients comes from the United States Army's Secretarial Designee Program. In addition, approximately $2.5 million annually is funded through the Uncompensated Trauma Care Grant administered by the Texas Department of State Health Services. BAMC's health professionals retain a high degree of medical/combat readiness by the experience they gain treating the large volume of complex trauma patients from the community. This experience replicates the same type of casualties encountered in combat.

BAMC also trains future healthcare providers for their wartime mission. Over 600 physicians are trained/educated through Graduate Medical Education programs. Nearly 900 medical students are trained at BAMC every year in the areas of trauma, orthopedics, ophthalmology, emergency medicine, and otolaryngology. In addition, over 1,200 participants graduate annually from various allied health programs at BAMC. This Center is the nation's premier military training platform to prepare military healthcare professionals to provide life-saving combat medical care.

On September 1, 2021, Texas House Bill 2365 took effect and recognized BAMC as a participating Medicaid provider. This bill will eliminate financial burdens placed on the significant number of civilian trauma patients who are treated at BAMC every year. Military trauma teams will continue to benefit as they develop invaluable surgical skills and competency due the high volume of civilian trauma patients treated at BAMC – a number that cannot be duplicated with the active-duty military population. This civil-military relationship is mutually beneficial as it saves lives, both on the battlefield and in our community.

JBSA-Fort Sam Houston. JBSA-Fort Sam Houston is engaged in military-community partnership initiatives to help reduce infrastructure costs and pursue asset management opportunities using military facilities. In April 2000, the U.S. Army entered into a partnership with the private organization, Fort Sam Houston Redevelopment Partners, Ltd. ("FSHRP"), for the redevelopment of the former BAMC and two other buildings at Fort Sam Houston. These three buildings, totaling about 500,000 square feet in space and located in a designated historic district, had been vacant for several years and were in a deteriorating condition. On June 21, 2001, FSHRP signed a 50-year lease with the U.S. Army to redevelop and lease these three properties to commercial tenants.

Some of the major mission partner organizations on JBSA-Fort Sam Houston are: U.S. Army North, U.S. Army South, Army Installation Management Command, Army Medical Command, Army Medical Department and School, Regional Health Command-Central, BAMC, Medical Educational and Training Campus, Mission and Installation Contracting Command, Navy Medicine Education, Training & Logistics Command, three U.S. Army Reserve Depots, a Navy/Marine Reserve Operations Center, and a Texas Army National Guard armory.

The potential economic impact from JBSA-Fort Sam Houston due to the BRAC 2005 expansion, along with major growth from the Army Modular Force and Army Grow the Force programs, is estimated at nearly $8.3 billion. The economic impact due to the amount of construction on post to accommodate the new mission accounts for approximately 80% of the impact ($6.7 billion). While the major surge of construction from BRAC 2005 and the other major force programs are complete, the economic impact from JBSA-Fort Sam Houston will increase by nearly $1.6 billion annually with additional annual sales tax revenue of $4.9 million. Major personnel moves under BRAC 2005 were completed by September 15, 2011, and this increase in personnel and missions at JBSA-Fort Sam Houston supports the employment of over 15,000 in the community.

Various construction projects continue or have been completed at JBSA-Fort Sam Houston. The new Walters Street Gate and Entry Control Point and a new Medical Education and Training Campus Headquarters Building are now complete. A new Student Activity Center opened in November 2013 and construction was completed on a new BAMC Visitor Control Center and Entry Control Point in January 2014. A new 310-room hotel was completed in October 2014, and a new 192-room apartment style dormitory broke ground in 2016 and was completed in early 2018. A small addition to the hospital for a hyperbaric chamber was completed in June 2017, and a new two-story Army-Air Force Exchange Services Exchange Main Store was finished in Spring 2020. In 2016, the United Service Organization in partnership with JBSA, completed a new all service facility located in the Sam Houston Community Center. New construction includes a Combat Medic Lab Instructional Building (the "Lab") replacing a 1940's facility. The Lab trains combat medics at a daily average of 180 students. Mission growth saw five new organizations whose cyber and medical missions brought approximately 305 new positions to the installation.

JBSA-Camp Bullis. Armed Forces medics and Corpsmen at JBSA-Fort Sam Houston receive additional field training at the 28,000-acre JBSA-Camp Bullis. JBSA-Camp Bullis is also used by the 37th Training Wing for Security Forces technical and professional development training. Additionally, JBSA-Camp Bullis is home to the United States Air Force Medical Training Readiness Center, which encompasses four medical-related courses. It is also home to multiple Army Reserve and Army National Guard units of all types, to include Military Intelligence, Engineer, Medical, Infantry and Special Forces. The 470th Military Intelligence Brigade, headquartered at JBSA-Fort Sam Houston, operates the United States Army Intelligence and Security Command Detention Training Facility at JBSA-Camp Bullis, and the Defense Medical Readiness Training Institute operates the Combat Casualty Care Course. JBSA-Camp Bullis also supports regular use by local law enforcement agencies and Federal entities. An average of 500 people train at Camp Bullis every day for an average of about 180,000 man-days of training annually. Changes in current events around the world can cause surges in training that occurs at Camp Bullis. Because of its geographical size, numerous units and missions are continually looking at JBSA-Camp Bullis as a viable place to locate and train. An $18.5 million-dollar MILCON project for a new 36,000 square foot dining facility, which will serve approximately 370,000 meals a year, was deferred as some of the funding was diverted from the DoD FY20 budget.

JBSA-Lackland. JBSA-Lackland is home to the 37th Training Wing, situated on 9,700 acres, all within the city limits of San Antonio. According to a recent Economic Impact Analysis, over 53,000 military personnel, civilians, students, contractors, and military dependents work, receive training, or utilize JBSA-Lackland services. JBSA-Lackland hosts the Air Force's only

Basic Military Training ("BMT") function for all enlisted Airmen, which is known as the "Gateway to the Air Force", and currently provides BMT for the United States Space Force. Additionally, JBSA-Lackland hosts many of the technical training courses which the BMT graduates are routed to prior to their first assignment. On an annual basis, JBSA-Lackland is expected to graduate 86,000 Airmen and international students. The Air Force is in the middle of a $900 million-dollar MILCON program to replace the BMT recruit housing and training buildings that have been in continuous operation since their construction in the late 1960s. Construction is now complete for four of the Airmen Training Complexes ("ATC") and the first two Dining/Classroom Facilities ("DCF") that support the ATCs. Construction is also complete for the Pfingston BMT Reception Center, every new recruit's entry into BMT. The beginning of the second half of the BMT Complex replacement program began in FY 2019 with the start of the fifth ATC and the third DCF. Each ATC will house up to 1,200 trainees and the DCF includes dining halls and classroom facilities for two ATCs. The BMT replacement program is estimated to be complete by late calendar year 2022. The City of San Antonio is supporting these efforts by building a third entry (deceleration) lane into JBSA-Lackland. This ongoing project will support over $600 million in new construction over the next 10 years. The deceleration lane was JBSA's number one funding priority and will support the transit of approximately 100 heavy trucks a day for the duration of these projects. In addition, construction of the lane will reduce wear and tear on both City and JBSA streets while minimizing traffic congestion outside the base, enhancing overall safety for both military members and the community.

Projected growth could also come in the form of the previous merger of the 24th Air Force (cyber focus) and the 25th Air Force (intelligence, surveillance, and reconnaissance focus) into the 16th Air Force. Previous projections included a 160,000 square foot expansion of the building housing personnel and operations of the former 24th Air Force and a potential increase of 1,500 students at the Defense Language Institute English Learning Center. The 16th Air Force continues to refine its "campus plan" with the desire to replace its complex of buildings constructed in the 1950s through the early 1970s. The "campus plan" will consider the consolidation of personnel and operations in the former 24th Air Force's building, on what is now former Kelly Air Force Base, into new MILCON facilities that will also replace the current 16th Air Force building complex. Finally, the Transportation Security Agency's Canine Academy headquarters opened in March 2016.

Adjacent and contiguous to JBSA-Lackland is the Port where the Air Force maintains a significant presence. The Air Force and the Port jointly utilize the Kelly Field runway for military and commercial airfield operations. The Air Force continues to lease over 30 buildings, which consist of 1.75 million square feet of space and over 270 acres. The largest Air Force leaseback is at Building 171, a 460,000 square foot facility previously closed from the 1995 Base Realignment and Closure of Kelly AFB. Approximately 7,000 Air Force and other DoD employees work at this and other facilities on the Port in the post-BRAC 2005 era. Recently approved funding from the federal MILCON program and the state of Texas' Defense Economic Adjustment Assistance Grant will result in the replacement of the aging, non-compliant Kelly Air Traffic Control Tower, and upgrade and renovation of an aging hangar and operations facilities. These much-needed infrastructure improvements will support C-5 and F-16 training missions.

Much of the new BRAC 2005 growth which occurred on the Port property is at Building 171. The Air Force spent $26.5 million to renovate the building, which houses 11 missions. Seven missions and approximately 800 personnel have relocated to the building from Brooks. These include the Air Force Civil Engineer Center, four medical missions including the Air Force Medical Operations Agency, and other support missions. Building 171 also houses the personnel and mission of the former 24th Air Force that is now conducted under the newly-created 16th Air Force consisting of approximately 450 personnel and the Air Force Real Property Agency.

In the near future, eight (8) new organizations are expected to bring approximately 660 new positions to JBSA-Lackland. These new personnel will perform cyber, flight and technical, and training missions. Part of this growth has already taken place. In October of 2018 the Secretary of the Air Force announced that JBSA would be home to the Special Warfare Training Wing ("SWTW") bringing 135 new jobs to the area and significantly enhancing the base's military value. Part of the FY20 Defense Appropriations Bill included $69 million for a new aquatics tank to support the SWTW mission.

JBSA-Randolph. JBSA-Randolph, which is known as "the Showplace of the Air Force" because of its consistent Spanish Colonial Revival architectural standard retained from when the installation was first constructed in the early 1930s, is on the northeast side of San Antonio and houses the Headquarters Air Education and Training Command and the Air Force Personnel Center ("AFPC"). Other major tenant organizations include the Air Force Manpower Agency, the 19th Air Force, the Air Force Recruiting Service, and the Air Force Office of Special Investigations (Region 4). The main operational mission is carried out by the 12th Flying Training Wing ("12 FTW") which equips and trains aviators and supports worldwide contingency operations. The 12 FTW operates parallel runways on either side of the main installation facilities and conducts 24-hour-a-day flight training operations. In a related aviation mission, JBSA-Randolph, which in 2017 added 85 instructors and staff to its Remotely Piloted Aircraft ("RPA") training unit, produces RPA pilots to man an Unmanned Aerial Systems ("UAS") force which now encompasses 8.5% of total Air Force pilot manning. The UAS force grew by approximately 25% between FY 2013 and FY 2017. New construction includes a commercial vehicle gate which replaces a non-Anti-Terrorism/Force Protection compliant gate in the airfield clear zone. New organizations will see 30 new positions supporting the base's flight training mission. The FY20 Defense Appropriations Bill provided $36 million in MILCON for a replacement AFPC B-Wing building, and a total of nearly $20 million in MILCON for buildings to support T-X ground-based flight simulators and T-X aircraft maintenance training facilities. The T-X is also referred to by its nomenclature of T-7 Red Hawk; it is the Air Force's next generation training aircraft that will replace the T-38 Talon.

The BRAC 2005 growth supported the City's economic development strategy to promote development in targeted areas of the City, to leverage military installation economic assets to create jobs, and to assist the City's military installations in reducing base support operating costs.

San Antonio is home to two (2) large projects which serve all the military branches. The Audie L. Murphy Veterans Administration Hospital, which includes a new $67 million Level I Polytrauma Center, was completed in 2011. This hospital is designed to be the most advanced in the world and can provide state-of-the art medical care to veterans with multiple serious injuries. San Antonio is also home to the National Trauma Institute ("NTI"), a collaborative military-civilian trauma institute involving BAMC, University Hospital, the UT Health Science Center, and the U.S. Army Institute of Surgical Research. The NTI coordinates resources from the institutions to treat trauma victims and their families most effectively.

In 2005, the San Antonio community established communication/partnership forums to assist the military with BRAC 2005 and other military-related issues. The Military Transformation Task Force ("MTTF") is a City, Bexar County, military mission partner, and business community organization which provides a single integrated forum where senior military commanders address their challenges and requirements to the community.

In January 2007, the City established the Office of Military Affairs ("OMA") as the single point of contact for the City on military and veteran related issues. In 2018, OMA formally changed its name to the Office of Military and Veterans Affairs ("OMVA"). And, in early 2022 the City elevated the OMVA from and "Office" to a "Department" within the City's organizational structure. OMVA became the Military and Veteran Affairs Department ("MVAD"). The mission of MVAD remains unchanged, which is to work with the military to sustain and enhance mission readiness, develop, and institutionalize relations to strengthen a community-military partnership, and to provide an official formalized point of contact for the military and veteran community on issues of common concern. MVAD is working with the MTTF Tri-Chairs to refocus the MTTF by updating and codifying its mission, vision, membership, leadership, chain of command, branding and measures of effectiveness.

For the past several years, MVAD has aggressively pursued partnerships with JBSA to preserve and increase military missions, protect military installations, and improve the City's military-friendly environment for the military and veteran community. MVAD advocates on behalf of the military at the local, state, and national level. Through advocacy and close relationships with JBSA leadership, MVAD has advocated for, and been successful in securing numerous infrastructure projects supporting JBSA. This tangible support, which has included funding through the City's bond program, state funding, and other sources, has resulted in $105 million dollars in both bond and City operating budget projects since 2007. These projects have been mutually beneficial for both the City and the military and added military value to the region's installations – military value has been part of the scoring criteria in previous BRACs.

MVAD works closely with the military to address compatible land-use issues around the installations to enhance mission readiness. This includes testifying at committee hearings before the Texas Legislature during the year and at their biennial sessions. During the 85th Texas Legislative Session, MVAD, along with local and state elected officials, was successful in ensuring the establishment of a five-mile protection buffer against encroachment around all Texas military installations. This same team effort was applied during the 86th Texas Legislative Session to maintain this five-mile buffer. The 87th Texas Legislature saw the successful defeat of three bills which would have given authority for development in the City's Extra-Territorial Jurisdiction that is incompatible with select JBSA military missions. MVAD also assists the Mayor with the Commission on Veterans Affairs. Chartered in 2001, this eleven-member board serves the Mayor and ten City Council districts in an advisory capacity focused on all veteran issues within the community.

In 2008, then-OMA introduced the Growth Management Plan as one of the responses to the growth brought about by the BRAC 2005 actions, and it clearly laid out the partnership between the San Antonio community and the military. One example of the partnership is the City's effort to gather over $105 million in resources and funding from bond proceeds, City funding, federal earmarks, and grants to provide significant infrastructure improvements around Fort Sam Houston.

The premier project was the reconstruction and widening of Walters Street, a primary entrance to Fort Sam Houston. This project was substantially completed in June of 2013. This project was complex, since it was the center segment of a cooperative effort joining the already completed Texas Department of Transportation ("TxDOT") improvements on IH-35 to a new, high security gate entrance that was completed at Fort Sam Houston. An even more unique project is the City's construction of a much-improved bridge over Salado Creek on Binz-Engleman Road, which was built on federal property and was gifted to the military upon completion in June of 2012. Other key projects included intersection improvements on Harry Wurzbach Road between the JBSA-Fort Sam Houston Gate and Rittiman Road, and the construction of a new bridge on Rittman Road, west of IH-35. The City also expended significant funding to support development along Walters Street by improving utilities, installing a new water line, and improving numerous side streets in that area. These improvements are now complete. The City was also selected by the DoD's Office of Economic Adjustment to receive an award of $25 million in federal funds to construct new ramp connectors between IH-35 and Loop 410 near BAMC. This initiative with TxDOT greatly improved traffic flow and safety for personnel seeking access to the medical facility area.

Since 1998, the City of San Antonio has aggressively pursued, and consistently received, just over $33 million in grants from the Texas Military Preparedness Commission's Defense Economic Adjustment Assistance Grant ("DEAAG") program. This program assists defense communities who have either been negatively or positively impacted by BRAC decisions. The grant money is invested in infrastructure projects and other initiatives to increase the military value of JBSA installations, thereby mitigating the potential negative effects of future BRAC round(s). The $33 million plus funded a total of 12 projects. The most recent DEAAG award – the first for the City since 2009 – was for $5 million and will fund three individual projects as part of a collaborative effort between the City, JBSA, San Antonio Water System and CPS Energy.

It consists of three distinct parts which improve installation resiliency, enhance physical security, and reduce risks associated with aircraft mishaps. The primary level of effort provides backup power generation to two (2) critical potable water production facilities serving JBSA-Lackland and a Department of Defense Combat Support Agency. The second component of this proposal includes installation of stormwater crossings at five locations along JBSA's perimeter. The final component of this proposal involves replacement of overhead electrical lines with underground distribution lines in the southwest clear zone of JBSA-Randolph.

Finally, the City and JBSA entered into an Intergovernmental Support Agreement ("IGSA") in late 2018 through which JBSA can leverage the City's existing roadway facility contracts to provide pavement repair services across JBSA's installations. A pilot project was completed on JBSA-Ft. Sam Houston in 2019 and saved the government $52,000, and a second project on JBSA-Ft. Sam Houston was completed in the summer of 2020. This IGSA was amended in the spring of 2020 to allow the City to support more complex roadway repairs for JBSA. The City and JBSA representatives met at JBSA-Randolph in early April 2022 to conduct a site visit of a possible third project under this IGSA. In September of 2020, the 502nd Civil Engineer Squadron made its first three purchases under the City of San Antonio-JBSA Bulk Purchase IGSA. This IGSA provides JBSA the opportunity to leverage the City's contracts to purchase bulk materials such as gravel and sand.

On March 24, 2017, the United States Patent and Trademark Office granted San Antonio the trademark Military City, USA. The trademark was a result of a year-long process to ensure that no other city had previously met the criteria. For over 300 years, San Antonio has had a rich military history. The moniker Military City USA became most prominent after World War II. During this time, five military installations operated in San Antonio and the surrounding areas. The trademark emphasizes San Antonio's rich military history and honors approximately 250,000 veterans.

This trademark is also becoming a contributing factor in the City's effort to meet the challenge of military spouse unemployment, which was estimated to be as high as 24% nation-wide prior to the COVID pandemic. In 2019, the City budgeted $150,000 to fund up to 40 fellowships over a two (2) year period through a partnership with the U.S. Chamber of Commerce's Hiring Our Heroes ("HOH") Foundation. This partnership created a San Antonio Military Spouse Fellowship Program ("MSFP"). San Antonio was one of the first trailblazers in the nation, and the first municipality in Texas, to provide funding for the HOH MSFP program.

With over 60 companies now participating, we are proud to report that in addition to the 40 fellowships funded by the City, an additional 45 spouse fellowships were funded through other corporate financial contributions. As of early January 2022, a total of 85 military spouses have completed the fellowship with 78 being hired by their host employer – a 92% hiring rate. Moreover, the average annual salary of a MSFP fellow is greater than $60,000, which exceeds the San Antonio-New Braunfels Metropolitan Statistical Area average annual salary of $49,500 and equates to a combined annual income of over $4.5 million.

Because of the success of the two (2) year program, the City continues to explore innovative ways to fund additional fellowships such as, leveraging its "Military City USA" trademark. For example, when for-profit entities request Military City USA trademark license agreements, the City will include a fee structure aimed to cover the costs of additional military spouse fellowships ($5,000 per fellowship). Spouse employment is a key quality of life factor that directly impacts military retention rates and readiness. Moreover, the Department Defense and military service branches consider community military family support when making basing decisions.

Currently, DoD is the community's largest employer, supporting the employment of over 805,685 people, with an economic impact of approximately $124 billion to the Texas economy. JBSA alone directly employs 282,995 people and has a total economic impact of $47 billion in payroll, contract expenditures, and value of jobs created. Over 250,000 veterans reside in San Antonio and receive over $1.5 billion in annual benefit payments. The BRAC 2005 program in San Antonio concluded in 2011 but the construction momentum continues.

Aerospace

According to the Economic Impact Study commissioned by the Greater San Antonio Chamber of Commerce in 2018, aerospace is a $3.4 billion industry in San Antonio. This industry provides approximately 17,250 jobs, with employees earning total annual wages of over $1 billion. The aerospace includes key aerospace assets, which include: San Antonio International Airport, Stinson Municipal Airport, the Port, JBSA-Randolph, JBSA-Lackland, and training institutions. Many of the major aerospace industry participants such as Boeing, StandardAero, STSA, FedEx, UPS, and others, have significant operations in San Antonio. The aerospace industry in San Antonio includes air passenger service, maintenance, repair, overhaul, and general aviation.

The Port is a logistics-based industrial platform on the former Kelly Air Force Base. It was created by the Texas Legislature in 2001 following the closure of the base and tasked with redeveloping and managing the property to ensure that it continues serving as an economic engine for the region and includes over 1,900 acres. Though created by the local government, the Port is self-sustaining and operates like a business, receiving its income from the properties it leases and services it provides, and reinvesting profits into further development of the property. The Port is the region's single largest real estate management and leasing firm, overseeing 12.9 million square feet of facilities and logistics assets that include an industrial airport, Kelly Field, SKF, and a 350-acre railport, East Kelly Railport.

Fourteen of the Port's customers are aerospace-related firms, including industry leaders Boeing, StandardAero, Chromalloy, and GDC Technics. These Port customers operate within more than 3.5 million square feet of highly specialized facilities, including hangars that accommodate multiple wide-bodied aircraft, workshops, and an array of engine test cells. The campus is also home to the nationally acclaimed Alamo Academies, which prepares the region's youth for advanced technology careers, particularly in the aerospace industry.

In early 2012, Boeing announced that its San Antonio facility would gain 300 to 400 workers along with maintenance responsibilities for the nation's executive fleet due to a decision to close a Wichita, Kansas plant. The aircraft maintenance and support work, which moved to San Antonio, included improvements to the nation's fleet of executive jets, including Air Force One, the Boeing 747s that transport the President of the United States, and the jets that transport the Vice President, Cabinet members, and other government officials. In 2018, Boeing announced that it would be increasing its San Antonio workforce by around 900, effectively doubling its presence in the City.

In 2017, StandardAero was awarded a contract to overhaul engines that power military transport planes and other aircraft. In 2018, StandardAero also announced that it would be increasing its San Antonio workforce, creating 100 jobs.

IT and Cybersecurity

The information technology industry plays a major role in San Antonio. According to the Bureau of Labor Statistics, the Information Technology Sector in San Antonio accounted for close to 19,000 jobs as of December 2021. This is a 3.3% increase from the number of jobs available at the same time last year. The information technology industry plays a major role in San Antonio.

The San Antonio Information Technology industry had an economic impact in excess of $10 billion in 2018. San Antonio boasts some of the most sophisticated uses of IT in the world, even though much of that advanced usage remains undisclosed for security reasons, as the community is home to a large concentration of military and intelligence agencies charged with the missions of intelligence, surveillance and reconnaissance, information operations and network defense, attack, and exploitation. San Antonio possesses the second-largest cluster of cyber and cybersecurity professionals in the nation outside the National Capital Region. Numerous San Antonio entities have missions and operations in the cyber and cybersecurity sector. The most prominent organization representing the DoD with cyber and cybersecurity missions in San Antonio are the 16^{th} Air Force (formerly the 24^{th} Air Force and 25^{th} Air Force, which were merged in November 2019), and the National Security Agency-Texas. Other federal entities performing cyber missions are FBI-San Antonio, the U.S. Secret Service, and the Department of Homeland Security. Nearly 40 cybersecurity companies are headquartered in the city with another 35 national cybersecurity employers operating in the cybersecurity sector, according to the San Antonio Chamber of Commerce.

The City of San Antonio standout in the academic sector is UTSA, which hosts the nation's top cybersecurity program, and UTSA's National Security Collaboration Center ("NSCC"), which was developed to better align partnerships and collaboration between UTSA professors, students, and leading public and private partners. The NSCC is a Government-University-Industry ecosystem, attracting diverse thinkers and problem-solvers to join the national security conversation to uncover transdisciplinary solutions collectively. The NSCC will enhance the cybersecurity ecosystem in the region and provide state-of-the-art space housing computational capabilities, including a Sensitive Compartmented Information Facility and an Innovation Factory where academia, industry, and government can rapidly develop products for application in the national security enterprise. The NSCC will be housed in downtown San Antonio at the School of Data Science along with a proposed

$161.2 million Innovation, Entrepreneurship and Careers Building. These major initiatives will anchor UTSA to the downtown "Tech District" and act as a catalyst for economic and community investments in the San Pedro Creek area.

The Alamo Regional Security Operations Center is an initiative led by the City and its partners at SAWS and CPS. The initiative created a centralized security operations facility for real-time, collaborative cybersecurity information sharing among municipally owned entities in the San Antonio Area. In 2020, the San Antonio City Council approved $2.5 million toward the effort to build a new state-of-the-art integrated facility at Port San Antonio, which officially launched in December 2021 with the goal of becoming the model Urban Cyber Security Center of Excellence. By consolidating members from both the City and CPS security teams, San Antonio will be better positioned to coordinate against cyber threats.

Geekdom is a collaborative coworking space in San Antonio, and the heartbeat of the startup ecosystem along the City's growing Tech District located in the downtown area on Houston Street. At over 44,000 square feet, Geekdom is home to more than 1,700 members, and is one of the largest collaborative co-working spaces in Texas. Geekdom's partners include USAA, Rackspace, Codeup, and Salesforce.

Following the success of the City of San Antonio's CityTechSA program, which encourages entrepreneurs to solve civic challenges, the City's Office of Innovation, ITSD, and Economic Development partnered to establish the Geekdom Incubator Program. As part of this program, Geekdom supported six teams over a two-year period with business and product development and support, as well as access to entrepreneurial resources and mentorship in San Antonio. In addition, the program's mission was to work with relevant City departments and potentially create products or solutions for the City to partner with and/or procure, if applicable. Since the program's launch in early 2020, six (6) teams were selected with 15 total individual participants. During the program, teams worked on a variety of projects, with scopes ranging from assisting local businesses to promoting their services and products to help ng potential pet adopters find their future pets, to pre-developed plans and designs for Accessory Dwelling Units that meet local codes. The program concluded at the end of 2021, and five of the six selected teams successfully completed the program and moved to the next stages of their company development.

Additionally, in November of 2021, Geekdom announced the opening of new cybersecurity accelerator led by gener8tor. The 12-week program launched in 2022 with the first cohort hosted in Geekdom's downtown office with an expected expansion to two cohorts in 2023 and 2024 for a total of 25 startups across the three (3) years.

In April 2017, City Council approved a grant of $1.5 million to support infrastructure improvements at Port San Antonio associated with Project Tech, a new facility specifically designed to meet the growing needs of San Antonio's cybersecurity ecosystem. Project Tech will enable the expansion of cybersecurity operations and personnel while growing a campus environment that supports closer collaboration between high-ranking experts in cybersecurity and their technical counterparts in aviation, advanced manufacturing, and other targeted industries. Phase I was completed in early 2018 and Project Tech officially opened its doors in May 2018. In 2019, the Port Board of Directors approved the construction of a second Project Tech building, a new five-story, 174,000 square-foot office building. Project Tech II which was originally expected to be operational by the end of 2021 and is now in the final stage of construction. Internal finish-outs are being made for the two (2) federal customers that will begin occupying the facility during the summer and fall months of 2022. The two (2) operations are expected to support 800-1,000 jobs at full capacity. In addition, the Port is developing an innovation campus focused on supporting military and commercial solutions for applied technologies in critical infrastructure, manufacturing, transportation, and related sectors. The center pieces are a full spectrum, 130,000 square foot Innovation Center and Arena, which opened in May 2022. The campus will showcase capabilities and new technologies, offer education space, office and lab facilities, house the San Antonio Museum of Science and Technology, and serve as a hub for new and developing cybersecurity ideas and innovations. Additionally, the dynamic Tech Port Center and Area offers one of the biggest Esports arena in Texas, a LAN gaming space, food hall, and an arena/convention center space. The Innovation Center and Tech II investments further bolster the Port's operations and importance for the tech and cybersecurity industry, along with the over 80 companies and 16,000 people already working at the Port.

The development and growth of the IT and cybersecurity industry has led to numerous global tech companies moving to San Antonio. In 2021, such growth was led by Jungle Disk, a San Antonio-based cybersecurity company for small businesses and Dry Line Partners LLC ("Dry Line"), San Antonio and Austin-based private equity fund and Geekdom partner, which has global investors and focuses on acquiring tech companies within the business-to-business space. Jungle Disk acquired three complementary cyber businesses, KeepItSafe, LiveVault, and OffsiteDataSync, from tech holdings company J2 Global Inc. Through the backing of Dry Line and Porthcawl Holdings LLC, owner of Jungle Disk. The acquisitions make Jungle Disk the second-largest privately held tech company in San Antonio in terms of revenue and will add thousands of customers in heavy regulated industries across four continents.

Advanced Manufacturing

Advanced Manufacturing accounted for close to 52,00 jobs in San Antonio in December 2021, according to the Bureau of Labor Statistics. This is a 1.4% increase from the number of jobs available in the Advanced Manufacturing Industry in the previous year.

Toyota Motor Corporation, one of the largest manufacturing employers in San Antonio with an estimated workforce of over 3,000, expanded its local production in 2010, adding the production of the Tacoma truck. Toyota shifted its Tacoma manufacturing from Fremont, California to San Antonio, creating an additional 1,000 jobs and investing $100 million in new personal property, inventory, and supplies. Toyota and its 23 on-site suppliers, located on San Antonio's south side, support Toyota's production of Tundra and Tacoma vehicles, generating an estimated annual impact of $1.7 billion. Since their announcement in 2019, the company has invested approximately $230 million of a $391.8 million project in the South San Antonio plant, which will include new technology brought to the manufacturing line. This will allow the plant to be more flexible to meet market demand. This includes moving exclusive production of the Sequoia SUV model to San Antonio which began in 2022. By the end of 2021, Toyota neared completion of the expansion project which is estimated to bring more than $10 billion in economic impact and 40,000 new jobs over 10 years, according to greater:SATX.

Navistar International Corporation, a publicly-traded manufacturer of semi-trucks, construction trucks, school buses, and diesel engines for several automobile manufacturers was acquired by Traton Group, a subsidiary of Volkswagen for $3.7 billion. Since this acquisition in 2021, Navistar built a high-tech $250 million, 900,000-square-ft. factory on the South Side near Mitchell Lake (completed and opened in March 2022) to expand its diesel engine and fully electric vehicle manufacturing in San Antonio. With their growing presence, Navistar currently employs about 500 people at the South Side Factory and will eventually employ more than 600 people. It is estimated that the project will bring in over $5 billion in economic impact to the region over the next 10 years. Additionally, the facility houses the Advanced Technology Center which conducts validation, R&D testing on new engines and trucks, 100,000-mile simulations, and after-market modifications.

DeLorean Motor Company, a car manufacturing company, is set to open its new headquarters in Port San Antonio for the manufacturing of their new electric vehicles aided by the $562,500 incentive package approved by City Council on April 14, 2022. The project is expected to bring 450 jobs in corporate, engineering, and development positions. Allocation of funds is contingent upon the successful completion of job creation milestones.

Brooks, a City designated Reinvestment Zone, continues to foster the development of its business and technology center on the south side of San Antonio through its aggressive business attraction and retention efforts. Recognized as one of the most innovative economic development projects in the United States, Brooks is a 1,308-acre community with approximately 350 acres available in undeveloped land. To further support advanced manufacturing in San Antonio, Bexar County announced at the end of 2020 that they will be moving forward with constructing a new $13 million workforce training facility located at Brooks. The Texas Federation for Advanced Manufacturing Education, an organization with 10 private manufacturing companies, will operate the facility. The industry-driven training facility offers short-term and long-term advanced manufacturing training programs by employers that sponsor the facility and has a more than 90% job acceptance rate at program's end and at least an 80% completion rate.

In June 2018, Brooks began work on a 350,000-square foot light industrial facility to help attract developers of various goods. This facility will help increase the appeal of Brooks as a hub for the advanced manufacturing industry, one of San Antonio's prominent target industries. Total economic activity attributed to businesses located in the Brooks campus supported over 3,300 jobs in 2019. In 2020, Brooks Amazon's plans to open two new fulfillment centers and a new delivery station on their campus which would create over 1,500 new full-time jobs. The facility was leased to Amazon in 2021 to serve as a delivery facility, creating more than 500 full- and part-time jobs with additional opportunities for independent delivery contractors and entrepreneurs.

Nissei Plastic Industrial manufacturers is a Japanese company that specializes in large-scale injection molding machinery. During a trade mission to Japan in 2014, this company was engaged as they showed interest in expanding to the U.S. After a visit to San Antonio, the company acquired nine acres of land at Brooks to establish a manufacturing and assembly facility to serve the U.S. and Mexico markets. The grand opening of the new assembly plant took place on May 14, 2018. In 2021, Nissei announce plans to move and consolidate its US headquarters to its Brooks facility in San Antonio's South Side from its main office in California.

New Energy

In response to an April 2009 request for proposal, CPS negotiated and entered into a 30-year Power Purchase Agreement ("PPA") with TX Solar I, LLC to construct a clean, dependable, and renewable energy solar farm in San Antonio and Bexar County, known as the "Blue Wing Solar Energy Generation Project". The project consists of 214,500 ground-mounted thin film panels manufactured by First Solar with an annual generation of about 14 megawatts. This project created approximately 100 green jobs during the construction and operation phases with a capital investment of approximately $41.59 million in real and personal property. The site is located southwest of the City near the intersection of IH-37 and U.S. Highway 181. In 2019, the Blue Wing Solar Energy Generation Project produced over 21,000 megawatt hours through solar energy generation.

In June 2010, CPS and UTSA announced a ten-year, $50 million agreement to position San Antonio as a national leader in green technology research. The agreement established the Texas Sustainable Energy Research Institute (the "Institute") at UTSA. This research institute works with other academic and research entities with robust green programs including the Southwest Research Institute as well as the Mission Verde Center, a City partnership that includes the Alamo Colleges and the Texas A&M University Texas Engineering Experiment Station. The Institute also has an active military establishment looking to address specific energy needs. Compounding on the success of the Institute, UTSA announced in 2020 they were awarded a $1 million grant from the U.S. Department of Agriculture and the National Institute of Food and Agriculture in order to help advance research, technology development, student training, and the diversity of students in the science, technology, engineering, and mathematics fields.

In 2011, CPS, the largest municipally owned, vertically integrated electric and gas utility in the United States, invested in 400 MW of solar energy through PPAs and launched a New Energy Economy ("NEE") in the City. The NEE is comprised of local companies that share the City's vision for clean energy, innovation, and energy efficiency while leveraging economic development. Through this strategic approach, the City has spurred the creation of a solar manufacturing and clean energy technology hub. As a result, the NEE has led to more than $1 billion in annual economic impact, over 600 jobs, and over $200 million in capital investment. Additionally, more than $6 million has been contributed for local education programs, with a primary focus on science, technology, and engineering, has been committed by NEE partners. To continue this effort, CPS launched Energy Partnerships Innovation ("EPIcenter") in 2015, a hub for clean energy technology innovation, education and community engagement, and entrepreneurial incubation and ideation. In early 2018, EPIcenter announced the first two companies to join its new energy incubator, San Antonio-based Go Smart Solar and Morton Gestalt. EPIcenter added the newest international member to its incubator program in 2020, Erco Energía. This company is headquartered in Columbia and recently formed Erco DERServices which will be headquartered in San Antonio in order to begin scaling the company's operations to enter the U.S and Texas' markets. Since the incubator opened in December 2017, EPIcenter has assisted 18 startups.

Inner City Development

A sign of recovery from the toll the COVID pandemic had on development, San Antonio's inner city continues to grow with many projects underway or recently completed. Frost Tower, completed in 2019, currently has 80% of its available office and retail space leased. Additionally, the UTSA downtown campus development continues with the groundbreaking of the National Security Collaboration Center and School of Data Science at 506 Dolorosa, slated to welcome students for the Fall 2022 semester. To add to the growth, two luxury hotels, Thompson San Antonio and Canopy Hotel, and the historic Witte building opened in 2021. Additionally, two developments by Weston Urban have and will change the downtown area. Weston Urban purchased the historic Continental hotel to build an $80 million, mixed-use development site. The approved plans include the building of a 15-story residential tower with 255 apartments and the restoration of the historic properties on its site: the former Continental Hotel, the Arana Building, and the De La Garza house. In December of 2021, Weston Urban proposed plans for a $107 million project to build a 32-story apartment tower in San Antonio's tech district. The project is set to include 354 residential units and about 6,275 square feet of ground-floor retail space.

To further support post-pandemic recovery, the City recently revamped the City's Fee Waiver program. To help spur local development and support recent affordable housing efforts, City Council revised the program in 2021 to better align with the City's Strategic Housing Implementation Plan and overall planning strategies. In addition to awarding $3,188,556 in FY2022 to affordable housing projects, the City has budgeted over $1 million in fee waivers to support the business community and assist in the recovery from the COVID pandemic.

Additionally, in May 20221 the Alamo Trust revealed plans for a new 24,000 sq. ft. exhibit hall and collections building. The $15 million two-story hall will be built within the Alamo walls on the property's eastern flank. The groundbreaking took place on August 17, 2021, with plans to open in late 2022.

Sources: The San Antonio Chamber of Commerce; City of San Antonio; Forbes Bureau of Labor Statistics; San Antonio Economic Development Foundation; University of Incarnate Word; UT Health; UTSA; BAMC; SAMH; Geekdom; Build Sec Foundry; San Antonio Express News; U.S. Bureau of Economic Analysis; Port San Antonio; Brooks; U.S. Energy Information Administration.

Growth Indices

San Antonio Average Electric and Gas Customers

For the Month of December	Average Electric Customers	Gas Customers
2012	741,556	330,945
2013	754,893	333,587
2014	770,588	336,367
2015	783,767	337,920
2016	802,712	342,928
2017	819,333	346,247
2018	823,153	348,313
2019	857,559	357,189
2020	883,026	366,019
2021	896,251	370,171

Source: CPS.

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Construction Activity

Set forth below is a table showing building permits issued for construction within the City at December 31 for the years indicated:

Calendar Year	New Residential Single Family [1] Permits	New Residential Single Family [1] Valuation	Residential Multi-Family [2] Permits	Residential Multi-Family [2] Valuation	Other [3] Permits	Other [3] Valuation
2012	1,993	$323,925,290	226	$302,749,653	11,390	$1,636,131,582
2013	1,902	$336,790,668	268	$320,007,487	9,888	$1,664,008,739
2014	2,290	$407,108,162	252	$501,829,279	11,214	$2,496,182,001
2015	2,161	$408,047,290	263	$500,853,131	11,580	$2,096,065,163
2016	2,150	$409,048,513	219	$408,327,871	19,106	$2,093,010,308
2017	2,421	$453,152,457	196	$505,855,511	18,172	$2,707,666,910
2018	3,337	$556,401,894	161	$387,094,077	19,993	$3,158,550,699
2019	4,034	$414,277,872	227	$469,523,112	20,104	$2,507,754,861
2020 [4]	3,908	N/A	284	$633,871,049	18,362	$3,107,728,887
2021 [5]	6,238	N/A	309	N/A	24,359	N/A

[1] Includes new single family attached and detached projects.

[2] Includes new two-, three- and four-family projects, townhomes, and multifamily apartment complexes. Apartment complexes are permitted per building.

[3] Includes commercial building permits, commercial additions, improvements, extensions, and certain residential improvements.

[4] As of 2019, Development Services no longer captured valuation for new single family home construction.

[5] As of November 30, 2020, Development Services reports from a new permitting platform that introduced a new valuation reporting methodology. Development of reports to produce accurate valuation data has currently not been finalized.

Source: City of San Antonio, Development Services Department.

Total Municipal Sales Tax Collections – Ten Largest Texas Cities

Set forth below in alphabetical order is total municipal sales tax collections for the calendar years indicated:

	2021	2020	2019	2018	2017
Amarillo[1]	N/A	N/A	N/A	N/A	$74,177,530
Arlington	$157,711,765	$119,943,322	$120,966,239	$110,482,756	105,600,443
Austin	278,311,232	237,342,567	240,562,938	226,229,104	210,876,619
Dallas	358,215,983	307,328,803	315,186,746	304,963,822	294,218,052
El Paso	114,356,341	98,270,890	95,909,987	90,106,254	85,606,247
Fort Worth	189,968,733	165,429,875	165,687,273	157,699,811	148,352,207
Frisco	111,487,858	90,690,027	90,036,003	87,307,968	81,409,268
Houston	747,671,385	666,921,075	698,992,969	687,113,410	638,686,093
Plano	95,385,916	86,785,467	88,612,905	89,766,816	83,078,508
SAN ANTONIO	415,149,253	362,813,047	370,289,324	355,904,510	334,238,830
Round Rock[1]	103,903,015	86,389,824	87,293,806	82,944,806	N/A

[1] In 2018, the City of Round Rock replaced the City of Amarillo as the 10th largest city in the State.

Source: State of Texas, Comptroller's Office.

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Education

As of October 2021, there are 15 independent school districts within Bexar County with a combined enrollment of 301,443 encompassing 64 high schools, 86 middle/junior high schools, 300 early education/elementary schools, 27 magnet schools, and 22 alternative schools. There are an additional 26 charter school districts with 110 open enrollment charter schools at all grade levels. In addition, Bexar County has 99 accredited private and parochial schools at all education levels. Generally, students attend school in the districts in which they reside. There is currently no busing between school districts in effect. The nine largest accredited and degree-granting universities, which include a school of medicine, a school of nursing, a dental school, a law school, and five public community colleges, had combined enrollments of 126,665 for Fall 2021.

Sources: Texas Education Agency; Texas Higher Education Coordinating Board; and Texas Private School Accreditation Commission.

Employment Statistics

The following table shows current non-agricultural employment estimates by industry in the San Antonio-New Braunfels MSA for the period of May 2022, as compared to the prior periods of April 2022 and May 2021, respectively.

Employment by Industry

San Antonio-New Braunfels MSA [1]	May 2022	April 2022	May 2021
Mining, Logging, and Construction[2]	62,600	62,500	63,500
Manufacturing	53,000	53,000	51,100
Trade, Transportation, and Utilities	192,500	193,000	185,600
Information	17,800	17,600	17,800
Financial Activities	97,600	97,200	92,800
Professional and Business Services	153,800	153,900	147,300
Education and Health Services	170,200	171,200	163,800
Leisure and Hospitality	140,500	134,500	124,200
Other Services	40,900	40,900	36,400
Government	175,300	175,000	173,100
Total Nonfarm	1,104,200	1,098,800	1,055,600

[1] *Based on Labor Market Information Department, Texas Workforce Commission (model-based methodology).*
[2] *Mining, Logging, and Construction have been combined compared to previous years.*

The following table shows civilian labor force estimates, the number of persons employed, the number of persons unemployed, and the unemployment rate in the San Antonio-New Braunfels MSA, Texas, and the United States for the period of May 2022, as compared to the prior periods of April 2022 and May 2021, respectively.

Unemployment Information *(all estimates in thousands)*

San Antonio-New Braunfels MSA [1]	May 2022	April 2022	May 2021
Civilian Labor Force	1,225.8	1,222.9	1,202.8
Number of Employed	1,182.9	1,182.7	1,141.2
Number of Unemployed	42.9	40.2	61.6
Unemployment Rate (%)	3.5	3.3	5.1

Texas (Actual) [1]	May 2022	April 2022	May 2021
Civilian Labor Force	14,500.6	14,462.6	14,123.6
Number of Employed	13,946.5	13,932.6	13,325.0
Number of Unemployed	554.1	530.0	798.6
Unemployment Rate (%)	3.8	3.7	5.7

United States (Actual) [1]	May 2022	April 2022	May 2021
Civilian Labor Force	164,157.0	163,449.0	160,607.0
Number of Employed	158,609.0	157,991.0	151,778.0
Number of Unemployed	5,548.0	5,458.0	8,829.0
Unemployment Rate (%)	3.4	3.3	5.5

[1] *Based on Labor Market Information Department, Texas Workforce Commission (model-based methodology).*

San Antonio Electric and Gas Systems

History and Management

The City acquired its electric and gas utilities in 1942 from the American Light and Traction Company, which had been ordered by the federal government to sell properties under provisions of the Holding Company Act of 1935. The bond ordinances establish management requirements and provide that the complete management and control of the City's electric and gas systems (the "EG Systems") is vested in a Board of Trustees consisting of five U.S. citizens permanently residing in Bexar County, Texas (the "CPS Board"). The Mayor of the City is a voting member of the CPS Board, represents the City Council, and is charged with the duty and responsibility of keeping the City Council fully advised and informed at all times of any actions, deliberations, and decisions of the CPS Board and its conduct of the management of the EG Systems.

All vacancies in membership on the CPS Board are filled as follows: a nominee to fill such vacancy shall be elected by the majority vote of the remaining members of the Board of Trustees, such majority vote to include the vote of the Mayor. The elected nominee is then submitted by the Mayor to the vote of the City Council for confirmation.

A vacancy in certain cases may be filled by authorization from the City Council. At the expiration of their first five-year term of office, the members of the CPS Board are eligible for re-appointment by election of the other CPS Board members and confirmation by the City Council to one additional term. In 1997, the City Council ordained that CPS Board membership should be representative of the geographic quadrants established by the City Council. New CPS Board members considered for approval by the City Council will be those whose residence is in a quadrant that provides such geographic representation.

The CPS Board is vested with all of the powers of the City with respect to the management and operation of the EG Systems and the expenditure and application of the revenues therefrom, including all powers necessary or appropriate for the performance of all covenants, undertakings, and agreements of the City contained in the bond ordinances, except regarding rates, condemnation proceedings, and issuances of bonds, notes, or commercial paper. The CPS Board has full power and authority to make rules and regulations governing the furnishing of electric and gas service and full authority with reference to making extensions, improvements and additions to the EG Systems, and to adopt rules for the orderly handling of CPS' affairs. It is further empowered to appoint and employ all officers and employees and must obtain and keep in force a "blanket" type employees' fidelity and indemnity bond (also known as commercial crime bond) covering losses in the amount of not less than $100,000.

The management provisions of the bond ordinances also grant the City Council authority to review CPS Board action with respect to policies adopted relating to research, development, and planning.

2021 Winter Weather Event

From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm resulting from the southern migration of a polar vortex that meteorologists characterize as the most significant in terms of scope and duration since monitoring of these weather phenomena began in the 1950s (such winter storm, the "2021 Winter Weather Event"). As a result of the 2021 Winter Weather Event, record breaking cold weather invaded the entire State of Texas, during which time the City experienced three consecutive days of record low temperatures, over 100 consecutive hours below freezing, and wind chills of -6 degrees Fahrenheit.

In anticipation of the 2021 Winter Weather Event, the Texas Governor, on February 12, 2021, declared a state of disaster for all 254 counties within the State, certifying in that declaration that severe winter weather posed an imminent threat of widespread and severe property damage, injury, and loss of life due to the prolonged freezing temperatures, heavy snow, and freezing rain statewide. In response to that declaration, and on the same date, the Texas Railroad Commission issued an Emergency Order approving a utilities curtailment program relating to and specifying an essential prioritization of the transportation, delivery and / or sale of natural gas in the State. On February 19, 2021, the President of the United States also declared that a major disaster existed in the State of Texas.

As the 2021 Winter Weather Event covered the State, the Electric Reliability Council of Texas ("ERCOT") implemented what were initially expected to be rolling blackouts to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of the 2021 Winter Weather Event and the corresponding increase in demand on the Texas electric grid, combined with limited availability of generation, widespread and prolonged power outages began at 1:00 a.m., Central Time, on Monday, February 15, 2021, and continued throughout the week. Ultimately, approximately 4,000,000 Texas residents were without power for significant stretches of the week.

By the middle of the 2021 Winter Weather Event, ERCOT announced that it had lost 46,000 megawatts ("MW") of generation, comprised of 28,000 MW of natural gas and coal generation and 18,000 MW of wind and solar. ERCOT stated that, in sum, approximately 185 generating units had tripped offline for one reason or another related to the 2021 Winter Weather Event. Additionally, during the time of year in which the 2021 Winter Weather Event occurred, various generating plants may be offline for scheduled maintenance, in anticipation of energy loads needed during spring and summer months. The extreme cold weather also began to impact natural gas delivery to some gas-fired power plants, resulting in them operating at reduced capacities due to limited gas supply, further reducing the level of available generation below what was needed to meet demand. As a result, ERCOT issued an Energy Emergency Alert 3 and ordered electric providers to begin "load shedding" to protect the ERCOT grid (an order with which CPS must comply, based on its share of ERCOT load). By February 18, 2021, the cold weather began to moderate and on February 19, 2021, ERCOT announced the existence of sufficient electric system generation to allow a return to normal operating conditions with remaining power outages being primarily attributable to localized damage requiring repair.

Throughout the 2021 Winter Weather Event, the Texas utilities market on both a statewide and local basis realized significant operational and financial disruption. Beginning February 12, 2021, and continuing over the next several days, the natural gas wholesale power markets experienced extreme price volatility. With multiple natural gas pipelines restricting gas flows, frozen wellheads experienced across the State, and weather-related gas processing plant outages, coupled with a significant increase in power demand, next day delivery natural gas spot prices at various delivery hubs skyrocketed from an average of less than $3 per million British thermal unit ("MMBtu") to as high as $1,250 per MMBtu (recorded at the Oneok Gas Transportation hub in Oklahoma) at their peak. The price per megawatt hour ("MWh") of electricity in the ERCOT market reached the market cap of $9,000 from February 15, 2021 through February 19, 2021. During this time, ancillary service charges (which are incremental to the $9,000 per MWh market cap and were not subject to any price limitation) pushed the actual per MWh price to a high of $25,000. These financial impacts during the 2021 Winter Weather Event were highly disruptive to the Texas electric utilities market and some market participants became insolvent, filed for bankruptcy, or wound up exiting the market.

The ERCOT Market

Settlements and Market Participant Short Payments and Uplift. In the immediate aftermath of the 2021 Winter Weather Event and continuing today, ERCOT has experienced short payments from some of its market participants. Short payments occur when a market participant fails to make a complete payment for settlement invoices for power purchases. When market participants do not pay the amount owed, ERCOT in turn pays amounts to market participants that are less than what their settlement statements from ERCOT reflect (i.e., they are "short paid"). ERCOT previously estimated the cumulative aggregate short pay amount at $2.9 billion (which is a gross amount that does not factor ERCOT's stated application of $800 million in congestion revenue rights auction revenue funds to mitigate the short-pay impacts of some market participants' non-payment in the immediate aftermaths of the 2021 Winter Weather Event). This amount reflects payments received for previously short-paid invoices and the application of financial security to short-paid balances, where available. This information is provided through short payment notices issued to market participants.

All ERCOT market participants, including CPS Energy, could be exposed to the liability from non-paying or bankrupt ERCOT market participants. ERCOT is a membership-based nonprofit corporation, and thus revenue neutral (meaning that it has no independent revenue source and is a clearinghouse that passes on losses to other participants). If sufficient funds continue to be unavailable from short-paying entities, ERCOT also "uplifts" shortages to market participants on a pro-rata share as established through the ERCOT Protocols (this process is referred to as "Uplift"). Typical timelines of Uplift invoices are no earlier than 90 days and no more than $2.5 million per month until ERCOT uplifts the total short-paid amount. Such invoices must be at least 30 days apart. To address extraordinary purchased power costs incurred during the storm, the 87th Texas Legislature passed Senate Bill 1580 ("SB 1580") and House Bill 4492 ("HB 4492"). SB 1580 sets forth the ability for electric cooperatives to securitize certain costs. HB 4492 pertains to the securitization of other ERCOT market participants (see "Relevant Policy and Legislation" below for additional information on HB 4492). Separately, the Texas Legislature passed House Bill 1520 ("HB 1520") to securitize the exceptionally high gas expenses incurred by investor-owned gas utilities and House Bill 1510 to assist electric utilities located within the State but outside of ERCOT by securitizing the elevated costs of power incurred during the 2021 Winter Weather Event.

In the 2020 calendar year, CPS Energy resources represented approximately 7.5% of total ERCOT generation (MWh) and peak native load (MW) represented approximately 6.8% of ERCOT peak load (MW). In 2021, because of other market participants' nonpayment, CPS Energy was short paid a cumulative amount of approximately $18.1 million. Through December 2021, CPS Energy received $3.1 million from ERCOT reducing the outstanding short payment amount to $15 million. This partial payment was the result of one of two securitization applications, filed by ERCOT pursuant to HB 4492 and approved by the Public Utility Commission of Texas ("PUCT") in October 2021, which resulted in the issuance of securitized bonds in the amount of $800 million. A portion of the bond proceeds was used by ERCOT to make partial payments to several market participants, including CPS Energy, that were short paid for generation sales during the 2021 Winter Weather Event. In February 2022, ERCOT received $637.3 million from Rayburn Country Electric Cooperative, Inc. ("Rayburn") as full payment for all outstanding settlement invoices related to its power purchases. This payment was the result of Rayburn's successful bond financing completed pursuant to the securitization process outlined in SB 1580. To date, ERCOT has paid CPS Energy an additional $5 million from the bond proceeds delivered by Rayburn reducing the outstanding short-payment amount to $10 million. This leaves Brazos Electric Power Cooperative, Inc. ("Brazos"), which is in bankruptcy, as the largest market participant that has not paid in full outstanding settlement invoices to ERCOT. Beyond the Brazos bankruptcy proceeding, CPS Energy does not have insight into other market participants that may cease to operate or that have outstanding settlement invoices from ERCOT and their ability to repay. For these reasons, CPS Energy cannot determine the scope or magnitude of its potential, purported Uplift liability.

State Response to Winter Weather Event

In the aftermath created by the 2021 Winter Weather Event, the ERCOT market faced many challenges. The storm exposed deficiencies in the natural gas supply as well as deficiencies in the winterization programs implemented by the generator owners. As a result, numerous changes occurred at both the PUCT and ERCOT, including the following:

- All three commissioners of the PUCT resigned their positions. The PUCT was expanded from three to five commissioners and four new commissioners have been appointed by the Governor and confirmed by the Texas Senate: Peter Lake, Chair, Will McAdams, Lori Cobos, and Jimmy Glotfelty.
- All out-of-state board members of the ERCOT Board of Directors submitted letters of resignation from the ERCOT board; shortly thereafter, three other ERCOT board members resigned.
- The ERCOT board voted to terminate its CEO, Bill Magness.
- The ERCOT board selected Brad Jones to serve as interim President and CEO effective May 4, 2021.
- Paul Foster was named Chair of the ERCOT board.
- Bill Flores and Zin Smati were appointed to the ERCOT board.
- As of December 29, 2021, all seats on the ERCOT board have been filled.

The Texas Legislature also addressed events from the 2021 Winter Weather Event during the 87th Texas Legislature Regular Session, which ended on May 31, 2021. Senate Bill 3 ("SB 3") was the comprehensive bill approved by the Texas Legislature and signed into law by the Governor on June 8, 2021, addressing the vulnerabilities exposed during the 2021 Winter Weather Event. Among other items, SB 3 requires electric and other energy companies to implement a number of reforms, including (i) engaging in winterization measures for natural gas, electric generating facilities, water production, and supply systems, (ii) the mapping and identification of the electricity supply chain, including natural gas facilities, (iii) identification and processing of such systems and process as "critical loads", and (iv) implementing a statewide energy outage alert system. The City and CPS Energy are affected by a provision in the legislation that adds Section 38.075 to the Utilities Code. This new section (i) applies to municipal owned utilities ("MOUs") that provide transmission service in the ERCOT power region, (ii) requires the PUCT to adopt weatherization standards to prepare for weather emergencies, (iii) requires ERCOT to inspect the covered entities for compliance, (iv) requires ERCOT to inform the PUCT of violations, and (v) authorizes the PUCT to impose an administrative penalty for each violation, not to exceed $1 million for each day of noncompliance. SB 3 requires the PUCT to adopt the reliability standards within six (6) months after June 8, 2021, the effective date of SB 3. The PUCT is implementing weatherization regulations in two phases. The first phase was completed in 2021 and the second phase is expected to be implemented in 2022. In addition, SB 3 calls on the PUCT to implement certain market reforms to increase the reliability of the ERCOT grid. On January 18, 2022, ERCOT issued an alert that it was ready for winter weather. The Governor directed the regulatory agency to rely on existing legislative authority to make additional market reforms to incentivize investment in new dispatchable generation.

Rulemaking proceedings at the PUCT for electric and water utilities, and at the RRCT for natural gas pipelines and gas distribution utilities, needed to implement the mandates of SB 3 began the summer of 2021. As the PUCT, RRCT, ERCOT and other oversight bodies continue and complete their investigations, the ERCOT market continues to implement additional rules to mitigate market and fuel risks. The RRCT adopted rules that direct the designation of certain natural gas pipeline and gas distribution facilities as "critical" during an energy emergency as specified by SB 3 and House Bill 3648 ("HB 3648"). The adopted rules became effective December 20, 2021. Weatherization regulations applicable to critical gas facilities are expected to be implemented by the RRCT in the 2022-2023 time period.

Relevant Policy and Legislation

House Bill 16 ("HB 16") was approved by the Texas Legislature and signed into law by the Governor on May 26, 2021. HB 16 prohibits offering a wholesale indexed product to a residential customer.

Senate Bill 2 ("SB 2") was approved by the Texas Legislature and signed into law by the Governor on June 8, 2021. SB 2 changed the governance structure of the ERCOT Board of Directors. The bill reduces the ERCOT Board of Directors from 16 members to 11, eight (8) of which now represent different professional fields instead of specific market segments. Furthermore, these eight seats were appointed by a newly created selection committee. The selection committee is composed of three people — one appointed by the Governor, one appointed by the Lieutenant Governor and one appointed by the Speaker of the House.

The committee is also required to use an outside firm for recruiting members. Lastly, the bill requires that any rules or enforcement actions undertaken by ERCOT under the authority delegated to them by the PUCT must receive PUCT approval before taking effect.

Senate Bill 2154 ("SB 2154") was approved by the Texas Legislature and signed into law by the Governor on June 18, 2021. SB 2154 increased the number of PUCT Commissioners from three to five and all must be Texas residents. The Governor will continue to appoint the Commissioners with Senate confirmation. The bill restricts former PUCT Commissioners from lobbying the Commission for one year upon their departure and amends the criteria and qualifications for the Commissioners where at least two of the five commissioners must be "well-informed and qualified in the field of public utilities and utility regulation".

HB 4492 was approved by the Texas Legislature and signed into law by the Governor on June 16, 2021. HB 4492, among other things, authorizes a loan of up to $800 million to ERCOT from the State's Economic Stabilization (or "Rainy Day") fund through securitization. The proceeds from the securitization have been used by ERCOT to pay market participants that were short-paid for power purchases during the 2021 Winter Weather Event with the remainder going to reimburse an ERCOT fund that was temporarily used to make the initial short payments for power during the storm. Payment for the debt service of the securitized loan is being allocated to all market participants based on their pro-rata share of market activity going forward. CPS Energy has received from those proceeds $3.1 million of an outstanding $18 million owed to CPS Energy by ERCOT for power purchases made during the 2021 Winter Weather Event. In addition, CPS Energy received $5 million from ERCOT related to the Rayburn securitization financing transaction. After accounting for these additional payments, the outstanding short-payment is currently at $10 million.

HB 4492 also permits the securitization financing of $2.1 billion in exposure to reliability deployment price adder charges and ancillary services costs incurred by load-serving entities ("LSEs") that were in excess of the ERCOT System-wide Offer Cap ("SWOC") of $9,000 / MWh associated with power purchases by the LSEs during the 2021 Winter Weather Event. The purpose of this securitized transaction is to reimburse customers that would otherwise be liable for the extremely high electricity prices related to the period of the 2021 Winter Weather Event. Payment for the debt service of this securitized loan will be allocated to each obligated LSE that receives securitized funds based on their respective load ratio- share of the ERCOT wholesale market. Certain LSEs (including CPS Energy) may opt out of participation in the securitization financing described above, if they have paid in full all invoices owed ERCOT during the 2021 Winter Weather Event. Both securitized transactions are to be implemented through PUCT issued debt obligation orders. CPS Energy timely filed a notice of opt-out of this securitization program. Both the $800 million and $2.1 billion securitized transactions have received authorization through PUCT issued debt obligation orders.

HB 1520 was approved by the Texas Legislature and signed into law by the Governor on June 16, 2021. HB 1520 pertains to the financing of certain extraordinary costs that were incurred by certain gas utilities by granting authority to issue bonds and authorizing fees. The bill applies to investor-owned gas utilities whose rates are subject to RRCT jurisdiction. Therefore, the securitization financing provided through this bill is not available to CPS Energy. Extraordinary costs incurred by CPS Energy to secure gas supply to provide service during the 2021 Winter Weather Event will need to be financed through traditional financing methods.

House Bill 2586 ("HB 2586") was approved by the Texas Legislature and signed into law on May 24, 2021, by the Governor. HB 2586 requires the PUCT to conduct an annual audit of ERCOT that would be sent to the Legislature and posted online for public viewing.

The legislation discussed above is not intended to be an exhaustive list of all legislation from the 87th Texas Legislature but provides an explanation of salient laws that may impact the City or the Systems.

On July 6, 2021, the Governor sent a letter to the PUCT directing the PUCT to immediately take the following actions: (i) streamline incentives within ERCOT to foster the development and maintenance of adequate and reliable sources of power; (ii) allocate reliability costs to generation resources that cannot guarantee their own availability; (iii) instruct ERCOT to establish a maintenance schedule for non-renewable electricity generators; and (iv) order ERCOT to accelerate the development of transmission projects that increase connectivity between existing or new dispatchable generation plants and areas of need. The PUCT and ERCOT quickly responded to the directives outlined in the Governor's letter to outline the actions each entity had already undertaken, or planned to undertake, in-line with the Governor's directives. The PUCT has initiated several rulemaking proceedings to address market reforms in response to the directive from the Governor.

On March 4, 2021, the ERCOT market transitioned from the $9,000 / MWh SWOC to the Low System-wide Offer Cap ("LCAP"). The LCAP at that time was the greater of $2,000 / MWh or 50x the natural gas index price. In recognition of the extreme increase in natural gas prices during the 2021 Winter Weather Event, on June 24, 2021, the PUCT approved an amendment eliminating the 50x the natural gas price index component of the LCAP and replaced it with a provision that ensures resource entities are able to recover their actual marginal costs when the LCAP is in effect. The LCAP ended December 31, 2021. The SWOC returned to the High System-wide Offer Cap ("HCAP") value on January 1, 2022. On December 2, 2021, the PUCT modified the value of the HCAP by lowering it from the current $9,000 to $5,000 / MWh.

On June 28, 2021, ERCOT approved Nodal Protocol Revision Request ("NPRR") 1080 that limits ancillary services prices at the SWOC. NPRR 1080 was proposed to correct the ERCOT protocols which allowed ancillary services prices to exceed the SWOC during the 2021 Winter Weather Event.

2021 Winter Weather Event's Direct Impact to the City and CPS

General. As a result of the 2021 Winter Weather Event, demand for electricity and natural gas by CPS Energy customers was significantly above historical norms for February 2021. For its service area's combined gas distribution and gas-fired electric generation needs, CPS Energy saw (i) an increase in natural gas volumes of approximately 30% over the prior historical record, (ii) an all-time winter peak electric demand of 4,935 MW on February 14, 2021 (an approximate 14% increase over the prior historical winter record), and (iii) an all-time 24-hour usage record of 104,149 MWh on February 14, 2021 (an approximate 8% increase over the prior historical summer record).

Financial Implications. With the increasing demand for electricity and natural gas, prices also increased (with gas prices reaching unprecedented levels, as hereinbefore described). From its available sources, CPS Energy saw gas purchases that normally trade between $2-$4 / MMBtu trade throughout the 2021 Winter Weather Event above $100 / MMBtu and, in some cases, up to $500 / MMBtu. In addition to natural gas purchases during the 2021 Winter Weather Event, CPS Energy incurred significant costs for the purchase of power from the ERCOT market. While there were periods of time CPS Energy was a net seller of power in the ERCOT market during this event, there were also periods of time when CPS Energy's generation plants were not producing power equivalent to CPS Energy's obligations. In those cases, CPS Energy incurred large purchased power costs.

The total purported charges for natural gas from a number of suppliers is currently estimated at approximately $528 million (including amounts of disputed charges). This reflects a revised estimate. CPS Energy has continued to make progress in the negotiations with suppliers. Purchased power costs are currently estimated at approximately $314 million (which includes the 30+ hours that CPS Energy claims in a lawsuit was overpriced by ERCOT). This revised estimate for purchased power costs reflects a reduction for ERCOT payments received from previous short payments. The fuel and purchased power costs associated with the 2021 Winter Weather Event are greater than the equivalent of what CPS Energy incurs for such expenditures on an annual basis. For comparison, the total costs incurred in Fiscal Year 2019 and Fiscal Year 2020, were $825 million and $693 million, respectively.

As of the date of this Official Statement, CPS Energy has paid approximately $239 million in purported purchased power costs and approximately $156 million for natural gas costs related to the 2021 Winter Weather Event. CPS Energy is including related charges of approximately $76 million, which includes legal costs, interim financing and other contractual charges, as part of the regulatory asset for which CPS Energy has secured approval from the Board and from City Council, as described under "Long-Term Financing Plan". As described under "CPS Energy Actions to Address Proposed Disputed Charges", CPS Energy currently is disputing charges for natural gas from a number of suppliers that have been deemed excessive and unlawful by CPS Energy.

Reconciliations and analysis of gas volumes delivered, and power transacted with ERCOT and other providers, are ongoing. CPS Energy continues to closely monitor communications concerning short payments from ERCOT. To date, outstanding short payment amounts to CPS Energy total approximately $10.0 million.

Winterization of Generation Facilities. CPS Energy generation plants are weatherized during construction. Following an extended freeze event in February 2011, CPS Energy initiated a weatherization upgrade program and is currently updating its outage management system. Since that time over $17 million has been invested in weatherization upgrades. An annual winter weather preparation program was also implemented and has been evaluated multiple times by ERCOT.

CPS Energy reviewed information gathered during this event as well as an independent engineering analysis to support a re-evaluation of the freeze protection program, understanding that regulatory discussions are underway to possibly set new weatherization standards, as noted in SB 3. Estimates to address conclusions of the re-evaluation effort, as well as any new regulatory mandates, will be developed as information becomes available. On February 22, 2021, Mayor Ron Nirenberg ("the Mayor") announced the formation of the Committee on Emergency Preparedness ("CEP"), which was comprised of City Council members and external community stakeholders. As of December 31, 2021, CPS Energy addressed all recommendations pertaining to CPS Energy that the CEP made, in response to the 2021 Winter Weather Event, to further strengthen reliability and resiliency for CPS Energy customers. These items were related to overall infrastructure and communications improvement as well as emergency preparedness and outage management.

CPS Energy further strengthened the resiliency of its power plants against sustained freezing temperatures. Plants received over $2 million in improvements, building on nearly $20 million invested following the extended freeze in 2011. Continued winterization efforts were funded as part of CPS Energy's rate increase approved by the Board and City Council on January 10, 2022 and January 13, 2022, respectively. Approximately $31 million of the revenue from the increase is allocated incrementally for infrastructure resiliency — power generation and distribution projects to support operations during extreme weather. CPS Energy estimates it spent $2 to $3 million in 2021 on these efforts and anticipates spending of up to $46 million during the next two to three years.

Since February 2021, CPS Energy has reevaluated its circuits to more precisely isolate the ones providing electricity to critical infrastructure such as hospitals, fire stations, and police substations. As a result, 155 circuits were added to the list of eligible circuits to rotate in the event of state-mandated outages. The approach will minimize the duration each customer is expected to experience during an outage cycle by rotating circuit outages among more customers. CPS Energy has taken freeze protection actions through the addition of heaters, temporary enclosures, and insulation, including the installation of enhanced insulation installation on lines and devices along with upgrades on selected systems.

ERCOT has made improvements that complement CPS Energy efforts in CPS Energy's service area. CPS Energy continues to work closely with the SAW to evaluate existing circuit redundancy and strategies for onsite generation as a means of greater resiliency for the most critical facilities and streamlined communication between CPS Energy and SAWS Operations Teams for greater responsiveness to the needs of both utilities.

In addition, corrective actions were completed at South Texas Nuclear Project ("STP") to ensure the station is ready for winter weather operations. These actions focused on heat trace systems and piping insulation, revising the station's Winter Readiness procedure, and training for Operations, Maintenance and Engineering personnel on the station's winter readiness. STP also submitted TAC 25.55 required Winter Weather Readiness Reports to ERCOT on December 1, 2021. ERCOT inspectors were onsite December 6, 2021 to tour the plant and confirm STP's compliance.

CPS Energy makes note that, because of the predominance of summer heat in comparison to winter cold that impacts its generation portfolio, its weatherization strategies generally focus on removal of heat from generating plants to avoid and prevent operational failures that are more prevalent throughout the summer.

Performance of CPS Energy Generation Assets. CPS Energy's deployed generation units were available over 85% of the time during the 2021 Winter Weather Event. One gas unit was on an ERCOT-approved, planned annual maintenance outage and, therefore, was not available for deployment. All other CPS Energy units were deployed during this event. The estimated 15% of unit unavailability was attributed to mechanical breakdown, natural gas pressure degradation, freezing weather, electrical and control failures, and low water pressure. Most of the problems were mechanical in nature, followed by low fuel pressure, then weather related frozen pipes.

As further described herein, CPS Energy owns 40% of STP. Those units are maintained and operated by a separate operating company. On February 15, 2021, an automatic reactor trip occurred in the hereinafter-defined STP1. The trip resulted from a loss of feedwater attributed to extreme cold weather-related failure of a pressure sensing line to the feedwater pumps. STP staff confirmed the issue did not exist in the hereinafter-defined STP2. STP1 was repaired, and the unit carefully came online on February 17, 2021, in accordance with standard established protocols. STP1 reached 100% power on February 18, 2021.

Liquidity and Short-Term Financing Plan. As of February 28, 2022, CPS Energy's cash and cash equivalents balance in its General Fund and Repair & Replacement Fund was $854 million. Additionally, approximately $389 million of the $700 million capacity of the hereinafter-defined Commercial Paper Program is currently available. To date, CPS Energy has drawn the entirety of the $100 million capacity of the Series A Flexible Rate Revolving Note Program and approximately $311 million in Taxable Commercial Paper Notes, respectively, and used these funds to pay purchased power costs and conceded natural gas costs. CPS Energy is refunding these amounts with proceeds of the Bonds to create a total available capacity of $700 million under the Commercial Paper Program and a total available capacity of $100 million of the Series A Flex Notes. As of the date hereof, CPS Energy has an additional $500 million of unutilized borrowing capacity under the hereinafter-defined Series B Flex Notes that could potentially be used as liquidity to pay for any additional conceded or settled natural gas costs.

CPS Energy anticipates sufficient liquidity to accommodate worst-case financial projections (notwithstanding its commitment to determine and pay the portion of those costs that are justified and legitimate, as hereinafter described) resulting from the 2021 Winter Weather Event and to address its operational and capital needs for the remainder of its current fiscal year.

Long-Term Financing Plan. After utilizing all options to reduce the costs associated with the 2021 Winter Weather Event as described below, CPS Energy anticipates addressing any final amount for the costs of purchased natural gas and power through two or more long-term financing transactions, replenishing cash and capacity under each of the Flex Note Programs as well as Commercial Paper Program (by refunding Taxable Notes issued thereunder). Additionally, CPS Energy, on January 13, 2022 obtained approval from City Council for a regulatory asset for the unrecovered costs of purchased natural gas and power, plus legal, interim financing, and other contractual charges. The costs to be recorded in this regulatory asset, which are currently anticipated at $918 million, are expected to be amortized over a period of 25-years and recovered through fuel costs. This figure consists of $528 million in natural gas charges, purchased power in the amount of $314 million, and other charges of $76 million. The estimated average residential electric and gas customer bill impact for the financing that is the subject of this Official Statement in known costs is anticipated to be approximately $1.26 / month, as disclosed to the Rate Advisory Committee ("RAC"), Board, and City Council. The proceeds from this recovery will be available for payment of the debt service on the long-term debt that will be issued to refinance obligations initially issued as short-term or interim financing. In the ordinance approving the regulatory asset, the City exempted CPS Energy from the City payment (as described in the hereinafter-defined Bond Ordinances as an amount not to exceed 14% of the Systems' gross revenues), on CPS Energy fuel and other 2021 Winter Weather Event costs through the regulatory asset.

CPS Energy Actions to Address Disputed Charges. Customer affordability remains a key focus area in any cost recovery or long-term financing plan. As such, CPS Energy continues to work to protect customers from costs from the 2021 Winter Weather Event that are unconscionable. On March 5, 2021, CPS Energy announced that the costs associated with the 2021 Winter Weather Event were not included in February 2021 bills, as it determines which costs are legitimate and the most efficient manner for their payment. CPS Energy is closely monitoring federal and state actions and intends to pursue all opportunities to mitigate some or all these costs. Also, CPS Energy recently submitted a filing to the Federal Emergency Management Agency ("FEMA") of approximately $5.3 million of costs incurred related to the 2021 Winter Weather Event and is seeking reimbursement of 75% of those costs, per FEMA guidelines. As of March 2022, that filing remains under review by FEMA.

On March 12, 2021, CPS Energy filed suit against ERCOT in the Bexar County District Court seeking, among other things, a declaratory judgment to prevent ERCOT from wrongfully declaring a default by CPS Energy based on a force majeure event and due to ERCOT's prior material breach for the $18 million in short payments to CPS Energy heretofore described ($10 million of which remains outstanding). The requested judgment also seeks to prevent ERCOT from requiring CPS Energy and its customers to pay for other market participants' default (i.e., Uplift) based on excessive prices and to prevent ERCOT from charging CPS Energy for any amounts associated with the Pricing Errors identified in the Potomac report issued by the Independent Market Monitor. In December 2021, the Fourth Court of Appeals dismissed CPS Energy's petition on procedural grounds, stating that the PUCT has exclusive original jurisdiction and without addressing the merits of the case. On January 27, 2022, CPS Energy filed its petition for review to the Texas Supreme Court. On February 15, 2022, the Texas Supreme Court requested that ERCOT file a response to CPS Energy's appeal by March 17, 2022, which has been extended to April 18, 2022.

CPS Energy purchases natural gas from its suppliers pursuant to market standard contracts promulgated by the North American Energy Standards Boards. Pursuant to these market standard contracts, CPS Energy, in the event of a dispute concerning the payment, is permitted to pay the undisputed portion of amounts invoiced for natural gas delivered and withhold the balance pending resolution of the payment dispute (the "Disputed Payment Provision"). As stated above, CPS Energy was charged exorbitant amounts for natural gas deliveries throughout the gubernatorially-declared disaster that was the 2021 Winter Weather Event, with some suppliers charging more than $500 / MMBtu. CPS Energy believes that these charges, reflective in some cases representing a 15,000% price increase compared to the pre-storm price of the same commodity, are unconscionable and reflect predatory pricing for items essential to its customers during and after declared disasters, such as the 2021 Winter Weather Event. CPS Energy has challenged these prices under the Disputed Payment Provision and anticipates continuing to use this contractual procedure when appropriate for each of its natural gas supply contracts prior to acceding that the entirety of all proffered natural gas charges is lawful, legitimate, and justified.

CPS Energy has and will continue to timely pay its natural gas suppliers, once properly invoiced, in accordance with the Disputed Payment Provision and other applicable provisions of the natural gas supply contracts. CPS Energy makes no guarantees or predictions regarding the success or failure of its efforts to dispute purported natural gas charges under the Disputed Payment Provision or the reactions of its natural gas suppliers in response to CPS Energy's invoking the Disputed Payment Provision.

CPS Energy is currently engaged in litigation against certain of its natural gas suppliers, in which CPS Energy disputes (under the Disputed Payment Provision) prices charged by those suppliers for natural gas in the 2021 Winter Weather Event as being unconscionable and violative of public policy in Texas. The largest disputed charges are approximately $263 million claimed to be owed by CPS Energy to two Energy Transfer subsidiaries, Houston Pipeline Company, LP and Oasis Pipeline, LP. Five of the pending gas supplier cases have been consolidated into the Multi District Litigation ("MDL") Panel and have been assigned to a judge in Bexar County for pre-trial proceedings. One of the pending gas supplier cases is pending in the U.S. District Court for the Western District of Texas. CPS Energy makes no guarantee or prediction regarding the outcome of these disputes.

Investor and Community Communication and Outreach. Since February 25, 2021, CPS Energy filed voluntary event notices with the MSRB through EMMA concerning matters associated with the 2021 Winter Weather Event and its operational and financing impact on CPS Energy. CPS Energy also provided incurrence of a material financial obligation filings related to the Flex Notes (defined herein); and material event notices concerning resultant rating actions on CPS Energy by Fitch Ratings, Inc. and S&P Global Ratings, respectively. In addition, CPS Energy issued press releases regarding its position and resultant actions in response to the 2021 Winter Weather Events. These press releases are available at www.cpsenergy.com.

Though the substance of the event notices is included in this Official Statement in summarized form, investors are directed to those notices for additional information regarding the covered events. The substance of these event notices, however, is not incorporated herein by reference.

City Committees. The Mayor formed the CEP on 2021 Winter Storm Preparedness and Response consisting of four City Council members and three community stakeholders. The objective of the CEP was 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. The CEP's report was presented to the City Council on June 24, 2021 and included recommendations for improvements as it relates to CPS Energy. As of the end of 2021, all items the CEP identified related to the 2021 Winter Weather Event had been addressed to ensure a much better response to any future severe winter event. The delivery of the final report concludes the work of the CEP.

Following the election of several new City Council members and the conclusion of the efforts by the CEP, the Mayor formed the City's Municipal Utilities Committee (the "Utilities Committee"), which first met on August 24, 2021 to discuss the broad challenges faced in the aftermath of the 2021 Winter Weather Event and the COVID-19 pandemic (discussed hereinafter) and continues to meet periodically. Chaired by Councilmember John Courage, the Utilities Committee includes City Councilmembers Mario Bravo, Adriana Rocha Garcia, Melissa Cabello Havrda, and Ana Sandoval, and oversees the implementation of programs and policies at CPS Energy, including the recommendations from the CEP.

Local Inquiry and Legal Actions Related to the 2021 Winter Weather Event

Due to the severity of the human impact of the 2021 Winter Weather Event, various local inquiries concerning the readiness and preparedness of CPS Energy have been initiated and are ongoing. On March 2, 2021, the Board voted to approve an independent investigation of CPS Energy's handling of the 2021 Winter Weather Event. In May 2021, the Board delayed action of the independent investigation until the CEP report was completed. The final report out of the CEP was completed in January 2022. The Board announced in February 2022 that a request for proposal for an organizational review had been issued (the "Organizational RFP"). The Board will manage the Organizational RFP process. At the completion of the independent assessments, the Trustees will present the findings to the Utilities Committee, as they develop a strategic plan for CPS Energy's future. These findings are expected on or around July 1, 2022.

After the 2021 Winter Weather Event, the City, acting by and through CPS Energy, was named as a defendant in various lawsuits alleging wrongful death and property damage because of the 2021 Winter Weather Event. CPS Energy is currently analyzing its potential exposure, as well as its defense in these matters. All these lawsuits were transferred to the Texas state-wide MDL Panel in Harris County, Texas. This court will handle all pretrial matters with each case being transferred back to its county of origin for trial if not disposed of at the pre-trial stage. While the court has held several status conferences, all activities in these cases remained stayed until a schedule is entered by the court. The majority of the plaintiffs in the MDL have amended their pleadings to include all generators across the state including CPS Energy. This action significantly increased the number of cases in which CPS Energy is directly named. The MDL Panel is currently working through the selection of a few representative cases that will serve as test cases on several points of law including dispositive motions.

Summary

Except for the ERCOT short pay and Uplift invoicing process, the results of which CPS Energy cannot predict, CPS Energy is confident that it has identified the upward limits of its exposure to financial and operational impacts of the 2021 Winter Weather Event. As described above, CPS Energy has identified adequate sources of liquidity to accommodate its operational and capital needs, considering the possibility that this worst-case financial consequence is realized. Prior to conceding this worst-case financial scenario, CPS Energy is committed to exploring all options and taking advantage of applicable Texas law and provisions of its contractual arrangements to shield its customers and other stakeholders from paying charges that are unconscionable and violative of public policy in Texas. CPS Energy cannot predict the timing for resolution of these matters or the response of its counterparties but can state that it has taken appropriate action to preserve and ensure that its operations are not interrupted or otherwise compromised as a result of these efforts.

Based on historical performance, CPS Energy believes that its efforts to respond to, mitigate the impacts of, and ultimately accommodate the final financial and operating results of the 2021 Winter Weather Event will prove successful, but success has multiple measures and, in some instances, is dependent on circumstances over which CPS Energy has no control. Accordingly, CPS Energy makes no predictions concerning its future operating results or its ability to accommodate any additional (but currently unknown) consequences of the 2021 Winter Weather Event.

Service Area

The CPS Energy electric system serves a territory consisting of substantially all of Bexar County and small portions of the adjacent counties of Atascosa, Bandera, Comal, Gillespie, Gonzales, Guadalupe, Kendall, Kerr, Medina and Wilson. Certification of this service area was granted by the PUCT.

CPS Energy is currently the exclusive provider of retail electric service within this service area, including the provision of electric service to some federal military installations located within the service area. In 1999, the Texas Legislature enacted Senate Bill 7 ("SB 7"), which allows for retail electric competition within designated service areas upon a decision of the governing body having jurisdiction within such areas affirmatively acting to "opt-in" to such a competitive scenario. CPS Energy and the City have not elected to "opt-in." Until and unless the City Council and the Board exercise the option to opt-in to retail electric competition (called "Texas Electric Choice" by the PUCT), CPS Energy has the sole right to provide retail electric services in its service area.

The CPS Energy gas system serves Bexar County and portions of the surrounding counties of Comal, Guadalupe and Medina. In the counties of Kendall, Karnes, Wilson and Atascosa, CPS Energy has gas facilities but currently is not serving any customers. In Texas, no legislative provision or regulatory procedure exists for certification of natural gas service areas. As a result, CPS Energy competes against other gas supplying entities on the periphery of its electric service area.

CPS Energy maintains "Franchise Agreements" with 31 incorporated communities in the San Antonio area. These Franchise Agreements permit CPS Energy to operate its facilities in these cities' streets and public ways in exchange for a franchise fee of 4.5% on electric and natural gas revenues earned within their respective municipal boundaries. Five (5) of the 31 cities elected to increase franchise fees to 5.5%, two (2) went into effect February 1, 2015; the third went into effect January 1, 2018; the fourth went into effect on May 1, 2020; and the fifth (5^{th}) went into effect August 1, 2021. Certain cities retain the ability to seek a one percent (1%) increase in their franchise fee under the applicable agreements related thereto. The additional 1% only applies to customers within those five (5) jurisdictional city boundaries.

Wholesale Power

CPS Energy has an active program to optimize its excess power generation capacity in the wholesale power market, which includes both power purchases and power sales when such can be reasonably expected to reduce cost or generate revenue for the electric system. As a part of managing the power generation portfolio, CPS Energy may also purchase power if there is an unanticipated deficit in capacity, to maintain reserve margins, to enhance reliability for the electric system, or when economically prudent to reduce overall costs of its obligations in the ERCOT market.

Trained, experienced staff in CPS Energy's Energy Market Operations, who report to the CPS Energy Vice President for Energy Supply and Market Operations, conduct wholesale power transactions in accordance with established procedures. CPS Energy is a Qualified Scheduling Entity ("QSE") within ERCOT which allows CPS Energy to manage both load and generation in the ERCOT real-time and day-ahead markets. The QSE function is also managed by the Energy Market Operations. The governance for ERCOT market activity is established by the Energy Markets and Risk Management Policy. Under this policy, the Energy Portfolio Strategy Committee, comprised of select executive leadership, provides comprehensive review and oversight of proposed wholesale transactions to ensure alignment with CPS Energy strategies, including evaluation of the associated risks. CPS Energy conducts wholesale power transactions only with approved counterparties with which CPS Energy has established master enabling agreements for such transactions. The enabling agreements outline payment and delivery terms and conditions of such sales and purchases and provide for written confirmation of each transaction between CPS Energy and its counterparts.

Long-term supply agreements were established with Central Texas Electric Cooperative ("CTEC"), the City of Boerne, the City of Seguin, and the Kerrville Public Utility Board ("KPUB") to provide energy supply for terms that began in June 2013. The CTEC contract ended at the end of calendar year 2021 and the City of Boerne, City of Seguin, and KPUB contracts will end at the end of calendar year 2023. In addition, CPS Energy has converted its retail contracts with the City of Hondo, City of Castroville, and Floresville Electric Light and Power System ("FELPS") into wholesale contracts as well. Hondo and Castroville contracts will end at the end of calendar year 2022 and FELP's contract will end at the end of calendar year 2025. The requirements under the wholesale agreements are for firm energy obligations provided by CPS Energy. CPS Energy has no plans to enter into new long-term wholesale power sales agreements with public or private entities in the near future. There is some potential to extend existing agreements with certain counterparties who wish to continue to secure their power supply from CPS Energy. CPS Energy may also agree to provide a variety of supply arrangements on a short-term basis for terms ranging from one month up to one year with a variety of approved counterparties.

Customer Rates

CPS's electric and gas monthly rate schedules list the currently effective monthly charges payable by CPS customers. Each rate schedule briefly describes the types of service CPS renders to customers billed in accordance with that rate schedule, plus customer eligibility criteria. Customers with similar load and usage characteristics are grouped into rate classes and are billed in accordance with the same rate schedule. The different electric rate classes include rate schedules for residential, commercial, and industrial customers. There are also rate schedules for street lighting, all night security lights, and wholesale power to other electric utilities. The gas rate schedules are categorized into general, commercial, and industrial.

Retail Service Rates

Under the Texas Public Utility Regulatory Act ("PURA"), significant original jurisdiction over the rates, services, and operations of "electric utilities" is vested in the PUCT. In this context, "electric utility" means an electric investor-owned utility ("IOU"). Since the electric deregulation aspects of SB 7 became effective on January 1, 2002, the PUCT's jurisdiction over electric IOUs primarily encompasses only the transmission and distribution functions. PURA generally excludes Municipal Utilities, such as CPS Energy, from PUCT jurisdiction, although the PUCT has jurisdiction over electric wholesale transmission rates. Under the PURA, a municipal governing body or the body vested with the power to manage and operate a Municipal Utility such as CPS Energy has exclusive jurisdiction to set rates applicable to all services provided by the Municipal Utility with the exception of electric wholesale transmission activities and rates. Unless and until the City Council and Board choose to opt-in to electric retail competition, CPS Energy retail service electric rates are subject to appellate, but not original rate regulatory jurisdiction by the PUCT in areas that CPS Energy serves outside the City limits. To date, no such appeal to the PUCT of CPS Energy retail electric rates has ever been filed. CPS Energy is not subject to the annual PUCT gross receipts fee payable by IOU electric utilities.

The RRCT has significant original jurisdiction over the rates, services and operations of natural gas utilities in the State. Municipal Utilities such as CPS Energy are generally excluded from regulation by the RRCT, except in matters related to natural gas safety. CPS Energy retail gas service rates applicable to ratepayers outside the City are subject to appellate, but not original rate regulatory jurisdiction by the RRCT in areas that CPS Energy serves outside the City limits. To date, no such appeal to the RRCT of CPS Energy retail gas rates has ever been filed. In the absence of a contract for service, the RRCT also has jurisdiction to establish gas transportation rates for service to Texas State agencies by a Municipal Utility. A Municipal Utility is also required to sell gas to and transport State-owned gas for "public retail customers," including State agencies, State institutions of higher education, public school districts, United States military installations, and United States Veterans Affairs facilities, at rates provided by written contract between the Municipal Utility and the buyer entity. If agreement to such a contract cannot be reached, a rate would be set by the legal and relevant regulatory body.

The City has covenanted and is obligated under the Bond Ordinances, as provided under the rate covenant, to establish and maintain rates and collect charges in an amount sufficient to pay all maintenance and operating expenses of the Systems and to pay the debt service requirements on all revenue debt of the Systems, including the outstanding Senior Lien Obligations, any Additional Senior Lien Obligations, the outstanding Junior Lien Obligations, obligations arising under liquidity facilities relating to such Junior Lien Obligations, any Additional Junior Lien Obligations, the Notes (and related Liquidity Facilities) and any Inferior Lien Obligations, and to make all other payments prescribed in the Bond Ordinances.

CPS Energy has periodic rate increases, with the most recent electric and gas base rate increase of 3.85% which was approved by the Board on January 10, 2022 and on January 13, 2022 by City Council. Commercial and residential ratepayers will see the higher rate and monthly fee on utility bills which began in March 2022. The rate increase covers the following investments: (1) infrastructure resiliency, including power generation and distribution projects; such as: enhanced customer communications, improved control outages, and upgraded freeze protection, to support operations during extreme weather as well as procuring alternative fuel sources; (2) assessment of needs and design of a future technology platform to replace current end-of-life platform; (3) additional metering and wire infrastructure, expansion of existing substations, construction of new substations as well as re-routing of some existing electric lines; all to serve the area's fast growing community; and (4) stabilization of CPS Energy's workforce, including hiring of qualified employees and employee retention, in preparation for continuous retirements as well as raising of minimum wage. The rate increase is expected to generate an additional $73 million annually. For the average residential customer, the rate increase is expected to add $3.84 or 2.5% (includes base plus fuel and regulatory revenue) to the monthly bill. In addition to the rate increase, costs associated with the 2021 Winter Weather Event and recorded in the regulatory asset, are expected to be recovered on customer bills through the fuel cost adjustment. When combined with the $1.26 or 0.8% (for paid 2021 Winter Weather Event costs of approximately $414 million) per month in the fuel adjustment portion of a customer's bill related to the regulatory asset, the total average bill increase is expected be $5.10 or 3.3% for the average electric and natural gas residential customer. A 4.25% rate increase was last implemented on February 1, 2014 (the first such rate increase since a 7.5% electric base rate increase and an 8.5% gas base rate increase became effective on March 1, 2010). CPS Energy expects it will continue to periodically seek electric and gas base rate increases as required to maintain debt coverage, debt-to-equity and liquidity ratios.

Year-after-year, CPS Energy's management team continually monitors and analyzes its cash and revenue positions. Within this process, CPS Energy assesses its projections for actual and anticipated costs and expenses. This information is also used to evaluate the scope and timing of potential requests for rate adjustments. When possible, the CPS Energy team shares this approach with the public to ensure there is general awareness that rate adjustments will be needed from time-to-time. CPS Energy has discussed the need for potential future rate increases with the Board on January 10, 2022, and City Council on January 13, 2022 of 5.50% in fiscal years 2025 and 2027, which is preliminary and subject to change.

In addition to standard service rates, CPS Energy also provides several rates and riders for a variety of programs and products. Since May 2000, under Rider E15, CPS Energy has offered a monthly contract for renewable energy service (currently wind-generated electricity). The High Load Factor ("HLF") rate, first offered in February 2014, is available to customers with new or added load of 10 MW or greater. The HLF rate requires eligible customers to maintain an annual billing load factor of 90 percent or more and meet the requirements of Rider E16. Rider E16 offers discounts off the Super Large Power and HLF demand charge for a period up to four (4) years for new or added load of at least 10 MW. Under certain conditions, the discount may be extended for up to an additional six (6) years. Eligible customers that qualify for Rider E16 discounts must also meet City employment targets or other related performance metrics and targets for purchases of goods or services from local businesses. Since July 2012, under Rider E19, CPS Energy provides an optional service offering of electricity generated by wind-powered turbines, solar-powered systems, or other renewable resources. Additionally, Rider E20, which became effective February 1, 2015, waives late fees for individuals 60 years or older with income at or below 125% of the federal poverty level. CPS Energy revised its "Rules and Regulations Applying to Retail Utility Service", effective March 1, 2019, which contains provisions for alternative payment plans, payment assistance, and extensions, and is now referred to as "CPS Energy Customer Terms and Conditions Applying to Retail Utility Service". The New Service Options ("NSO") tariff, effective October 2018, is an umbrella tariff that enables CPS Energy to offer new service options on a pilot basis, with oversight by the City's Office of Public Utilities. This tariff allows CPS Energy to provide innovative energy services while gauging customer interest and gathering information to refine the offering. The Commercial Electric Vehicle Pilot Rate was the first offering under the NSO tariff.

CPS Energy also has rates that permit recovery of certain miscellaneous customer charges and for extending lines to provide gas and electric service to its customers. The Policy for Miscellaneous Customer Charges is approved periodically by the Board and is subject to a corresponding City ordinance.

In May 2009, the City Council established a mechanism to fund CPS Energy's Save for Tomorrow Energy Plan ("STEP"), an energy efficiency and conservation program to be funded largely through the electric fuel adjustment fee. The total cost of the STEP program during the 2009 to 2020 time period was approved at $849 million with annual costs ranging from $12.3 million to over $111 million. While approximately $9 million is currently recovered each year through existing base rates, the additional costs for the STEP program will be recovered through a STEP charge applied to the electric fuel adjustment as stated above. Through Fiscal Year 2021, the accumulated cost for the STEP program was $780 million. As of January 31, 2021, CPS Energy quantified a cumulative reduction of 926 MW. Over the lifetime of STEP, the benefits of the program have exceeded the implementation costs to achieve energy savings. As the STEP goal was achieved a year early, in January 2020, the Board and City Council voted to extend the existing STEP program. The extended program, known as "STEP Bridge", was approved to spend $70 million to reach a targeted, additional reduction of 75 MW. CPS Energy envisions STEP Bridge delivering a diverse portfolio of programs to assist customers to save energy. Seeking feedback from a broad array of customers and key stakeholders, CPS Energy is using the information that it gathers to update, design, and create programs and services that meet the needs of its diverse set of customers. Considering COVID-19 and delays in achieving the STEP Bridge goals, CPS Energy sought and received City Council approval in January 2021 to again extend the STEP Bridge program. The City Council authorized CPS Energy to expend up to an additional $70 million on energy efficiency and conservation programs to be completed by July 2022. During the extension, CPS Energy will continue to seek customer and community feedback to inform its' proposed long-term program to be called *FlexSTEP*[SM]. On August 30, 2021, the Board requested staff to perform an analysis of the STEP program to determine whether to continue the program. The analysis was prepared by the Brattle Group and presented to the Board at its February 2022 meeting. Staff is currently developing a proposal for a new energy efficiency and conservation program for Board consideration before the expiration of the existing program in July 2022.

Green Tariff

CPS Energy continues to innovate to meet the emerging needs of its customers. On August 20, 2020, the City Council approved an optional "Green Tariff" for large commercial customers which offers access to renewable energy. This product option was created to facilitate large customers' goals of accelerating their access to renewable energy. Under this tariff, customers may ask CPS Energy to provide renewable energy from specific sources that meet their needs. The Green Tariff has three main components: a monthly grid share charge, a demand charge, and energy charges based on a renewable energy supply agreement. CPS Energy is also evaluating other optional product offerings that will enable customers to use renewable energy while still covering the full cost of service.

Resiliency Tariff

In September 2020, CPS Energy converted a limited Resiliency Service pilot into a permanent tariff for its commercial customers. Under the Resiliency Service offering, CPS Energy will provide on-site backup generators capable of providing electricity to retail customers during outages of the electric system in exchange for a monthly Resiliency Service capacity fee. The natural gas backup generators are owned and operated by one of CPS Energy's suppliers. As of January 31, 2022, Resiliency Service has been enabled at 27 customer sites with a total capacity of 30.4 MW.

Fuel and Gas Cost Adjustment

The Systems' tariffs feature a fuel cost adjustment provision in the electric rates and a gas cost adjustment provision in the gas rates, which allow CPS Energy to reconcile fuel and gas cost variances above or below levels included in base rates. CPS Energy's electric rates are subject to a positive or negative monthly adjustment equal to the variance in the price of fuel above or below a base cost of $0.01416 per kilowatt-hour ("kWh"). Similarly, CPS Energy's base gas rates are subject to an adjustment equal to the variance in the price of natural gas above or below a base cost of $0.220 per 100 cubic feet ("CCF"), approximately equivalent to $2.167 per one million MMBtu. A British Thermal Unit ("Btu") is a measure of energy content in fuel, and is used in the power steam generation, and heating and air conditioning industries. Natural gas is usually measured in Btus. However, the foregoing is qualified by the 2021 Winter Weather Event, which may alter these costs. The Board approved the regulatory asset at a special meeting on January 10, 2022 and on January 13, 2022 City Council approved the Regulatory Asset that enables CPS Energy to amortize the 2021 Winter Weather Event fuel and power related costs over a period not to exceed 25-years and recover the associated debt service through the monthly fuel and gas cost adjustment factors under the oversight of the City.

Governmentally Imposed Fees, Taxes or Payments

The rates, as previously approved by various rate ordinances adopted by the City Council, may be adjusted without further action by the City Council to reflect the increase or decrease in fees, taxes or other required payments to governmental entities or for governmental or municipal purposes which may be hereafter assessed, imposed, or otherwise required and which are payable out of or are based upon net revenues of the Systems.

In March 2000, two (2) new governmental assessments resulting from regulatory changes in the Texas electric utility industry, including the open access wholesale transmission charges, were added to CPS Energy's electric billings as regulatory adjustments and are updated annually or as needed. The first assessment recovers additional ERCOT-related transmission expenditures not recovered through CPS Energy's current base rates. For CPS Energy residential customer rates, this adjustment (effective February 2022) adds $0.01204 per kWh sold. The second assessment relates to CPS Energy's share of the cost to fund the staffing and operation of ERCOT, the Independent System Operator ("ISO"), and the quarterly Electric Reliability Organization ("ERO") fee. The PUCT retains oversight authority over ERCOT. For all CPS Energy retail customers, this charge increases bills by $0.00074 per kWh sold.

In March 2005, the RRCT began imposing a regulatory fee to cover the cost of regulation by the RRCT. The fee is based upon the number of active gas customers and is recovered from CPS Energy gas customers through the payment of an annual fee assessed one time during the year.

Transmission Access and Rate Regulation

Pursuant to amendments made by the Texas Legislature in 1995 to the PURA ("PURA95"), Municipal Utilities, including CPS Energy, became subject to the regulatory jurisdiction of the PUCT for transmission of wholesale energy. PURA95 requires the PUCT to establish open access transmission on the interconnected Texas grid for all utilities, co-generators, power marketers, independent power producers and other transmission customers.

The 1999 Texas Legislature amended the PURA95 to expressly authorize rate authority over Municipal Utilities for wholesale transmission and to require that the postage stamp method be used exclusively for pricing wholesale transmission transactions. The PUCT in late 1999 amended its transmission rule to incorporate fully the postage stamp pricing method, which sets the price for transmission at the system average for ERCOT. CPS Energy's wholesale open access transmission charges are set out in tariffs filed with the PUCT and are based on its transmission cost of service approved by the PUCT, representing CPS Energy's input to the statewide postage stamp pricing model. The PUCT's rule, consistent with provisions in PURA § 35.005(b), also provides that the PUCT may require construction or enlargement of transmission facilities to facilitate wholesale transmission service.

Strategic Initiatives

In 2008, CPS Energy implemented Vision 2020, outlining CPS Energy's long-term view and focusing on four (4) key objectives: increasing its energy efficiency and conservation efforts; expanding renewable-energy resources; providing cost-competitive electricity; and maintaining its strong commitment to the environment. To ensure achievement of Vision 2020, the following key strategic business drivers were established, along with targets for each: customer relationships, employee relationships, external relationships, operational excellence, renewable / carbon constraints / environment, technology and innovation, and financial integrity. As part of the Vision 2020 Generation Strategy, CPS Energy projected, by 2020, its generation mix would be approximately 25.0% of coal, 25.0% of nuclear, 30.0% of natural gas, 10.0% of wind power, 4.0% of solar power, 5.7% of purchased power and 0.3% of landfill gas. As of January 31, 2021, CPS Energy met or exceeded these projections with an annual generation mix being 20.1% coal, 30.6% nuclear, 31.3% natural gas, 10.6% wind, 4.2% solar, 2.8% purchased power, and 0.4% landfill gas. CPS Energy also exceeded its goal of 4.0% as part of its generation projection to be met through the STEP (EE / DR) program by reaching approximately 6% of what its generation needs would have been without STEP. The STEP program has been extended as the STEP Bridge program with funding approved through July 2022. CPS Energy is now focused on implementing and achieving its STEP Bridge goals and its *Flexible Path*SM strategy, as more fully described herein.

In support of CPS Energy's commitment to provide world-class energy solutions to meet the diverse and unique needs of its customers, while acting as an economic engine to drive value and growth in the community, CPS Energy designed a two-year integrated planning process ("CPS Energy Integrated Planning Process") to serve as its roadmap forward.

Through thoughtful leadership, partnerships and CPS Energy's passionate employees, management continues to strategically and successfully evolve its value portfolio to achieve top-tier safety, customer service, electric and gas delivery, generation availability and financial performance.

The CPS Energy Integrated Planning Process is derived through a deliberately orchestrated cross-functional effort, and aligned with current strategic drivers, risk management and financial planning. Complementary to the CPS Energy Business Plan are business unit plans designed to reinforce CPS Energy's objectives by way of major initiatives, milestones, metrics, targets, and goal alignment. Supporting lowered-tiered metrics, targets and goals are appropriately cascaded throughout the organization, ensuring a traceable path from enterprise level objectives to business unit goals and to individual performance accountabilities.

CPS Energy's success is measured through operational excellence processes, including reporting, monitoring, and assessing metric trends throughout the year, ultimately managing and leading towards goal attainment.

To enhance its relationship with the community and to provide community input directly to the Board and CPS Energy staff, CPS Energy established a 15-member Citizens Advisory Committee ("CAC"). The CAC meets monthly with the primary goal of providing recommendations on utility-related projects and programs to offer a customer perspective on community issues, assist in identifying strengths and offer suggestions for improvement to the organization. Representing the various sectors of CPS Energy's service area, the CAC encompasses a broad range of representation in order to identify concerns and understand community issues. The City Council members nominate ten of the 15 members, one representing each City Council district. The other five (5) members are at-large candidates who can reside anywhere within the service territory. The Board approves all members of the CAC and each member can serve up to three two-year terms. CPS Energy recently solicited applicants for the vacancies on the CAC.

In January 2021, CPS Energy solicited applications for the community to participate in the RAC that was formed by CPS Energy in December 2020. The RAC's mission is to provide helpful and unique knowledge and customer insights to the efforts and projects related to rate structure and rate design with the ultimate goals of helping management balance its Guiding Pillars and increasing the mutual understanding of public issues and concerns. The RAC consists of 21 members comprised of 11 appointees by the Board, including Mayoral appointees, and City Council appointees. The RAC has met multiple times since May 2021.

With respect to State and national legislative action regarding competition, CPS Energy continues to participate actively in the legislative process to voice the interests of Municipal Utilities and play an integral part in shaping the environment in which it will operate. CPS Energy continues to evaluate the price components of the energy services it provides, recognizing that the price for electricity will be a paramount factor for succeeding in a deregulated environment. Cost containment initiatives coupled with additional phases of debt management strategies will continue in the years ahead.

*Flexible Path*SM *Strategy.* In March of 2018, CPS Energy announced its *Flexible Path*SM strategy. The *Flexible Path*SM strategy is CPS Energy's thoughtful approach to prudently leverage its existing community-owned generation assets to bridge to a future that enables more low and non-emitting resources such as wind, solar, energy storage, and new technology. CPS Energy will use its *Guiding Pillars* of *Reliability*, *Customer Affordability*, *Security*, *Safety*, *Environmental Responsibility* and *Resiliency*, as key priorities to drive this strategy. These *Guiding Pillars* are all grounded in *Financial Responsibility.*

CPS Energy's goals include integrating new and emerging technologies like battery storage and electric vehicles, expanding its use of renewable energy resources, and adding more programs and services like energy efficiency and demand response. Strategic and operational flexibility will allow CPS Energy to remain successful with a diverse generation portfolio that focuses on the environment as well as traditional generation assets that continue to be an important bridge to the future while ensuring value and reliability to customers. This *Flexible Path*SM strategy ultimately positions CPS Energy to embrace the changing utility landscape while providing its customers with affordable and reliable power.

CPS Energy has a strong history of community and partner engagement. The challenges presented by the Pandemic have not stopped the company from interacting with and listening to the community to ensure it continues to serve its customers in ways that are innovative and aligned with their needs. The utility continues to leverage technology to communicate with stakeholders in many ways including phone, social media, web and more.

*Flex*POWER BundleSM. In June of 2019, CPS Energy announced the *Flex*POWER BundleSM initiative. The *Flex*POWER BundleSM initiative, an important part of the *Flexible Path*SM, is a deliberately blended approach to power generation through which CPS Energy will consider adding more solar resources coupled with battery energy storage and firming capacity. The *Flex*POWER BundleSM initiative is a diversified solution that recognizes today's renewable technology, alone, cannot support all customers consistently and reliably, 24 / 7 / 365. The multi-faceted generation approach of the *Flex*POWER BundleSM initiative will ensure the community has the power to thrive while maximizing the existing community-owned generation assets.

In July 2020, CPS Energy released a Request for Information ("RFI") to help identify potential non- or low-emitting generation and demand-side resources consistent with the utility's *Flexible Path*SM strategy. The RFI responses helped to inform the design of two (2) strategic CPS Energy initiatives, the *Flex*POWER BundleSM initiative, and *Flex*STEPSM programs. CPS Energy released a request for proposal, for generation resources (the "Generation RFP") in support of *Flex*POWER BundleSM in November 2020. CPS Energy released a request for proposal, for demand side resources (the "Demand Side RFP") in support of *Flex*STEPSM programs, to include tried and true energy efficiency programs as well as new and innovative demand side solutions in February 2021. CPS Energy expects to award contracts under the Demand Side RFP for new demand side solutions in mid to late 2022 as part of the next phase of its energy efficiency and conservation program.

*Flex*POWER BundleSM is envisioned to provide up to 900 MW of additional solar power, up to 50 MW of energy storage, and up to 500 MW of firming capacity. CPS Energy expects to award contracts under the Generation RFP in mid-2022.

Both the *Flexible Path*SM strategy and the *Flex*POWER BundleSM initiative will help the community move closer to a cleaner energy footprint.

CPS Energy anticipates the implementation of many more programs and strategic partnerships under the *Flexible Path*SM strategy and the *Flex*POWER BundleSM initiative. A recent example is CPS Energy's and Quidnet Energy's ("Quidnet") 15-year contract for an energy storage project. This project will employ Quidnet's Geomechanical Pumped Storage technology which is a form of pumped hydro storage where water is pumped underground and stored between impermeable rock layers to keep the water under pressure. To produce electricity, the pressurized water is released to a hydroelectric turbine that generates emissions-free electricity. The project will be developed in two (2) phases, starting with a 1 MW, 10-hour storage facility. As the project matures, CPS Energy has the option to expand the project to provide 15 MW, thus completing the second phase.

Energy Conservation. CPS' programs and activities to assist customers in understanding energy and ways to reduce electric and gas usage include:

- comprehensive suite of energy efficiency programs offering rebates and incentives for residential, commercial and industrial customers;
- maintaining a secure web site, Manage My Account at https://www.cpsenergy.com/en/customer-support/manage-my-account.html. Using an Internet connection to log in, CPS Energy customers can: access My Energy Portal; view their current bill; view current balance due; view past bills; pay by check or credit card; start / stop / transfer service; sign up for a payment plan; view payment history; view energy usage; update mailing address; update phone number; authorize contacts; set up alert preferences; and manage their profile;
- maintaining a secure web site, named My Energy Portal, at https://www.cpsenergy.com/en/customer-support/my-home-billing-acct/my-energy-portal.html. The portal is available through Manage My Account. With a smart meter and the My Energy Portal, customers can see energy usage (both gas and electric) as recently as the day before. Customers are able to: see their monthly bill, as far back as a year; compare energy efficiency to similar "neighbors"; access over 150 energy efficiency tips; set up their own customized energy savings plan; and compare month-to-month energy usage billing and see

reasons for a decrease or increase. These additional insights will eventually be available to all customers. CPS Energy has installed approximately 1.4 million smart meters as of January 2022;

- maintaining a phone number where customers can obtain conservation and other energy-related information;
- providing a free comprehensive weatherization program for low-income customers at or below 200% of the federal poverty level;
- providing load curtailment programs for commercial and industrial customers;
- providing multiple residential thermostat offerings under My Thermostat Rewards umbrella, that help residential and small commercial customers to save energy and reduce demand at peak times;
- offering a full suite of rebate programs for energy efficiency improvements by residential, small commercial, multi-family and large commercial customers;
- scheduling consumer information exhibits at high-traffic locations such as customer programs fairs, community pop-ups, special events and trade shows;
- conducting utility-related presentations for schools, community service organizations, business and professional groups, and homeowner associations; and
- Launching a free, new virtual home energy assessment that will begin mid to late April 2022.

On January 20, 2009, the Board approved a new Sustainable Energy Policy Statement. Centralized power plants, including utility scale solar, and the traditional electric utility business model are needed now to bridge the gap to the future. However, in the future, more electricity will come from distributed renewable resources and stored energy, and will be distributed on a "smart grid," to customers empowered with the information to better control their own energy cost and consumption. CPS Energy offers rebates for residential and commercial customers who elect to install a "rooftop" solar PV system. The rebate is a flat incentive of $2,500 for residential systems with an additional $500 for systems utilizing local-made panels. Commercial systems are rebated at $0.60 per watt for the first 25 kW and $0.40 per watt on greater than 25 kW, with another $0.10 per watt for utilizing local-made panels. As of July 31, 2021, 26,550 customers have installed rooftop solar with 228 MW of capacity. In addition to receiving a rebate, these customers currently receive the additional benefit of being placed on net metering, in which the credit value of the energy their system produces is equivalent to the retail value of the energy delivered by the utility. The current net metering program does not include recovery of the utility's costs for maintaining and upgrading its systems. In October 2014, CPS Energy issued the first of two one-megawatt (AC) solar Requests for Proposal. Responses to these pilot program requests for proposal were evaluated and two vendors were selected. CPS Energy selected Clean Energy Collective ("CEC"), to bring the first (1st) "Roofless" community solar pilot project to the City. CEC developed a 1.2 MW (DC) solar PV facility, providing CPS Energy customers the opportunity to own local clean energy generation through the Roofless Solar program. The Roofless Solar program went live August 26, 2016 and is fully subscribed. CPS Energy also selected PowerFin Partners ("PowerFin"), a solar development firm based in Austin and San Antonio, to launch SolarHostSA, a groundbreaking pilot program that allows participants to host photovoltaic systems on their rooftops in exchange for credits on their energy bill. Working under a power purchase agreement with CPS Energy, PowerFin installs and operates up to 5 MW (AC) of rooftop solar on homes and businesses throughout the CPS Energy service territory, offering the community the chance to realize the benefits of local solar at no cost to them.

In connection with CPS Energy's development of a Strategic Energy Plan that includes energy efficiency and conservation as well as generation, CPS Energy committed to the STEP program in 2009. The goal of the STEP program was to save 771 MW of demand reduction between 2009 and 2020 which was achieved. The 771 MW is equivalent to the amount of energy produced by a large-sized power plant on an annual basis. To put this into perspective, the CPS Energy Spruce1 power plant generates 555 MW and the newest Spruce2 generates 785 MW of electricity. Cumulatively, the STEP program has, since its implementation, saved approximately 926 MW through fiscal year 2021. As the STEP goal was achieved a year early, in January 2020, the Board and City Council voted to extend over one year the existing STEP program by $70 million, an amount that would allow an additional reduction of 75 MW. Considering COVID-19 and delays in achieving the STEP Bridge goals, CPS Energy sought and received City Council approval to extend the STEP Bridge program. In January 2021, the City Council authorized CPS Energy to expend up to an additional $70 million on energy efficiency and conservation programs to be completed by July 2022. On August 30, 2021, the Board requested staff to conduct an analysis on whether to continue the STEP program beyond the current end date of July 2022. The analysis was prepared by the Brattle Group and presented to the Board at its February 2022 meeting. Staff is currently developing a proposal for a new energy efficiency and conservation program for Board consideration before the expiration of the existing program in July 2022.

On May 23, 2016, CPS Energy approved three-year agreements to outsource the delivery of its energy efficiency programs. CPS Energy selected CLEAResult, the nation's largest implementer of energy efficiency programs, to deliver its commercial efficiency programs. CPS Energy selected Franklin Energy Services, a leading implementer of energy efficiency programs for utility, state and municipal clients nationwide and in Canada, to deliver its residential efficiency and weatherization programs. The agreements have expanded the portfolio of program offerings available to customers and increased adoption toward achievement of the STEP goal. On May 29, 2019, CPS Energy approved an extension of the CLEAResult and Franklin Energy contracts for delivery of services. On June 29, 2020, the Board approved an additional expenditure of up to $31 million from the authorized $70 million STEP Bridge budget for the continued delivery of services. On August 30, 2021, the Board awarded a new contract for the delivery of residential and commercial energy efficiency programs to CLEAResult and extended the weatherization contract with Franklin Energy through July 31, 2022.

Debt and asset management program. CPS Energy has developed a debt and asset management program ("Debt Management Program") for the purposes of lowering the debt component of energy costs, maximizing the effective use of cash and cash equivalent assets and enhancing financial flexibility. An important part of the Debt Management Program is balancing the mix of financing tools available through the prudent employment of variable rate debt. CPS Energy does not currently use interest rate swaps but continues to assess them as potential debt management tools that could be incorporated into the CPS Energy debt portfolio in the future. The Debt Management Program also focuses on the use of unencumbered cash and available cash flow, when available, to redeem debt ahead of scheduled maturities as a means of reducing outstanding debt. The Debt Management Program is designed to lower interest costs, fund strategic initiatives and increase net cash flow. CPS Energy has a Debt Management Policy, providing guidelines under which financing, and debt transactions are managed. These guidelines focus on financial options intended to lower debt service costs on outstanding debt, including exercising options to refund higher interest debt, facilitate alternative financing methods to capitalize on the present market conditions, optimize capital structure, and maintain favorable financial ratios. Under these guidelines, CPS Energy's gross variable rate exposure cannot exceed 25.0% of total outstanding debt. Gross variable rate debt upon issuance of the Bonds and the Tax-Exempt 2022 Bonds, is expected to comprise approximately 11.4% of CPS Energy's debt portfolio (excluding the Refunded Obligations).

CPS Energy management continually evaluates the inventory of all non-core business assets and determines if these assets should be divested for more efficient use.

Additional Generation Opportunities

One of CPS Energy's strongest aspects of operational and financial effectiveness has been the benefit it has derived from its diverse and low-cost generation portfolio. Continued diversification is a primary objective of the CPS Energy management team. Accordingly, this team periodically assesses future generation options that would be viable for future decades. This extensive assessment of various options involves projections of customer growth and demand; technological viability; financial investment requirements; annual asset operation and maintenance costs; environmental impacts; and other factors.

CPS Energy continues to monitor proposed regulatory changes that could raise the costs of operating plants, such as those that have been proposed for units that use carbon-based fuels. To work towards mitigating this carbon-based regulatory risk, CPS Energy management deactivated its two oldest non-scrubbed coal units, Deely1 and Deely2, at the end of 2018. CPS Energy management is pursuing a multifaceted strategy with the goal of maintaining a well-balanced portfolio. In addition to analyzing traditional generation sources and aggressively growing its renewable energy portfolio, as described in the "Generating Capability" table, CPS Energy is expanding its efforts towards community-wide energy efficiency and conservation. These mitigation efforts are very important to CPS Energy's strategic energy plans and specifically to its new generation needs. Additionally, CPS Energy management has explored and continues to cooperatively develop opportunities with the City Council for potential changes in ordinances, codes and administrative regulations focused on encouraging commercial and residential utility customers, builders, contractors and other market participants to implement energy conservation measures.

CPS Energy annually assesses generation resource options to meet its expected future electric requirements. This assessment includes updates to fuel prices, wholesale electric market forecasts and its electric peak demand forecast which incorporates the most recent economic, demographic and historical demand data for the CPS Energy service territory. Additionally, this assessment includes updated demand reductions due to the STEP energy efficiency and conservation program.

Electric System

Power Generation Sources. CPS Energy currently operates 20 non-nuclear electric generating units, two (2) of which are coal-fired, 15 of which are gas-fired, 2 solar photovoltaic ("PV") sites, and 1 Battery Energy Storage System ("BESS"). Some of the gas-fired generating units may also burn fuel oil (diesel), which provides fuel flexibility and greater reliability. CPS Energy also owns a 40% interest in the STP's two (2) existing nuclear generating Units 1 and 2. These nuclear units supplied 27.1% of the electric system's native load for the twelve months ending January 31, 2022. The generating plants are normally referred to by the plant name and number (i.e., Spruce1 for Spruce unit 1, Braunig3 for Braunig unit 3), see the "Generating Capability" table on the following page.

Generating Capability[1]

Plant	Unit	Fuel	Year Installed	Summer Net Max Capability MW[2]	Total Summer Capability MW	
STP (40% interest)[3]	Unit 1	Nuclear	1988	517.3		
	Unit 2	Nuclear	1989	512.0	1,029.3	Nuclear
Spruce Plant	Unit 1	Coal	1992	560.0		
	Unit 2	Coal	2010	785.0	1,345.0	Coal
Arthur Von Rosenberg (NGCC 2x1)	Unit 1	Gas	2000	518.0		
Sommers Plant	Unit 1	Gas / Oil	1972	420.0		
	Unit 2	Gas / Oil	1974	410.0		
Braunig Plant	Unit 1	Gas / Oil	1966	217.0		
	Unit 2	Gas / Oil	1968	230.0		
	Unit 3	Gas / Oil	1970	412.0		
Milton B. Lee West Plant	MBLCT 1[4]	Gas	2004	46.0		
	MBLCT 2[4]	Gas	2004	46.0		
	MBLCT 3[4]	Gas	2004	46.0		
	MBLCT 4[4]	Gas	2004	46.0		
Milton B. Lee East Plant	MBLCT 5[4]	Gas / Oil	2010	48.0		
	MBLCT 6[4]	Gas / Oil	2010	48.0		
	MBLCT 7[4]	Gas / Oil	2010	48.0		
	MBLCT 8[4]	Gas / Oil	2010	47.0		
Rio Nogales Plant[5] (NGCC 3x1)	Unit 1	Gas	2012	777.0	3,359.0	Gas / Oil
Commerce BESS[9]	Unit 1	BESS[9]	2019	10.0	10.0	BESS
CEC Beck (Community Solar)[8]	Unit 1	Solar PV[6]	2016	1.0		
Commerce PV	Unit 1	Solar PV[6]	2019	5.0	6.0	Solar PV
Total Capability Owned by CPS Energy					5,749.3	
Renewable Purchased Power Nameplate Capability:						
Desert Sky Wind Farm[7]		Wind	2002	63.4		
Cottonwood Creek Wind Farm (Sweetwater3)		Wind	2005	82.6		
Sweetwater 4		Wind	2007	240.8		
Penascal		Wind	2009	76.8		
Papalote Creek		Wind	2009	130.4		
Cedro Hill		Wind	2010	150.0		
Los Vientos		Wind	2012	200.1	944.1	Wind
Covel Gardens		Landfill Gas	2005	9.6		
Nelson Gardens		Landfill Gas	2014	4.2	13.8	Landfill Gas
Blue Wing		Solar PV[6]	2010	13.9		
Sinkin 1		Solar PV[6]	2012	9.9		
Sinkin 2		Solar PV[6]	2012	9.9		
Somerset		Solar PV[6]	2012	10.6		
Alamo 1		Solar PV[6]	2013	39.2		
St. Hedwig (Alamo 2)		Solar PV[6]	2014	4.4		
Eclipse (Alamo 4)		Solar PV[6]	2014	39.6		
Walzem (Alamo 3)		Solar PV[6]	2015	5.5		
Helios (Alamo 5)		Solar PV[6]	2015	95.0		
Solara (Alamo 7)		Solar PV[6]	2016	106.4		
Sirius 1 (Alamo 6)		Solar PV[6]	2017	110.2		
Sirius 2 (Pearl)		Solar PV[6]	2017	50.0		
Lamesa II (Ivory)		Solar PV[6]	2018	50.0	544.6	Solar PV
Total Renewable Purchased Power Nameplate Capability					1,502.5	
Total Capability including Renewable Purchased Power					7,251.8	

(1) Data as of January 1, 2022.
(2) Summer net max capability reflects net summer rating for CPS Energy owned plants.
(3) Current net summer electric rating (MWe) for CPS Energy's share of STP1 & 2.
(4) "CT" stands for "Combustion Turbine". Plants renamed MBL (Milton B. Lee) CT as of March 6, 2014.
(5) The Rio Nogales Plant was commissioned in 2002 and purchased by CPS Energy on April 9, 2012.
(6) Solar PV capacity is reported on an alternating current (AC) nameplate basis.
(7) Desert Sky Wind Farm capacity updated to better reflect contracted nameplate capacity after turbine uprate.
(8) Community Solar project "CEC Beck" added to CPS Energy owned renewable portfolio table to align with other corporate reporting.
(9) BESS – Battery Energy Storage System.

Renewable Resources

As of November 30, 2021, CPS Energy's renewable energy capacity totals 1,508.5 MW. CPS Energy has one of the strongest and most diverse renewable energy programs in Texas, including local solar, West Texas solar, West Texas wind, coastal wind and landfill gas.

As a step in diversifying its energy resource plan, CPS Energy is proactively pursuing renewable energy supplies. CPS Energy is currently receiving renewable energy under several long-term contracts. CPS Energy has two contracts for wind-generated energy from the Desert Sky Wind Project: a 20-year contract for 135 MW and a 15-year contract for 25.5 MW. These contracts were renegotiated into one single contract, with a termination date of December 31, 2021, in response to a request from the developer to repower the project with improved equipment. The plant capacity factor improved, providing CPS Energy with additional MWh at a lower cost per MWh than the original contracts. The term of the new contract remained the same as the original contracts. The repower was completed in August 2018 and added approximately 8 MW of nameplate capacity. The Desert Sky Wind contract has since been renegotiated to extend through December 31, 2027 and now provides a total of 63.4 MW. The Cottonwood Creek Wind Farm (Sweetwater 3) was also repowered and the contract renegotiated to provide 82.6 MW of capacity to CPS Energy. CPS Energy also has a 20-year contract for 240.8 MW from the Sweetwater 4 Wind Farm; a 15-year contract for 76.8 MW from the Penascal Wind Farm; a 15-year contract for 130.4 MW from the Papalote Creek Wind Farm; a 20-year contract for 150 MW from the Cedro Hill Wind Farm; and a 25-year contract for 200.1 MW from the Los Vientos Wind Farm. Recent transmission congestion in South Texas during various seasons has impacted the Cedro Hill and Los Vientos wind farms, resulting in agreed-upon curtailment of these units during periods of negative pricing (a standard procedure).

CPS Energy also has a 15-year contract for a landfill gas-generated energy project totaling 9.6 MW which came on-line in December 2005. Under an additional contract, the Nelson Gardens 4.2 MW landfill gas generation project achieved commercial operation in April 2014.

CPS Energy is growing its solar energy portfolio with a 30-year contract for the 13.9 MW Blue Wing solar energy project which entered into commercial operation in November 2010; two (2) 25-year contracts for Sinkin 1 and 2, each 9.9 MW which became operational in May 2012 and a 25-year contract for 10.6 MW from the Somerset Solar project, which became operational in August 2012. Sinkin 1 and 2 and Somerset Solar projects comprise what was formally referred to as the SunEdison Project.

In August 2018, renewable energy infrastructure developer Renewable Energy Systems was selected by CPS Energy to construct an innovative solar and energy storage project, located at Southwest Research Institute and is the first co-located solar and storage project interconnected at the distribution level within ERCOT. This project broke ground on October 9, 2018 and went online February 2020. This project has 17,752 solar panels that produce about 5 MW of solar, enough to power approximately 1,000 homes. The project also includes a Battery Energy Storage System, with 10 MW of storage capacity, which provides flexibility to store energy by charging when market prices are low and discharge the stored energy when market prices are high.

CPS Energy executed a Master Agreement with OCI Solar Power for approximately 400 MW from seven facilities. All seven facilities have been or became operational in early 2017. Each individual facility comprising OCI Solar's 401.8 MW has an existing PPA. OCI's Alamo 1 project facility of 39.2 MW achieved commercial operation in December 2013; St. Hedwig (Alamo 2) for 4.4 MW achieved commercial operation in March 2014; Eclipse (Alamo 4) facility at 39.6 MW, achieved commercial operation in August 2014; Walzem (Alamo 3) project at 5.5 MW achieved commercial operation in January 2015. The Uvalde (Helios – Alamo 5) facility at 95 MW became operational at the end of December 2015. The Haskell (Solara – Alamo 7) facility at 106.4 MW became operational in September 2016. The Sirius 1 (Alamo 6), at 110.2 MW in Pecos County, Texas, began producing test energy in late 2016 and became operational in March 2017. Currently, Alamo 6 is one of the largest solar PV plants in Texas. In addition to the PPAs executed under the Master Agreement with OCI, CPS Energy has also executed two (2) separate 25-year PPAs for Project Pearl (50 MW located adjacent to Alamo 6) and for Project Ivory (50 MW located near Lamesa). Project Pearl became operational on October 16, 2017, and Project Ivory, which previously sold to D.E. Shaw Renewable Investments, began commercial operation on December 20, 2018. On September 1, 2019, Commerce PV consisting of 5.0 MW, became operational. In March 2017, CPS Energy and OCI executed an Amended and Restated Master Power Purchase and Economic Development Agreement. The original Master Agreement was replaced in order to simplify the agreement and reflect pertinent terms going forward.

In September 2021, OCI, CPS Energy, and Hyundai Motor Group executed a memorandum of understanding to test recycled electric vehicle batteries for solar energy storage. By September 2022, the parties plan to install the energy storage system in which CPS Energy plans to serve as operator.

CPS Energy receives energy from 644.1 MW of wind, 550.6 MW of solar and 13.8 MW of landfill gas generated energy for a total renewable energy capacity in operation of 1,508.5 MW, thereby exceeding CPS Energy's goal of 1,500 MW of renewable capacity by 2020.

An estimate of 1.0 MW of solar electricity will be produced by the utility's Solartricity Producer Program. The Solartricity Producer Program is a limited pilot project that is currently closed to any new subscribers and is not included in the "Generating Capability" table. Each Solartricity participant has a 20-year contract with CPS Energy. In addition, the pilot "Simply Solar" programs currently constitute approximately 6 MW of solar capacity. When including these pilot programs, CPS Energy's renewable portfolio capacity increases to 1,508.5 MW. Only CEC Beck is included in the "Generating Capability" table, since it is owned and operated by CPS Energy and to align with other corporate reporting.

Nuclear. Nuclear is one of CPS Energy's base energy options, providing about 27.1% of CPS Energy's total net annual generation for the 12 months ending January 31, 2022. STP is a two-unit nuclear power plant with Unit 1 and Unit 2 (or "STP1" and "STP2") having a combined nominal output of approximately 2633.1 MW. STP is located on a 12,220-acre site in Matagorda County, Texas, near the Texas Gulf Coast, approximately 200 miles from San Antonio. CPS Energy currently owns 40% of these units. Participant Ownership ("Participants") in STP1 and STP2 and their shares therein are as follows:

	Ownership Effective February 2, 2006 [1]	
Participants	%	Nameplate MW (approximate)
NRG Energy, Inc. ("NRG")	44.0	1,158.6
CPS	40.0	1,053.3
City of Austin-Austin Energy	16.0	421.2
	100.0	2,633.1

[1] In 2006, Texas Genco, holder of a 44% interest in STP, was acquired by NRG. NRG holds its interest in STP1 and STP2 in NRG South Texas LP, a wholly owned subsidiary of NRG.

STP is maintained and operated by a non-profit Texas corporation ("STP Nuclear Operating Company" or "STPNOC") financed and controlled by the owners pursuant to an operating agreement among the owners and STPNOC. Currently, a four-member board of directors governs the STPNOC, with each owner appointing one member to serve with the STPNOC's chief executive officer ("CEO"). The STPNOC Board of Directors selected Tim Powell as the Interim CEO and President on January 11, 2018. On August 20, 2018, STPNOC announced that Mr. Powell assumed the role permanently. All costs and output continue to be shared in proportion to ownership interests.

On February 9, 2017, STPNOC received a final significance determination notice from the NRC concerning a previously identified security-related finding. The NRC concluded the finding was "Greater than Green" and of low to moderate security significance. The finding was identified during an NRC inspection conducted from October 19 through December 1, 2016. STP took prompt actions to address the finding. Because the finding was characterized as Greater than Green, the NRC determined that STP would be in the Regulatory Response Column of the Reactor Oversight Process Action Matrix. STP successfully completed an NRC follow-up inspection in August 2017. Subsequently, the NRC returned STP to the Licensee Response Column of the Reactor Oversight Process Action Matrix effective October 2017.

NRC, which retains jurisdiction to conduct cybersecurity-related inspections at nuclear facilities, completed a cyber security inspection of STP in October 2017. STP successfully completed this inspection and was the first nuclear facility in the country that received such an inspection.

In September 2017, the NRC approved STPNOC's license renewal applications for STP1 and STP2 that extends the operating licenses to 2047 and 2048, respectively.

During the 12 months ended December 31, 2021, STP1 and STP2 operated at approximately 94.9% and 95.9% of net capacities, respectively. Due to the 2021 Winter Weather Event (see 2021 Winter Weather Event), STP1 automatically shut down on February 15, 2021 amid bitter cold. The unit, located in Bay City, Texas, was operating at 36% of capacity in the early morning of February 18, 2021 and then ascended back toward 100% capacity. STP2 remained online at full generating capacity.

Under the Nuclear Waste Policy Act, 42 U.S.C. 10101, et seq. ("NWPA"), the Department of Energy ("DOE") has an obligation to provide for the permanent disposal of high-level radioactive waste, which includes used nuclear fuel at United States commercial nuclear power plants such as STP. To fund that obligation, all owners or operators of commercial nuclear power plants have entered into a standard contract under which the owner(s) pay a fee to the DOE of 1.0 mill per kilowatt hour (1M / kWh) electricity generated and sold from the power plant along with additional assessments. In exchange for collecting this fee and the assessments, DOE undertook the obligation to develop a high-level waste repository for safe long-term storage of the fuel and, no later than January 31, 1998, to transport, and dispose of the used fuel. To date, no high-level waste repository has been licensed to accept used fuel. The National Association of Regulatory Utility Commissioners ("NARUC") has challenged further collection of this fee. On November 19, 2013, the U.S. Court of Appeals for the District of Columbia ruled in favor of

NARUC and ordered DOE to submit to Congress a proposal to reduce the fee to zero until certain conditions are met. While the reporting of volumes will continue, effective May 16, 2014, the rate changed to 0.0 mill per kilowatt hour (0 / M / kWh), or no fee.

To date, the DOE has not accepted used fuel from any domestic commercial nuclear power plant. According to the filings in one recent suit brought against the DOE, at least 66 cases have been filed in the Court of Federal Claims against the DOE related to its failure to meet its obligations under the NWPA by the existing owners or operators of nuclear facilities seeking damages related to ongoing used nuclear fuel storage costs. In early 2016, a federal district court in Washington, D.C. ruled against the DOE, ordering the government to clean up the Hanford Nuclear Reservation in response to NWPA violations. Entergy Nuclear Generation Company ("Entergy") and Boston Edison Company ("Boston Edison") filed suits alleging a $40 million claim before the Court of Federal Claims regarding allegations that the DOE failed to compensate a nuclear energy company for nuclear waste storage fees incurred. In an opinion and order addressing both companies' claims, dated February 14, 2017, the court dismissed Boston Edison's complaint (based on the rationale that such claim was not yet ripe) and dismissed the government's motion to stay discovery related to the Entergy case due to Boston Edison's claim resolution by the court.

On August 31, 2000, in Maine Yankee Atomic Power Company, et al. v. US, the United States Court of Appeals for the Federal Circuit affirmed that the DOE has breached its obligations to commercial nuclear power plant owners for failing to live up to its obligations to dispose of used nuclear fuel. After that decision, the DOE has settled with certain commercial nuclear power plant owners and agreed to provide funds to pay for storage costs while the DOE continues to develop a permanent high-level waste repository. In early February 2013, STPNOC, on behalf of the owners of STP, entered a similar settlement with the DOE. Under the terms of the settlement, the DOE will reimburse STP for certain costs that will be incurred in continuing onsite storage of all its used nuclear fuel. As with similar settlements throughout the nuclear industry, the terms of the agreement call for the DOE to reimburse for certain costs incurred through December 2013. In early November 2013, STPNOC and its outside counsel received notice from the Department of Justice ("DOJ") that the DOE was offering to extend the terms of the settlement to allow for the DOE to reimburse for costs incurred through December 2016. The settlement extension (addendum) was executed on January 24, 2014 and extended the term of the Spent Fuel Settlement Agreement with the DOE through December 31, 2016. In November 2016, STPNOC and its outside counsel received notice from the DOJ that the DOE extended the terms of the settlement through December 31, 2019. On June 25, 2020 STPNOC and its outside counsel received notice from the DOJ that the DOE extended the terms of the settlement through December 31, 2022. Additionally, In re Aiken County, 725 F.3d 255 (D.C. Cir. 2013), the court ordered the NRC to comply with the NWPA and use available funds to resume consideration of the DOE's Yucca Mountain application as a possible depository. NRC staff concluded the Yucca Mountain to be a safe location, but the DOE must still obtain acquisition rights and complete licensing requirements. On May 6, 2016, NRC issued its final supplement to the environmental impact statement examining the use of the Yucca Mountain as a permanent repository for used nuclear fuel and high-level radioactive waste. After analyzing the potential impacts on groundwater and surface groundwater discharge, the NRC determined all impacts would be "small". The adjudicatory hearing, which must be completed before a licensing decision can be made, remains suspended. On December 16, 2016, the DOE released its "Draft Plan for a Defense Waste Repository", evaluating the possibility of a separate disposal repository (other than the Yucca Mountain). The preliminary plan describes the technical, regulatory, risk management, cost, and schedule consideration thereof and remained open for comment until March 20, 2017. In January 2017, the Government Accountability Office issued a report that assessed DOE's analysis of the defense-only repository as excluding major costs "that could add tens of billions of dollars" and including a schedule that "appears optimistic," in light of "past repository siting experiences". As of the date hereof, no funding for the Yucca Mountain repository is pending before the Congress, and legislation has been filed requiring consent from Nevada political subdivisions before constructing a permanent repository.

Until the DOE fulfills its responsibilities under the NWPA (which includes a permanent underground disposal facility), the NWPA has provisions directing the NRC to create procedures to provide for interim storage of used nuclear fuel at the site of a commercial nuclear reactor. Pursuant to STPNOC analysis of NRC guidance, STPNOC constructed an on-site independent spent fuel storage installation ("ISFSI" also known as "Dry Cask Storage") and commenced dry cask loading operations of spent nuclear fuel in January 2019. Expenditures for the spent fuel management project are being funded by the STP owners as the costs are incurred. CPS Energy funds its 40% ownership share of these costs and periodically requests reimbursement from its Decommissioning Trusts for allowable costs.

Annually, STPNOC submits claims to the DOE for the reimbursement of allowable costs for spent fuel management. Allowable costs are returned by STP to the owners upon receipt of funds from the DOE. CPS Energy reimburses the Decommissioning Trusts for the settlement amount received from the DOE. Qualifying spent fuel management costs not reimbursable by the DOE are funded by the Decommissioning Trusts. Any costs not reimbursable by the DOE or the Trusts are recorded as STP operational and maintenance expenses or capital costs.

CPS Energy received reimbursement for certain initial costs related to the Dry Cask Storage project incurred prior to May 1, 2012. A second claim submitted to the DOE under the Spent Fuel Settlement Agreement was submitted on October 31, 2013 and sought reimbursement for covered costs during the period of May 1, 2012 through July 31, 2013. On April 14, 2014, the DOE issued a letter that denied reimbursement for certain costs associated with upgrading the spent fuel dry cask handling cranes. On May 8, 2014, STPNOC agreed to accept the DOE's decision but reserved the right to seek reimbursement for future costs associated with upgrading the cranes. CPS Energy expects that the DOE will render its decision regarding the eligibility for reimbursement of future crane upgrade costs as part of the review process for each annual claim. For those costs that have been deemed, or that in the future may be determined to be, non-reimbursable by the DOE, CPS Energy expects to pay these costs using funds currently held in the STP Decommissioning Trusts. CPS Energy received its share of the allowable reimbursement costs from the DOE on August 6, 2014. The third claim with the DOE under the Spent Fuel Settlement Agreement was submitted on October 31, 2014 and sought reimbursement for covered costs during the period of August 1, 2013 through July 31, 2014. In January 2015, $3.2 million was recorded for STP spent fuel management project capital costs. On February 25, 2015, STPNOC received DOE's "Determination Letter" regarding this claim which disallowed reimbursement of certain costs associated with dry cask handling crane upgrades. STPNOC filed a Request for Reconsideration with the DOE on March 27, 2015. On June 25, 2015, the DOE issued a Supplemental Determination letter which determined that a portion of the costs to upgrade the dry cask handling cranes was reimbursable as an allowable cost. CPS Energy received its share of the allowable reimbursement costs from the DOE on August 21, 2015 for the third claim. The fourth claim with the DOE under the Spent Fuel Settlement Agreement was submitted on October 30, 2015 and sought reimbursement for covered costs during the period of August 1, 2014 through July 31, 2015. On March 3, 2016, STPNOC received DOE's "Determination Letter" regarding this claim which disallowed reimbursement of certain costs. On June 13, 2016, CPS Energy received its share of the allowable reimbursement costs from the DOE for the fourth claim. The fifth claim with DOE under the Spent Fuel Settlement Agreement was submitted on October 28, 2016. On February 13, 2017, STPNOC received DOE's "Determination Letter" regarding this claim for reimbursement of certain costs. On June 14, 2017, CPS Energy received its share of the allowable reimbursement costs from the DOE for the fifth claim under the Spent Fuel Settlement Agreement. On April 11, 2018, DOE issued its "Determination Letter" regarding the October 2017 claim from STP. STP accepted the DOE's "Determination Letter" on April 20, 2018 and payment was received on June 1, 2018. The seventh claim under the Spent Fuel Settlement Agreement with the DOE was submitted in late October 2018 for the period of August 1, 2017 to July 31, 2018. On April 29, 2019, CPS Energy received its share of the allowable reimbursement costs from the DOE. The eighth claim under the Spent Fuel Settlement Agreement with the DOE was submitted in late October 2019 for the period of August 1, 2018 to July 31, 2019. On June 24, 2020, CPS Energy received its share of the allowable reimbursement costs from the DOE. The ninth claim under the Spent Fuel Settlement Agreement with the DOE was submitted in was submitted in late October 2020 for the period of August 1, 2019 to July 31, 2020. On April 19, 2021, CPS Energy received its share of the allowable reimbursement costs from the DOE. The most recent claim under the Spent Fuel Settlement Agreement with the DOE was submitted in late October 2021 for the period of August 1, 2020 to July 31, 2021.

A June 2012 decision by the United States Court of Appeals for the District of Columbia (the "D.C. Circuit Court") vacated the NRC's waste confidence rule update. In response, the NRC issued an order stating that final approval of licenses dependent on the waste confidence rule, such as new reactor licenses and license renewals (combined construction and operating license application – "COLA"), would not be granted until the court ruling had been addressed. Subsequently, the NRC directed staff to develop a new waste confidence rule and GEIS by September 2014. In January 2014, the NRC revised the review schedule for the GEIS and to have a new final rule by October 3, 2014. The slight delay in schedule was related to time lost during the government shutdown and lapse of appropriations in October 2013. On August 26, 2014, the NRC approved the GEIS and final rule (renamed the Continued Storage Rule). In a separate order, NRC approved lifting the licensing suspension once the Continued Storage Rule becomes effective. The rule became effective on October 20, 2014. On September 29, 2014, intervenors filed a petition to suspend the new rule with the Atomic Safety and Licensing Board (a unit of the NRC) and a proposed contention opposing the NRC's action. On February 26, 2015, the NRC issued a decision that rejects the petition, the proposed contention, and the motion to reopen filed by the intervenors in September 2014. On January 28, 2015, the intervenors filed a petition with the NRC to require reactor specific environmental impact statement for each license application for a new reactor and license extension (renewal). The NRC issued a decision in April 2015 that denied the petition. On April 24, 2015, the intervenors filed a petition with the NRC to intervene in the STP1 and STP2 license renewal and STP3 and STP4 license application proceedings regarding the Continued Storage Rule. On May 1, 2015, NRC staff responded to the intervener's hearing request and motion to reopen the record in the license renewal proceeding for STP1 and STP2. The NRC concluded the intervention petition was inadmissible because it raised an issue that was beyond the scope of the proceedings by challenging an NRC rule without requesting a waiver of the rule. Furthermore, the NRC noted that the petition failed to raise a genuine issue of material fact or law and was filed late without good cause. The motion to reopen was deemed inadmissible because it was "untimely without addressing an extremely grave issue", did not address a significant environmental issue, and did not demonstrate that a materially different result would be likely if its proposed new contention had been raised at the beginning of the proceeding. Furthermore, a move to reopen and request to allow "placeholder" contentions to challenge the 2014 Continued Storage Rule and GEIS were denied by the NRC on June 9, 2015.

In late October 2014, the states of New York, Vermont, Massachusetts, and Connecticut filed a timely petition for review of the Continued Storage Rule by the D.C. Circuit Court. The NRC issued further guidance in February 2015 determining the AEA does not require a waste confidence safety filing and declined to suspend final licensing decisions. Intervenor-Respondents filed a brief with the D.C. Circuit Court on September 11, 2015 in support of the Continued Storage Rule. Petitioners' reply briefs were due by October 23, 2015. The U.S. Court of Appeals heard oral arguments on February 12, 2016.

On June 3, 2016, the D.C. Circuit Court upheld the NRC's justification for allowing spent nuclear fuel to be stored on-site at active facilities. Petitions for rehearing were later denied by the court.

Before a commitment is made to construct the next generation facility, CPS Energy management pursues several objectives. These objectives include additional stakeholder input; expanded community education about the long-term energy and conservation needs of the San Antonio community; continued option analyses and evaluations, including CPS Energy's own formalized cost estimates; additional Board approval to move forward; and expanded presentations to the City Council, which governs the related rate increases and bond issuances that may be required to support any generation construction project or existing generation asset purchase.

In mid-2006, CPS Energy management directed that staff conduct an initial investigation, study and analysis of additional nuclear capacity as one type of possible generation infrastructure. In 2007, CPS Energy received Board approval to participate in the early development phase of two additional nuclear projects that involved third-party co-owners. The first possible nuclear project was development of two additional reactors at the STP site, also known as STP3 and STP4. The second possible nuclear project was a proposed new two-unit facility tentatively located in Victoria County, which is also located in south Texas.

In June 2009, CPS Energy management provided the Board its formal assessment and recommendations concerning these options compared to other possible new generation types including the first public estimate of the cost of the first possible project at $13 billion, inclusive of financing costs. Reports of higher cost estimates, however, resulted in reconsideration of the advisability of participating in the STP3 and STP4 Project and, ultimately, in CPS Energy's decision to limit participation in further development of STP3 and STP4. In a settlement negotiated with NRG and the other participants in the development of STP3 and STP4, CPS Energy received a 7.625% ownership interest in the combined STP3 and STP4. CPS Energy is not liable for any STP3 and STP4 Project development costs incurred after January 31, 2010. CPS Energy also received two $40 million installment payments upon award of a DOE loan guarantee to Nuclear Innovation North America LLC ("NINA"), an NRG / Toshiba joint venture. NINA also agreed and has made, a contribution of $10.0 million over a four-year period to the Residential Energy Assistance Partnership, which provides emergency bill payment assistance to low-income customers in the City and Bexar County. In August 2015, Toshiba announced that it planned to write down its semiconductor, home appliance, and nuclear business units following an investigation into accounting issues that have resulted in the need for Toshiba to restate their past financial results. On April 25, 2016, media reports indicated the preliminary operating loss after it wrote down the value of Westinghouse nuclear power subsidiary was $6.2 billion. Previously in 2011, NRG announced it had written off its investment in STP3 and STP4. On October 1, 2015, the NRC issued a press release indicating that NRC staff had completed its Final Safety Evaluation Report (report) for the Combined Licenses ("COL") for the proposed STP3 and STP4. The NRC staff provided the report along with the Final Environmental Impact Statement on the application to the NRC for the mandatory hearing phase of the licensing process. The mandatory hearings took place on November 19, 2015, when the NRC staff provided the Final Safety Evaluation Report and Final Environmental Impact Statement on the application to the NRC. On February 9, 2016, the NRC commissioners authorized issuance of the COL for STP3 and STP4 and the licenses were issued on February 12, 2016. Prior to the write off, CPS Energy performed a thorough re-evaluation of its investment in the STP3 and STP4 to reassess the ongoing viability of the project and the appropriateness of continuing to report the cost of the project on its Statements of Net Position. Despite the project having secured the NRC's authorization for issuance of the COL, in January 2016, CPS Energy concluded that, as a result of sustained changes in a number of environmental and economic factors directly affecting the projected economic feasibility of completing construction of STP3 and STP4, the project experienced a permanent impairment. CPS Energy determined it appropriate to write off the entire $391.4 million investment in STP3 and STP4 and has not performed a re-evaluation since. The impairment loss was reported as an extraordinary item on CPS Energy's Statements of Revenues, Expenses, and Changes in Net Position for the period ending January 31, 2016. This noncash transaction did not impact CPS Energy's debt service coverage ratio; however, there was a resulting increase from 61.1% to 63.7% in the debt to debt and net position ratio at January 31, 2016. Going forward, CPS Energy continued to retain a legal interest in STP3 and STP4.

On May 31, 2018, Toshiba issued a release that provided their notice to withdraw from a project to build two (2) additional advanced boiling water reactors at the South Texas Project. On June 14, 2018, NINA issued a letter to NRC that provided their notification of Intent of Terminate this project (STP3 and STP4) because the project was no longer financially viable. On June 22, 2018, NINA issued a letter requesting NRC approval to withdraw the COL for STP3 and STP4. On July 12, 2018, the NRC issued a letter that approved the termination of the STP3 and STP4 COL. Construction was not initiated for STP3 and STP4, and nuclear materials were never procured or possessed under these licenses. Consequently, STP3 and STP4 are approved for unrestricted use.

STP cancelled all contracts related to NINA, which was established for the purpose of building additional units. On August 13, 2018, NINA provided a draft document to the STP owners, a proposed STP3 and STP4 Assignment and Assumption Agreement and Mutual Release. This agreement essentially returns the site ownership to NRG, CPS Energy, and Austin Energy and restores site ownership and future expansion rights to the original pre-STP3 and STP4 conditions when executed. NINA executed this agreement on October 1, 2018.

Smart Grid Modernization Program. Starting in 2013, CPS Energy began building a converged Advanced Metering Infrastructure ("AMI") and distribution automation ("DA") network. The rollout of new electric meters and gas interface management units ("IMUs") using this network began in 2014 in order to reduce operational costs and improve reliability. A new energy portal was implemented to give customers the opportunity to better track and manage their energy usage. The project was completed in the summer of 2018. The combined cost of the network, electric and gas upgrades was $264 million. Operational savings, accurate reads, and distribution automation are all factored in the program. Savings are expected to cover the cost in approximately 13 years. As of March 2022, approximately 1.3 million smart grid devices have been installed pursuant to this program. In addition, CPS Energy has added a smart meter requirement to its rooftop solar rebate program. In addition, CPS Energy is utilizing smart grid technologies to ensure grid resilience and reduce impacts of power events during such as flooding and hurricanes.

Smart Streetlights. CPS Energy and the City have partnered on a joint Request for Proposal to pilot and award a smart streetlight control solution with added smart city use cases. Smart streetlight controls will allow for centralized monitoring and control of streetlights which will improve maintenance planning and increase operational efficiency. The solution will allow for adaptive lighting schedules, provide defective operation notifications, provide GPS locations of streetlights, and provide streetlight failure and status reports.

The smart streetlight platform will be leveraged by smart city use cases. The City has identified several smart city use cases to pilot, which include the following: temperature and air quality monitoring, flood detection, noise detection, and smart parking.

CPS Energy and the City have selected two solution providers to pilot smart streetlight control & smart city applications within the City's three Innovation Zones (Downtown, Medical Center, and Brooks City Base) over a 6-month period. The pilot period concluded on October 15, 2021. Results from the streetlight pilot are being evaluated. Initiation of a potential City-wide implementation is targeted for the fourth quarter of 2022.

New Products & Services. CPS Energy continually evaluates its entire portfolio of electric & gas products & services to more fully meet customers' needs. To that end, in the latter half of calendar year 2020, CPS Energy has received approval from the Board and City Council for three new offerings now available to commercial customers. First, CPS Energy developed a tariff that provides large commercial customers with improved access to renewable energy sources. Under this optional Green Tariff, CPS Energy procures renewable energy from a source chosen by the customer, and then sells it to the customer through the Green Tariff. Second, CPS Energy converted a limited Resiliency Service pilot into a permanent tariff for its commercial customers. Under the Resiliency Service offering, CPS Energy will provide on-site backup generators capable of providing electricity to retail customers during outages of the electric system in exchange for a monthly Resiliency Service capacity fee. The natural gas backup generators are owned and operated by one of CPS Energy's suppliers. As of January 31, 2022, Resiliency Service has been enabled at 27 customer sites with a total capacity of 30.4 MW. The Green Tariff and Resiliency Service offerings have both been fully approved.

Lastly, in support of growing demand for distribution-level interconnection by energy storage facilities seeking to access to the ERCOT wholesale energy markets as generation resources, CPS Energy is finalizing regulatory approvals of updates to its existing Wholesale Distribution Service ("WDS") tariff. The updated WDS tariff enables eligible transmission service customers to interconnect at various locations within the distribution system at applicable rates for utilizing the portion of distribution assets ascribed to the location of interconnection. Consistent with the Board's recommendation, the WDS tariff updates were approved by the City Council on September 17, 2020. The WDS tariff, which offers transmission service at distribution voltage, is subject to the joint jurisdiction of the City Council (regarding appropriate cost recovery for use of distribution assets) and the PUCT (to ensure nondiscriminatory rates and terms of access to the distribution system). CPS Energy filed its application with the PUCT for administrative approval of the updated WDS tariff on October 12, 2020, in Docket No. 51409, which was subsequently challenged by two energy storage companies requesting a hearing on the merits. The PUCT granted the request for a contested hearing and forwarded the matter to the State Office of Administrative Hearings ("SOAH") for adjudication. On June 25, 2021, the SOAH administrative law judges approved the WDS tariff rates on an interim basis subject to potential adjustment pending the final resolution of the case. As of the date of this Official Statement, the parties have entered settlement discussions. Should a settlement agreement not be reached and accepted, a hearing will occur in the spring of 2022, and final resolution by the PUCT is expected thereafter.

Qualified Scheduling Entity. CPS Energy operates as an ERCOT Level 4 Qualified Scheduling Entity ("QSE") representing all of CPS Energy's assets and load. The communication with ERCOT and the CPS Energy power plants is monitored and dispatched 24 hours per day / 365 days a year. Functions are provided from the Energy Market Center housed within the main office of CPS Energy. Backup facilities have also been created. QSE functions include load forecasting, day ahead and real time scheduling of load, generation and bilateral transactions, generator unit commitment and dispatch, communications, invoicing and settlement. The QSE operates in all aspects of the ERCOT Market, including submitting bids and offers in the Day Ahead Market ("DAM"), operating generation and load in the Real Time Market ("RTM"), participating in Congestion Revenue Rights auctions, and offering Ancillary Services into the grid.

Transmission System. CPS Energy maintains a transmission network for the movement of large amounts of electric power from generating stations to various parts of the service area, to or from neighboring utilities, and for wholesale energy transactions as required. This network is composed of 138 and 345 kilovolt ("kV") lines with autotransformers to provide the necessary flexibility in the movement of bulk power.

Distribution System. The distribution system is supplied by 98 substations strategically located on the high voltage 138 kV transmission system stepping down to distribution system voltages of 34.5 kV and 13.2 kV. The City's central business district is served by nine underground networks, each consisting of four primary feeders operated at 13.2 kV, transformers equipped with network protectors, and both a 4-wire 120 / 208 volt secondary grid system and a 4-wire 277 / 480 volt secondary spot system. This system is designed for the highest level of distribution reliability.

Approximately 8,213 circuit miles (three-phase equivalent) of overhead distribution lines are included in the distribution system. These overhead lines also carry secondary circuits and street lighting circuits. The underground distribution system consists of 727 miles of three-phase equivalent distribution lines, 87 miles of three-phase downtown network distribution lines, and 5,807 miles of single-phase underground residential distribution lines.

Gas System

Transmission System. The gas transmission system consists of a network of approximately 89 miles of steel mains that range in size from 8 to 30 inches. Over 62 miles of the gas transmission system were placed into service since 2000 and approximately 73% is less than 25 years old. The entire system is coated and cathodically protected to mitigate corrosion. The gas transmission system operates at pressures between 135 pounds per square inch ("psig") and 1,100 psig, and supplies gas to the distribution system and CPS Energy Generating Plants. A Supervisory Control and Data Acquisition ("SCADA") computer system monitors the gas pressure and flow rates at many strategic locations within the transmission system. Additionally, most of the critical pressure regulating stations and isolation valves are remotely controlled by SCADA.

CPS Energy has completed the required baseline assessments of the gas transmission system, in accordance with State and federal transmission integrity rules, using the most recently available technology. Furthermore, CPS Energy maintains an ongoing reassessment plan and maintains a more conservative leak survey and patrol schedule interval than is required by regulation.

Distribution System. The gas distribution system consists of 341 pressure regulating stations and a network of approximately 5,869 miles of mains. The system consists of 2 to 30-inch steel mains and 1-1/4 to 10-inch high-density polyethylene (plastic) mains. The distribution system operates at pressures between 9 psig and 485 psig. All steel mains are coated and cathodically protected to mitigate corrosion. Critical areas of the distribution system are also remotely monitored by SCADA and designated critical pressure regulating stations and isolation valves are also remotely controlled by SCADA.

CPS Energy has been methodical in its assessment and renewal of distribution infrastructure utilizing a risk-based leak survey approach to identify both mains and services that are in highest need of replacement and has an annual budget for on-going system renewal.

Accounting Policies

CPS Energy is subject to and complies with the provisions of GASB pronouncements and guidance made from time to time, upon assessment of applicability to and implementation by CPS Energy. GASB pronouncements and guidance to which CPS Energy adheres, and implements are described in its audited financial statements. For a description of recent GASB pronouncements and guidance, as well as CPS Energy's response thereto in connection with its fiscal year 2021 financial reporting.

Other than the changes resulting from GASB pronouncements and guidance that are described in CPS Energy's fiscal year 2021 Basic Financial Statements and Independent Auditors' Report, there were no additional significant accounting principles or reporting changes implemented in the fiscal year ended January 31, 2021, or the period ended October 31, 2021. Other accounting and reporting changes that occurred during the prior reporting year continued into the fiscal year ending January 31, 2021, and the period ended October 31, 2021.

Recent Financial Transactions

On July 28, 2016, CPS issued $544.3 million of Revenue Refunding Bonds, New Series 2016 to refund $609.0 million of Revenue Bonds, New Series 2008 and Revenue Refunding Bonds, New Series 2009A.

On December 1, 2016, CPS remarketed for a two-year term $47.50 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012C, while at the same time defeasing $0.16 million of the original issued bonds.

On December 13, 2016, CPS remarketed for a three-year term $124.56 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015A, while at the same time defeasing $0.44 million of the original issued bonds.

On April 27, 2017, CPS issued $308.01 million of Revenue and Refunding Bonds, New Series 2017 which included refunding Revenue Refunding Bonds, New Series 2006B and Revenue Refunding Bonds, New Series 2007.

On August 30, 2017, CPS issued $194.98 million of Revenue Refunding Bonds, New Series 2017 to refund certain outstanding commercial paper notes.

On September 14, 2017, CPS remarketed for a four-year term $123.3 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B, while at the same time defeasing $1.73 million of the original issued bonds.

On November 15, 2018, CPS issued $218.29 million of Revenue Refunding Bonds, New Series 2018 which included refunding a portion of the Revenue Refunding Bonds, New Series 2009D and all of the Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012A, Series 2012B, and Series 2012C.

On December 20, 2018, CPS issued $130.2 million of New Series 2018A Senior Lien Revenue Refunding Bonds. Proceeds, including the $20.9 million premium associated with the bonds, were used to refund $60.0 million and $90.0 million of the Commercial Paper Series A and Commercial Paper Series C, respectively.

On December 20, 2018, CPS issued $134.9 million of Series 2018 Variable-Rate Junior Lien Revenue Refunding Bonds. Proceeds, including the $1.2 million premium associated with the bonds, were used to refund $135.0 million of the Commercial Paper Series C.

On January 24, 2019, $52.5 million of New Series 2015 Senior Lien Revenue Refunding Bonds and $25.1 million of New Series 2016 Senior Lien Revenue Refunding Bonds were legally defeased with cash.

On September 25, 2019, CPS issued $114.7 million of Revenue Refunding Bonds, New Series 2019 to refund a portion of the Revenue Bonds, Taxable New Series 2012.

On November 21, 2019, CPS issued $252.6 million of Revenue Refunding Bonds, Series 2019 which included refunding a portion of the Revenue Refunding Bonds, New Series 2010A (Build America Bonds) and all of the Junior Lien Revenue Refunding Bonds, Series 2010B (Build America Bonds).

On December 2, 2019, CPS remarketed for a five-year term $124.2 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015 A, while at the same time defeasing $0.04 million of the original issued bonds.

On December 2, 2019, CPS remarketed for a five-year term $99.7 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015 C, while at the same time defeasing $0.03 million of the original issued bonds.

On December 5, 2019, $21.5 million of Commercial Paper Series B was legally defeased with cash. On January 9, 2020, $108.5 million of Commercial Paper Series B was legally defeased with cash.

On January 28, 2020, CPS issued $134.6 million of New Series 2020 Senior Lien Revenue Refunding Bonds to refund $170.0 million of the Commercial Paper Series A, on January 29, 2020.

On January 28, 2020, CPS issued $127.8 million of Series 2020 Variable-Rate Junior Lien Revenue Refunding Bonds. Proceeds, including the $3.1 million premium associated with the bonds, were used to refund $50.0 million and $80.0 million of the Commercial Paper Series A and Commercial Paper Series C, respectively, on January 29, 2020.

On January 28, 2020, $108.0 million of New Series 2016 Senior Lien Revenue Refunding Bonds was legally defeased with cash.

On February 26, 2021, CPS procured liquidity for its Flexible Rate Revolving Note Program, Series A, in the amount of $100,000,000 and issued the same.

On March 31, 2021, CPS issued $330.7 million of Junior Lien Revenue Refunding Bonds, Series 2021A.

On April 26, 2021, CPS effectuated its 2021 Inferior Lien Flexible Rate Revolving Note Program, Series B, in the amount $500,000,000; no issuances of these notes have occurred.

On December 1, 2021, CPS remarketed for a six-year term $104.2 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015 B, converting these into Fixed Rate Junior Lien Revenue Refunding Bonds, while at the same time defeasing $19.7 million of the original issued bonds.

On April 8, 2021, CPS issued $359.5 million of Series 2022 Fixed and Variable-Rate Junior Lien Revenue Refunding Bonds. Proceeds, including the $52.7 million premium associated with the bonds, were used to refund $230.0 million and $160.0 million of the Commercial Paper Series A and Commercial Paper Series B, respectively, on February 16, 2022.

On April 13, 2022, CPS issued $127.8 million of Taxable New Series 2022 Senior Lien Revenue Refunding Bonds. Proceeds will be used to refund $210.9 million and $100.0 million of the Commercial Paper Series A and Commercial Paper Series C as well as $100.0 million of the Flexible Rate Revolving Note Program Series A, respectively, on April 14, 2021.

On May 4, 2022, CPS issued $109.6 million of New Series 2022 Senior Lien Revenue Refunding Bonds. Proceeds, including the $5.2 million premium associated with the bonds, $13.8 million of accrued principal and interest, and will be used to refund $128.6 million to refund the Revenue Refunding Bonds, Series 2012, on August 1, 2021.

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CPS Historical Net Revenues and Coverage **[1]**

(Dollars in thousands)	Fiscal Years Ended January 31, [1]				
	2017	2018	2019	2020	2021
Gross Revenues[2]	$ 2,494,120	$ 2,624,411	$ 2,808,260	$ 2,602,177	$ 2,511,242
Maintenance & Operating Expenses	1,489,688	1,587,906	1,608,352	1,497,182	1,555,519
Available For Debt Service	$ 1,004,432	$ 1,036,505	$ 1,199,908	$ 1,104,995	$ 995,723
Actual Principal and Interest Requirements:					
Senior Lien Obligations[3],[4],[9],[10]	$ 290,264	$ 270,080	$ 259,726	$ 223,292	$ 327,599
Junior Lien Obligations[5],[11]	$ 98,996	$ 120,996	$ 148,179	$ 148,806	$ 61,964
ACTUAL COVERAGE - Senior Lien[6]	3.46x	3.84x	4.62x	4.95x	2.92x
ACTUAL COVERAGE - Senior and Junior Liens	2.58x	2.65x	2.94x	2.97x	2.45x
PRO FORMA MADS COVERAGE					
Senior Lien[7]	2.87x	2.97x	3.43x	3.16x	2.73x
Senior and Junior Liens[8]	2.18x	2.25x	2.60x	2.40x	2.07x

(1) Some numbers may have been adjusted due to rounding.

(2) Calculated in accordance with the bond ordinances.

(3) Net of accrued interest where applicable.

(4) Includes a reduction of $14.5 million, $14.5 million, $14.6 million, $14.6 million and $14.3 million for fiscal years 2016, 2017, 2018, 2019 and 2020, respectively, related to the direct subsidy for the Build America Bonds.

(5) Includes a reduction of $5.7 million for fiscal years 2017 - 2021, related to the direct subsidy for the Build America Bonds.

(6) Calculation differs from by the inclusion ofnonoperating expenses in the above schedule.

(7) Maximum annual debt service on Senior Lien Obligations.

(8) Maximum annual debt service on Senior Lien Obligations and Junior Lien Obligations.

(9) Amount shown is gross debt service and does not include any cash contributions made.

(10) Amounts shown for Senior Lien Obligations are higher in FY 21 compared to FY 20 due to bond maturities coming due in FY 22 (Series 2012 & Series 2016 Refunding Bonds).

(11) Amounts shown for Junior Lien Obligations in FY 21 are lower due to bonds that matured in FY 20 (Jr. Lien Revenue Refunding Bonds, Series 2014).

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THE AIRPORT SYSTEM

General

The San Antonio International Airport (the "Airport" or "SAT"), located on a 2,600-acre site that is adjacent to Loop 410 freeway and U.S. Highway 281, is eight miles north of the City's downtown business district. The Airport consists of three runways with the main runway measuring 8,502 feet and able to accommodate the largest commercial passenger aircraft. Its two terminal buildings contain 24 second-level gates. By the end of 2022 three additional gates will be constructed to the existing terminal building increasing the total number of gates to 27. Pre-pandemic, the Airport offered an average of 138 daily departures to 39 nonstop destinations across 11 airlines. Currently, the Airport offers nonstop service to 41 destinations both seasonal and year-round across 13 airlines. In 2021, SAT welcomed two new airlines, Breeze Airways and JetBlue Airways. The Airport experienced incredible growth in both demand and seats offered to Mexico throughout 2021. New service was added to Leon, Mexico as well as increases in both frequency and capacity to existing markets. As a result, international passenger numbers were up nearly 60% compared to 2019. The Airport continues to work with airlines to add and expand their nonstop service from SAT and fully anticipates continuing the growth trajectory seen pre-pandemic throughout the coming months and years.

The Airport is classified as a medium hub facility by the FAA. A "medium hub facility" is defined as a facility that enplanes between 0.25% and 0.50% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States. According to Airports Council International North America ("ACI-NA"), an airport industry group, the Airport ranked 47th based on total U.S. passenger traffic for calendar year 2019. For the calendar year ended December 31, 2021, the Airport enplaned approximately 3.7 million passengers. Airport management has determined that approximately 98% of the Airport's passenger traffic is origination and destination in nature, which is important because it demonstrates strong travel to and from the City independent from any one airline's hubbing strategies. A variety of services are available to the traveling public from approximately 280 commercial businesses which lease facilities at the Airport and Stinson Municipal Airport ("Stinson").

In 2018, the San Antonio Airport System initiated a two-phased Strategic Development Plan as part of its update to the Master Plan of the San Antonio International Airport. The focus of the first phase was to determine if the current location of the San Antonio International Airport could grow to accommodate the region's long-term aviation needs in the next 20 to 50 years. This phase concluded that the current location could be adapted to meet the region's needs which were approved by City Council on October 31, 2018. Phase 2 focused on the development of preferred alternatives for airfield, terminal facilities, and roadway. In December 2020, the department presented an update on the SDP which included the preferred airfield alternative. This alternative will enhance airfield safety; enable service to farther international destinations; and accommodate long-term projected growth. In March 2021, the proposals for future terminal facilities and roadway alternatives to address the long-term projected growth of our region was presented.

Stinson, located on 300 acres approximately 5.2 miles southeast of the City's downtown business district, was established in 1915, and is one of the country's first municipally-owned airports. It is the second oldest continuously operating airport in the U.S. and is the FAA's designated general aviation reliever airport to the Airport. On November 15, 2012, City Council authorized its more recent update to the Stinson Master Plan. This program informed the Department of Aviation (the "Department") of projects to be undertaken on the airfield, terminal and support in the next 20 years to meet the demand of operations growth of 3.2% Annual Compound Growth Rate ("ACGR") between 2011 and 2031. In December 2018, Stinson completed the construction of a new air traffic control tower on the south side of the airport campus. The new tower eliminates a potential line of sight issue that would have hindered tenant development. In 2019, the City Council authorized a new project that will design and construct a new parallel taxiway to Runway 14/32 which will enhance future development of adjacent land and promote airfield safety by reducing runway crossing once land is developed.

Capital Improvement Plan

The approved six-year (FY 2022 – FY 2027) Capital Improvement Plan (the "CIP") totals approximately $328.53 million and is comprised of certain projects for the design and construction of airfield improvements, road improvements, terminal expansions, IT upgrade projects and updates to the Master Plan for the San Antonio International Airport.

The CIP consists of the following:

<u>Terminal Facilities</u>

- Terminal A Electrical System Expansion: This project includes the design and Installation of new 4,000 amp Fuse Type Switch Boards with Breaker Type Switch Boards to the general electrical service for Terminal "A". This project will add to an already maximized electrical system designed and installed more than 30 years ago.
- Terminal B Expansion: This project includes design and construction for the expansion and other requirements in Terminal "B". The scope includes a new airline gate (Gate B-9) consisting of a passenger boarding bridge and

other improvements (seating, counters, and supporting improvements); an additional passenger screening lane at the Transportation Security Administration (TSA) security screening checkpoint, additional concessions, airline lounge space at the central marketplace, and additional office space at the ramp level. This project provides for added growth and the ability to accommodate additional airline service, passenger demand, revenue generation, and enhanced security compliance.

- Terminal A Gate Expansion: This project constructs a new airline Gate A16 and passenger boarding bridge in Terminal A, including adjustment to adjacent aircraft parking positions, relocation of the GSE services road and associated terminal improvement to activate gate A16.
- Terminal A New IDF Room: This project will construct a new communications room located on the nonsecure side of the ticketing lobby. This project will install new horizontal cabling routed to new communications rooms and decommissions legacy communications rooms.
- Terminal A & B Critical Infrastructure Assessment: This project includes an assessment of potential needed system upgrades to Terminal A & B. Terminal A works include HVAC, sanitary sewer and electrical upgrades. Terminal B improvements include electrical upgrades.
- Baggage Handling upgrades (high levels controls): Installing two redundant servers, Installing new workstations, Installing new Panel Views, Upgrading FactoryTalk HMI software, Installing Brock's SmartSort High Level Controls software, making modifications for external interfaces (low level PLCs, BSMs, FIDS etc.), includes Electrical Installation, In-house software development testing and customer Factory Acceptance Test (FAT), Commissioning and operator training and provides Standby support.
- Baggage Handling System Expansion: This project develops an area to accommodate up to 3 in-line security processing lanes, Checked Baggage Inspection System (CBIS) room, mechanical support space, equipment (conveyors) electrical motor apparatus, distribution systems, and other critical devices and systems. The scope includes modifying of existing line and systems to meet the demand for a comprehensive complex passing all system test. The scope will include surveillance, access control, electrical notification, mechanical (HVAC), and IT infrastructure.

Airfield Improvements

- Reconstruct Taxiway N South of Taxiway D This project completes the reconstruction of Taxiway N from the intersection of Taxiway D to north of Taxiway N6 to include drainage, electrical, signage, striping, etc.
- Airfield Lighting Control and Monitoring System: This project includes the designs and installation of a new Airport Lighting Control & Monitoring System that allows for the control of all airfield lighting from the FAA Tower. This requirement is in accordance with FAA standards to ensure safe airfield operating conditions.
- Taxiway H Reconstruction: This project scope includes the design and construction of a portion of aircraft apron taxi lane, installation of "No Taxi" islands and shoulders, removal of Taxiway "A" between Taxiways "G" and "H", installation of guidance signage to allow the taxi lane to be designated as Taxiway "H'; and the installation of a new connecting Taxiway including the removal of Taxiways "V" and "B" between Taxiways "G" and "H". All new taxiways created as part of this project will include standard shoulder pavements. All work to be accomplished in accordance with FAA Taxiway Design Standards. All work is consistent with bring airport airfield facilities in compliance with current requirements. This project will have a useful life of more than 30-years.
- Perimeter Road Reconstruction Packages 4 & 5: These two projects include design and construction of 63,000 and 78,000 square feet of new airfield perimeter road pavement. The FAA requires a service road around the perimeter of the airfield to provide access for airfield tenants, Airport emergency Rescue Firefighting Equipment, airport operations and permitted users to gain access from one side of the airport to another without crossing active runways and movement areas.
- Runway 13R Decouple, Reconstruction and Rehabilitation: The project consists of the decoupling of Runway 13R from Runway 4/22, reconstruction of two separate sections of concrete runway pavement on Runway 13R, the rehabilitation of portions of adjacent taxiways, runway lighting improvements, the reconstruction of Runway 13R, in phases, beyond the current six-year capital program and includes an environmental assessment and Memorandum of Agreement (MOA) with the FAA.
- Taxiway E Reconstruction: This project will reconstruct Taxiway E to a new location, including associated grading, lighting, signage and markings.
- Airfield Package 6-7: Pkg 6 - Taxiway R Rehab Phases 2 & 3. Constructs a new taxiway bypass to connect to TW RC to TW R. Install new FAA communications duct bank in order to remove the in-ground bridge. Pkg 7 - Removes a bridge and Municipal Solid Waste (MSW) and constructs a new Taxiway R on grade.
- Reconstruct Keel Section of RW 13R/31L: Reduction: This project completes the reconstruction of center panels of Runway 13R/31L with select reconstruction and rehabilitation of outboard panels and cross taxiway pavement within the Runway Safety Area. This includes the restriping of the runway.

Technology and Other Projects

- Master Plan Update, SAT: This project updates the Master Plan for the San Antonio International Airport. This update will be used as a planning and programming tool for future capital development up to the next 50 years. The project includes corresponding updates to the Part 150 NCP & Drainage Master Plan and includes an EALP (Electronic Airport Landing Plan).
- Multi-User Flight Information Display System ("MUFIDS") Modernization: This project replaces the aged MUFIDS monitors in Terminal B and adds monitors in new locations throughout the campus.
- Paging Modernization: This project installs a new paging system to include all equipment across both terminals A and B.
- Airside Security Program: This project is focused on improving airside security around the airside apron area with increased video surveillance and a limited Perimeter Intrusion Detection System rollout. This project will also provide airport vehicle gate access control improvements and will include limited airside operational wireless access.
- Maintenance Office Renovations: Renovation of a new location of a maintenance office that is closer proximity to the airfield.
- Rehabilitate West Cargo Facilities: The project installs a new roof of the building, new exterior metal siding of building including soffits and fascia, security camera and cabling upgrades, new overhead and pedestrian doors, plumbing improvements, electrical installation, ADA access ramps, and new interior walls between tenant areas.
- Parking, CCTV for Economy and Cell Lots: This project installs CCTV and emergency call boxes for the parking areas to provide safety and security. This project scope is to install 27 cameras, 16 blue emergency phones, and the required supporting infrastructure in the Red, Orange and Green surface parking lots at SAT.
- Airport Program Management and Airport Planning Professional services.
- Other Capital Projects: Miscellaneous projects at the Airport and at Stinson.

The anticipated sources of funding for the CIP are as follows:

Funding Sources	Projected Funding ($)
Federal Grants	
Entitlement Grants	12,333,115
Discretionary Grants	113,587,885
TxDOT Grant	8,675,000
Other Funding	
Airport Improvement & Contingency Fund	126,321,000
Stinson Revolving Fund	2,448,000
CFC Funds	2,547,000
PFC Funds	5,637,000
Interim Airport Financing	56,978,000
Total	**328,527,000**

The CIP includes capital improvements, which are generally described as follows:

Improvement	Amount ($)
Airport	
Airfield	175,194,000
Common Use and IT Upgrade	30,134,000
Transit/Roadways	10,065,000
Parking	3,820,000
Terminal	74,226,000
Other Projects	18,568,000
Stinson	16,520,000
Total	**328,527,000**

PFC Projects. Public agencies wishing to impose Passenger Facility Charge ("PFC") are required to apply to the FAA for such authority and must meet certain requirements specified in the 49 USC § 40117, and the implementing regulations issued by the FAA.

The FAA issued a "Record of Decision" on August 29, 2001 approving the City's initial PFC application. The City, as the owner and operator of the Airport, received authority to impose a $3.00 PFC and to collect, in the aggregate, approximately $102,500,000 in PFC Revenues. On February 15, 2005, the FAA approved an application amendment increasing the PFC funding by a net amount of $13,893,537. On February 22, 2005, the FAA approved the City's application for an additional $50,682,244 in PFC collections to be used for 11 new projects. On June 26, 2007, the FAA approved two amendments to approved applications increasing the PFC funding by a net amount of $121,611,491 for two projects and $67,621,461 for four projects. Additionally, the FAA approved the increased collection rate from $3.00 to $4.50, effective October 1, 2007. In May 2010, the FAA approved amendments to the City's PFC collection authorization to increase the scope of the PFC funding for certain PFC projects and permitted the addition of several elements. The May 28, 2010 FAA approvals increased the PFC funding amount from $380,958,549 to $574,569,629. On March 18, 2015, the City submitted an amendment to reduce the PFC Collection authority from the amount of approximately $573.8 million to approximately $463.7 million (a reduction of approximately $110.1 million). This reduction was due to (i) estimated finance and interest costs that were overstated in the submittals compared to actual finance and interest costs and (ii) lower project costs in some cases. The FAA issued the Final Agency Decision on April 13, 2015, approving the proposed PFC amendment.

On December 17, 2020, the City submitted amendments to PFC Application Numbers 01-01-C-04-SAT (Application 1), 05-04-C-03-SAT (Application 4), anAppd 07-05-C-02-SAT (Application 5) to the FAA to reflect a decrease in PFC authority at San Antonio International Airport (SAT) due to the issuance of refunding bonds, resulting on lower interest costs, as well as additional funding sources received (CARES). On February 24, 2021, the FAA confirmed approval of the City's amendment request and issued Final Agency Decisions. The total PFC impose and use authority for the City's PFC Program has decreased by $25,546,100, from its prior impose and use authority of $463,710,203 to $438,164,103. The City will maintain a four dollar and fifty cent ($4.50) charge on eligible passengers enplaned at the Airport. The table below illustrates the change by Application Number.

Application	Prior PFC Collection Authority	Current Approvals
Application 1	$315,801,521	$291,245,208
Application 2	$95,005,887	$93,974,314
Application 3	$52,902,795	$52,944,582
Total PFC Program	$463,710,203	$438,164,104

Note: Applications 2 and 3 are use-only applications, with no associated PFC collection authority.

On October 1, 2007, the City began collecting a $4.50 PFC (less a $0.11 air carrier collection charge) per qualifying enplaned passenger. The City has received PFC "impose and use" authority, meaning that it may impose the PFC and use the resultant PFC Revenues for all projects, contemplated to be completed using proceeds of the Parity PFC Bonds. As of December 31, 2021, the City has collected $289,655,018 (unaudited) in PFC Revenues since authority to impose and collect the PFC was received. The estimated PFC collection expiration date is June 1, 2032.

To date, the following projects have been approved as "impose and use" projects:

- Replace Remain Overnight Apron
- Implement Terminal Modifications
- Reconstruct Perimeter Road
- Construct New Terminal B
- Acoustical Treatment Program
- Construct Elevated Terminal Roadway
- Upgrade Central Utility Plant
- Construct Apron – Terminal Expansion
- Install Utilities – Terminal Expansion
- Replace Two Aircraft Rescue and Fire Fighting Vehicles
- Conduct Environmental Impact Statement
- Reconstruct Terminal Area Roadway
- Install Noise Monitoring Equipment
- Install Terminal and Airfield Security Improvements
- Install Airfield Electrical Improvements
- PFC Development and Administration Costs

CFC Projects. The City Council, by ordinance adopted on March 8, 2012, authorized the Airport to impose the collection of a $4.50 per transaction day Customer Facility Charge ("CFC") for rental car customers to pay for all costs and expenses associated with the planning, financing, and construction and certain other costs for a Consolidated Rental Car Facility (the "ConRAC") to open in three to five years. The rental car companies began collecting the CFC on all car rentals at the Airport on April 1, 2012. The CFC was reapproved at a collection rate of $5.00 per transaction day, effective July 1, 2015, pursuant to the ordinance adopted by the City Council on June 18, 2015. The CFC rate was further increased to $5.50 per transaction day, effective October 1, 2018. The ConRAC project cost is estimated at $167.8 million. As of December 31, 2021, the City has received $101,029,756 (unaudited) in CFC Revenues since the April 1, 2012 inception of the CFC.

ConRAC. ConRAC opened for business on January 17, 2018. This 1.8 million square feet state of the art facility houses up to 14 rental car companies, a quick turnaround area for fueling, vacuuming, washing and light maintenance and approximately 2,600 ready/return parking spaces. ConRAC is just a few steps away from the terminals, eliminating the need for shuttles to take passengers to their rental car locations, thus enabling the Airport to initiate significant improvements to traffic flow in the arrivals area.

Airport Operations

Direct supervision of airport operations is managed by the Department. The Department is responsible for: (1) managing, operating, and developing the Airport System and any other airfields which the City may control in the future; (2) negotiating leases, agreements, and contracts; (3) computing and supervising the collection of revenues generated by the Airport System under its management; and (4) coordinating aviation activities under the FAA.

The Department is an enterprise fund of the City. The operations and improvements at the Airport and Stinson are paid for by airport user charges, bond funds, and funds received from the FAA. No general tax fund revenues are used to operate or maintain the Airport System. The City Council appoints a 19-member Airport Advisory Commission (the "AAC" or the "Commission"). The Commission's primary purpose is to advise the Department regarding policies, including any noise-related issues affecting the Airport System and air transportation initiatives.

On February 10, 2020, San Antonio Airport System welcomed Jesus Saenz, Jr. as the new Director of Airports with overall responsibility for the management, administration and planning of the Airport System. Mr. Saenz is a 24-year veteran of airport management. He arrived in San Antonio from Houston, Texas where he was the Chief Operating Officer for the Houston Airport System. Mr. Saenz has an experienced staff to aid him in carrying out the responsibilities of his position. The principal members of the Department's staff include the Director, the Deputy Aviation Director, the Assistant Aviation Director of Operations, Assistant Aviation Director of Administration, and the Assistant Aviation Director of Asset and Planning.

The Airport System has police and fire departments on premises. The police and firefighters are assigned to duty at the Airport System from the City's police and fire departments, but their salaries are paid by the Department as an operation and maintenance expense of the Airport System.

The FAA has regulatory authority over navigational aid equipment, air traffic control, and operating standards for the Airport System.

The passage of the Aviation and Transportation Security Act in November of 2001, created the TSA. The Department has worked closely with the TSA to forge a new higher level of security for the traveling public. TSA employs about 300 individuals at the Airport System to meet the federal security requirements.

As of October 1, 2021, the Airport System had approximately 501 authorized positions as follows:

Administration	114	Parking/GT	63
Police/Security	95	Airport Operations	70
Fire Rescue	33	Stinson Airport	8
Facilities Maintenance	118		

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Comparative Statement of Gross Revenues and Expenses - San Antonio Airport System

The historical financial performance of the Airport System is shown below for the last five fiscal years:

	2017	2018	2019	2020	2021
Gross Revenues [1]	$94,686,702	$106,952,588	$116,003,603	$94,101,394	$101,945,437
Expenses	(60,674,648)	(65,071,241)	(66,246,817)	(64,437,541)	(66,137,262)
Net Revenues	$34,012,054	$41,881,347	$49,756,786	$29,663,853	$35,808,175

[1] As reported in the City's audited financial statements.
Source: City of San Antonio, Department of Finance.

Total Domestic and International Enplaned Passengers - San Antonio Airport

The total domestic and international enplaned passengers on a calendar year basis, along with year-to-year percentage change are shown below:

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2012	4,103,364	31,583	0.78
2013	4,119,039	15,675	0.38
2014	4,191,391	72,352	1.76
2015	4,257,688	66,297	1.58
2016	4,309,761	52,073	1.22
2017	4,521,611	211,850	4.92
2018	5,028,658	507,047	11.21
2019	5,192,990	164,332	3.27
2020 [1]	1,999,488	(4,993,502)	(61.50)
2021	3,747,110	1,747,622	87.40

[1] In 2020, the enplaned passengers decreased due to a result of the COVID-19 Pandemic.
Source: City of San Antonio, Department of Aviation.

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Total Enplaned and Deplaned International Passengers - San Antonio Airport

The total enplaned and deplaned for international passengers on a calendar year basis, along with year-to-year percentage change are shown below:

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2012 [1]	421,718	239,687	131.67
2013	474,609	52,891	12.54
2014	464,765	(9,844)	(2.07)
2015	511,076	46,311	9.96
2016 [2]	400,061	(111,015)	(21.72)
2017	368,381	(31,680)	(7.92)
2018	415,018	46,637	12.66
2019	467,475	52,457	12.64
2020 [3]	207,684	(259,791)	(55.60)
2021	741,572	533,888	257.10

[1] The increase in total enplaned and deplaned international passengers from 2011 to 2012 is attributable to 3 new airlines operating in 2012. These airlines are AirTran, InterJet, and Viva AeroBus.

[2] The decline in international is in large part a result of capacity reductions by Southwest to Mexico City and Interjet to Toluca. In addition to capacity adjustments, the continuing devaluation of the Peso to the U.S. Dollar may be contributing to decreased leisure travel between the two countries. In December 2016, the Peso had 13.7% less value than the same time in 2015, and 47.0% less value than two years prior to that.

[3] In 2020, the enplaned and deplaned passengers decreased due to a result of the COVID-19 Pandemic.

Source: City of San Antonio, Department of Aviation.

Air Carrier Landed Weight - San Antonio Airport

The historical aircraft landed weight in 1,000-pound units on a calendar year basis is shown below. Landed weight is utilized in the computation of the Airport's landed fee.

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2011	5,707,294	75,091	1.33
2012	5,812,227	104,933	1.84
2013	5,784,738	(27,489)	(0.47)
2014	5,661,554	(123,184)	(2.13)
2015	5,719,952	58,398	1.03
2016	5,729,257	9,305	0.16
2017	6,024,433	295,176	5.15
2018	6,594,764	570,331	9.47
2019	6,754,689	159,925	2.42
2020 [1]	3,944,499	(2,810,190)	(41.60)
2021	5,202,824	1,258,325	31.90

[1] In 2020, the air carrier landed weight decreased due to a result of the COVID-19 Pandemic.

Source: City of San Antonio, Department of Aviation.

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APPENDIX B

EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2022

The information contained in this Appendix consists of excerpts selected by the Co-Financial Advisors from the San Antonio Water System Annual Comprehensive Financial Report for the Year Ended December 31, 2022, 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.

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Independent Auditors' Report

To the Board of Trustees of
San Antonio Water System

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of San Antonio Water System (SAWS), a component unit of the City of San Antonio, Texas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise SAWS' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of SAWS as of December 31, 2022 and 2021, and the changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SAWS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note A, SAWS adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Accordingly, the accounting changes have been retroactively applied to the prior period presented. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SAWS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SAWS' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SAWS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The identified accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introduction, statistical section and the bonded debt schedules and analyses information included in the annual comprehensive financial report but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of SAWS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SAWS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SAWS' internal control over financial reporting and compliance.

Baker Tilly US, LLP

Austin, Texas
March 29, 2023

Management's Discussion and Analysis

(Unaudited)

This Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and provides a narrative overview and analysis of financial activities and performance as detailed in the Annual Comprehensive Financial Report for fiscal years ending December 31, 2022 and 2021. Please read it in conjunction with SAWS' financial statements including the notes to the financial statements and required supplemental information, which follow this section.

FINANCIAL HIGHLIGHTS

- SAWS' net position increased by $416.9 million during 2022.
- Total assets and deferred outflows of resources increased $490.6 million from 2021 to 2022.
- Operating revenues increased $97.8 million or 12.5% from 2021 to 2022 primarily due to an 11.2% increase in year-over-year billed water usage attributable to 67% less rainfall in 2022 as compared to 2021.
- SAWS experienced growth of 2.6% in both water and wastewater connections, reflecting the continued strong population growth in the San Antonio region. Capital recovery fees totaled nearly $130.0 million, the second highest level ever recorded by SAWS.
- Total debt coverage was 2.20x for 2022 compared to 1.69x for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

MD&A is intended to serve as an introduction to the basic financial statements, which are comprised of the following components:

- *Statements of Net Position* – present information on all of SAWS' assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the end of each calendar year, with the net amount reported as SAWS' net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SAWS is improving or deteriorating.

- *Statements of Revenues, Expenses and Changes in Net Position* – present information showing how SAWS' net position changed during the years presented on an accrual basis. This statement measures the success of SAWS' activities and can be used to determine whether SAWS has successfully recovered all its costs through its rates and other charges.

- *Statements of Cash Flows* – present information showing cash receipts and payments for operating, non-capital financing, capital and related financing, and investing activities for the years presented.

- *San Antonio Water System Fiduciary Funds Statements of Fiduciary Net Position* – present information on SAWS single-employer postretirement benefit plans' assets and liabilities, with the difference between the two reported as net position held in trust for pension and other postemployment benefits.

- *San Antonio Water System Fiduciary Funds Statements of Changes in Fiduciary Net Position* – present information showing how the fiduciary funds' net position changed during the years presented on an accrual basis.

- *Notes to Financial Statements* – provide additional information that is essential to a full understanding of the data provided in the financial statements, such as SAWS' accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

- *Required Supplemental Information* – provide information concerning SAWS' defined benefit plans, including changes in the net pension and other postemployment benefit liabilities, annual contributions made to benefit plans, and annual investment returns.

Supplemental information is presented to provide supporting schedules, which are not a required part of the basic financial statements.

- *Supplemental Schedules* – provide information relative to the sources and uses of funds in accordance with SAWS' founding ordinance and budgetary information and combining statements for the fiduciary funds.

Other information is presented for additional analysis and is also not a required part of the basic financial statements.

- *Statistical Section* – provide detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information as it relates to SAWS' overall financial health.

- *Bonded Debt Schedules and Analyses* – provide detailed schedules relative to SAWS' various bond obligations.

FINANCIAL ANALYSIS – FINANCIAL POSITION

CONDENSED NET POSITION INFORMATION				**2022-2021**		**2021-2020**	
		As of December 31,		**Increase**	**%**	**Increase**	**%**
(amounts in thousands)	**2022**	**2021***	**2020**	**(Decrease)**	**Change**	**(Decrease)**	**Change**
Current assets	$ 939,957	$ 845,914	$ 825,295	$ 94,043	11%	$ 20,619	2%
Capital assets, net	7,479,570	7,117,048	6,840,293	362,522	5%	276,755	4%
Other non-current assets	685,541	644,417	494,176	41,124	6%	150,241	30%
Total Assets	9,105,068	8,607,379	8,159,764	497,689	6%	447,615	5%
Deferred outflows of resources	83,829	90,960	109,296	(7,131)	(8%)	(18,336)	(17%)
Total Assets and Deferred Outflows of Resources	9,188,897	8,698,339	8,269,060	490,558	6%	429,279	5%
Current liabilities	246,864	232,797	250,870	14,067	6%	(18,073)	(7%)
Non-current liabilities	4,369,597	4,332,315	4,202,226	37,282	1%	130,089	3%
Total Liabilities	4,616,461	4,565,112	4,453,096	51,349	1%	112,016	3%
Deferred inflows of resources	92,833	70,543	52,743	22,290	32%	17,800	34%
Total Liabilities and Deferred Inflows of Resources	4,709,294	4,635,655	4,505,839	73,639	2%	129,816	3%
Net Position:							
Net investment in capital assets	3,521,405	3,182,373	2,966,647	339,032	11%	215,726	7%
Restricted	408,636	406,437	377,117	2,199	1%	29,320	8%
Unrestricted	549,562	473,874	419,457	75,688	16%	54,417	13%
Total Net Position	$ 4,479,603	$ 4,062,684	$ 3,763,221	$ 416,919	10%	$ 299,463	8%

* 2021 was restated in 2022 due to the implementation of GASB Statement No. 87. See Note N for more information.

Net Position

SAWS' net position increased $416.9 million from 2021 to 2022 and increased $299.5 million from 2020 to 2021. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SAWS is improving or deteriorating. Other considerations, both financial and non-financial, should also be evaluated such as economic conditions, population growth, availability of water supplies and credit ratings. These considerations are addressed in MD&A or other sections of this financial report.

The largest portion of SAWS' net position reflects its net investment in capital assets. SAWS' net investment in capital assets represents the carrying value of capital assets and capital related deferred outflows of resources, less capital related borrowings. The primary reasons for an increase in the net investment in capital assets are capital assets acquired with non-debt resources, including assets contributed by developers, and repayments of debt. Depreciation expense serves to decrease the net investment in capital assets. SAWS' net investment in capital assets increased by $339.0 million between 2021 and 2022 and $215.7 million from 2020 and 2021.

Funds that have been restricted for a specific purpose by legally enforceable legislation and bond covenants are classified as restricted net position. In accordance with City Ordinance No. 75686, SAWS must maintain an operating reserve equal to two months of the annual operations and maintenance (O&M) budget. SAWS is also required to make monthly transfers to a Debt Service Fund sufficient to make the semi-annual debt service payments on outstanding bonds. Cash and investments restricted for construction purposes, net of any related liabilities, are also reflected in these totals. A net pension asset and a net OPEB asset are also reported as restricted noncurrent assets in the Statement of Net Position.

Finally, SAWS must accumulate and maintain a debt service reserve equal to 100% of the maximum annual debt service requirements for senior lien debt obligations plus the average annual debt service on all junior lien debt obligations secured by the debt service reserve. SAWS may provide surety policies equal to all or part of the required debt service reserve.

Restricted net position increased $2.2 million from 2021 to 2022 due to increases in funds restricted for pension and OPEB benefits partially offset by reductions in funds restricted for construction. Funds restricted for pension and OPEB benefits increased $57.9 million due to changes of benefit terms and favorable experience adjustments. Funds restricted for construction decreased $51.0 million from 2021 to 2022 as capital recovery fees expended on capital projects of $143.1 million and $37.7 million used to defease debt more than offset capital recovery fees collected during the year of $129.8 million. Restricted net position increased $29.3 million from 2020 to 2021 primarily due to increases in funds restricted for construction and operating reserve. Funds restricted for construction increased as capital recovery fees collected during the year of $137.0 million more than offset capital recovery fees expended on capital projects of $72.1 million and $32.9 million used to defease debt during 2021. The operating reserve increased due to increased O&M costs associated with a full year of Vista Ridge Pipeline Project expenses.

The remaining balance of SAWS' net position is unrestricted and may be used for any allowable purpose as outlined in Ordinance No. 75686. Unrestricted net position increased by $75.7 million from 2021 to 2022 and by $54.4 million from 2020 to 2021 as funds provided by operations exceeded transfers to the debt service fund and capital expenditures paid with renewal and replacement funds.

FINANCIAL ANALYSIS – REVENUES, EXPENSES AND CHANGES IN NET POSITION

During 2022, SAWS recorded a change in net position of $416.9 million, which consisted of income before capital contributions of $135.2 million and capital contributions of $281.7 million. In 2021, SAWS recorded a change in net position of $299.5 million, which consisted of income before capital contributions of $59.8 million and capital contributions of $239.7 million.

CONDENSED REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION

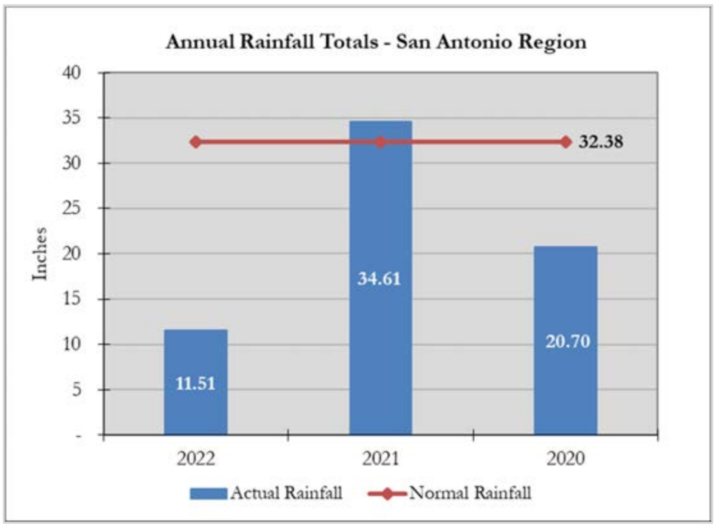
	As of December 31,			2022-2021		2021-2020	
(amounts in thousands)	2022	2021	2020	Variance	% Change	Variance	% Change
Operating revenues							
Water delivery system	$ 244,748	$ 215,484	$ 223,076	$ 29,264	14%	$ (7,592)	(3%)
Water supply system	325,485	273,008	295,682	52,477	19%	(22,674)	(8%)
Wastewater system	295,162	280,014	266,265	15,148	5%	13,749	5%
Chilled water	11,712	10,826	9,894	886	8%	932	9%
Total operating revenues	877,107	779,332	794,917	97,775	13%	(15,585)	(2%)
Operating expenses							
Salaries and fringe benefits	149,045	154,788	163,910	(5,743)	(4%)	(9,122)	(6%)
Contractual services	216,418	203,658	184,517	12,760	6%	19,141	10%
Materials and supplies	34,638	27,707	25,836	6,931	25%	1,871	7%
Other charges	(41,371)	(5,714)	(2,402)	(35,657)	624%	(3,312)	138%
Less costs capitalized to construction in progress	(30,647)	(31,244)	(29,921)	597	(2%)	(1,323)	4%
Depreciation and amortization expense	208,462	199,332	188,872	9,130	5%	10,460	6%
Total operating expenses	536,545	548,527	530,812	(11,982)	(2%)	17,715	3%
Non-operating revenues/(expenses)							
Interest earned and miscellaneous	17,272	8,025	16,215	9,247	115%	(8,190)	(51%)
Gain/(Loss) on investments - mark to market	(41,325)	(9,679)	1,759	(31,646)	327%	(11,438)	(650%)
Interest expense on revenue bonds & commercial paper	(92,582)	(92,318)	(90,874)	(264)	0%	(1,444)	2%
Interest expense on contract payable	(45,116)	(45,930)	(32,947)	814	(2%)	(12,983)	39%
Debt issuance and bond defeasance costs	(2,857)	(2,293)	(3,667)	(564)	25%	1,374	(37%)
Other finance charges	(2,089)	(1,319)	(1,814)	(770)	58%	495	(27%)
Gain on defeased debt and bond retirement	2,462	326	1,556	2,136	655%	(1,230)	(79%)
Gain on sale of capital assets	308	2,376	777	(2,068)	(87%)	1,599	206%
Payments to City of San Antonio	(34,262)	(30,162)	(31,043)	(4,100)	14%	881	(3%)
Payments to other entities	-	(23)	(93)	23	(100%)	70	(75%)
Total non-operating revenues/expenses	(198,189)	(170,997)	(140,131)	(27,192)	16%	(30,866)	22%
Special item - plant impairment	(7,200)	-	-	(7,200)		-	
Increase in net position before capital contributions	135,173	59,808	123,974	75,365	126%	(64,166)	(52%)
Capital Contributions	281,746	239,655	208,732	42,091	18%	30,923	15%
Change in Net Position	416,919	299,463	332,706	117,456	39%	(33,243)	(10%)
Net Position, beginning of year	4,062,684	3,763,221	3,430,515	299,463	8%	332,706	10%
Net Position, end of year	$ 4,479,603	$ 4,062,684	$ 3,763,221	$ 416,919	10%	$ 299,463	8%

Operating Revenues

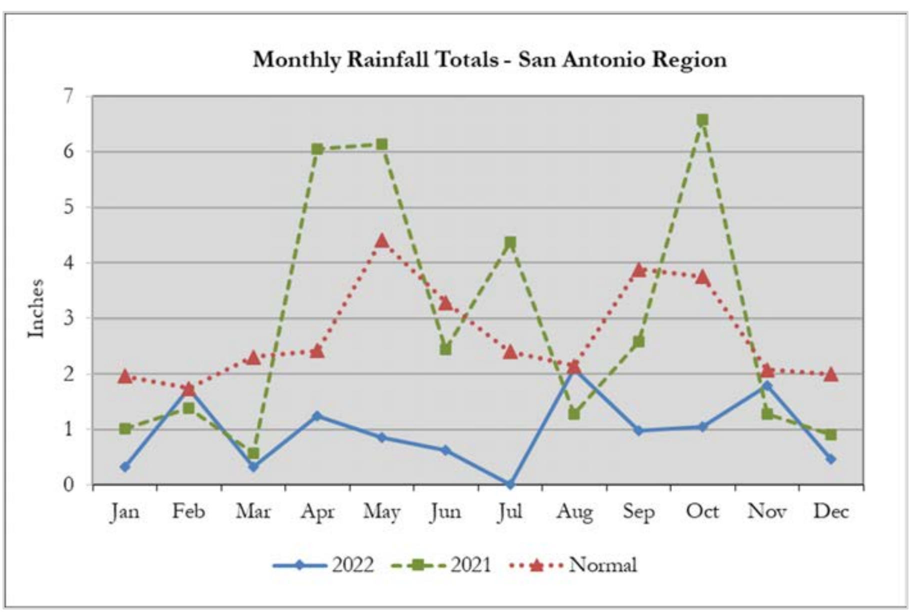
SAWS' operating revenues are provided by its four core businesses: Water Delivery, Water Supply, Wastewater, and Chilled Water. Changes in operating revenues from year to year generally reflect weather conditions, customer growth and changes in rates for service. SAWS' operating revenues increased from $779.3 million in 2021 to $877.1 million in 2022. The increase is primarily due to an increase in billed water usage of 11.2% reflecting 67% less rainfall as compared to 2021 as well as above normal temperatures. In addition to the increase in water revenues, there was a 3.9% increase in billed wastewater usage attributable to the dry winter averaging period experienced in early 2022.

The Water Delivery core business is responsible for the actual distribution of water from its source to the customer's premises. Operating revenues for this business are derived through a combination of a monthly service charge that is dependent upon the size of the customer's water meter and a volume charge that relates to the customer's metered water usage.

Water Delivery operating revenues increased $29.3 million or 13.6% to $244.7 million from 2021 primarily due to the increase in billed water usage from 64.0 billion gallons in 2021 to 71.2 billion gallons in 2022. This increase in volumetric usage was partially attributable to the continued strong customer growth of 2.6% during 2022. Water Delivery operating revenues decreased $7.6 million or 3.4% to $215.5 million from 2020 primarily due to a reduction in billed water usage from 67.2 billion gallons in 2020 to 64.0 billion gallons in 2021 reflecting increased precipitation during the yar.



Total rainfall for 2022 of 11.51 inches was 64% below normal and 67% below the 2021 level of 34.61 inches. 2022 was the second driest year on record for San Antonio with July's rainfall of 0.01 inches tied for the second driest July on record. In addition, San Antonio officially recorded 155 days where the temperatures reached at least 90 degrees, which tied for the highest number of 90 degree days on record in a given year.



The Water Supply core business is responsible for all functions related to the development and provision of additional water resources. In order to support the costs associated with these initiatives, in 2000, SAWS implemented a separate funding mechanism, known as the Water Supply Fee, for water supply development and water quality protection.

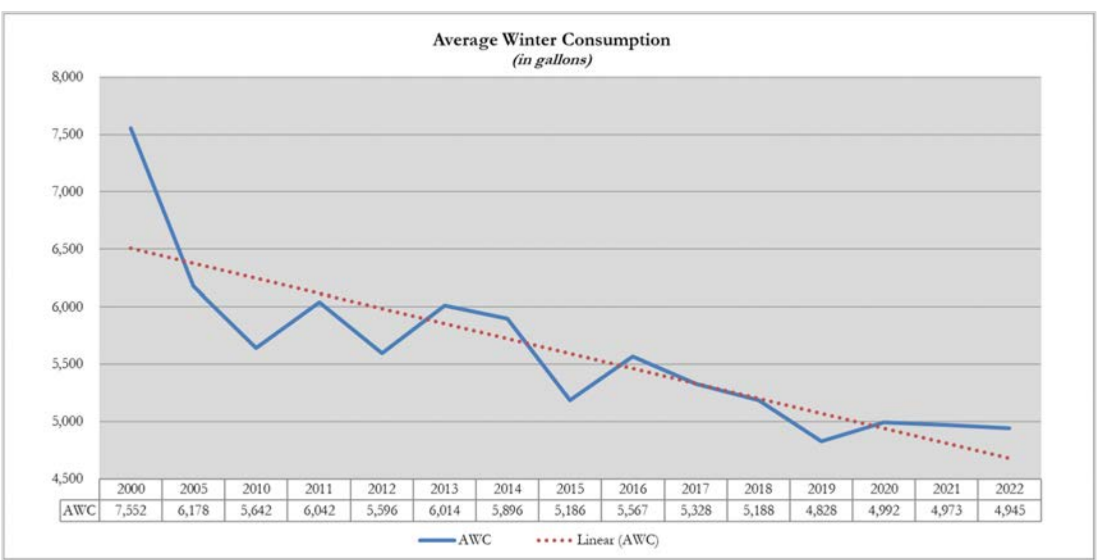
Certain other charges are also included in Water Supply operating revenues including the following:

- pass-through fees designed to recoup the annual fees paid to the Edwards Aquifer Authority (EAA) for permitted water rights,
- meter fees and volumetric charges to customers utilizing recycled water for industrial or irrigation purposes and
- allocated portions of water delivery revenues designed to fund residential and commercial conservation programs and debt service associated with water supply and recycle projects in progress prior to the implementation of a separate Water Supply Fee in 2000.

Water Supply operating revenues increased $52.5 million or 19.2% from 2021 to $325.5 million in 2022 primarily due to the 11.2% increase in biled water usage discussed previously. Water Supply operating revenues decreased $22.7 million or 7.7% from 2020 to $273.0 million in 2021 primarily due to the 4.7% reduction in billed water usage somewhat amplified by the tiered nature of the Water Supply Fee and the lack of a fixed portion to this fee.

The collection and treatment of wastewater is the primary function of the Wastewater core business. More than half of Wastewater operating revenues are generated by residential customers. The residential portion of Wastewater operating revenue is calculated based upon the average metered water usage of each residential wastewater customer during a three consecutive month billing period from November 15th through March 15th. This average, referred to as the average winter consumption (AWC), goes into effect with the April billing each year and continues for a period of twelve months.

The following chart depicts SAWS' AWC since 2000. While periods of extremely dry weather lead to spikes in the AWC, water conservation efforts have resulted in an overall downward trend in the AWC. The AWC reached its all-time low of 4,828 gallons in 2019, experienced a 3.4% increase to 4,992 gallons in 2020 and then largely held flat at 4,973 gallons in 2021 and 4,945 gallons in 2022.

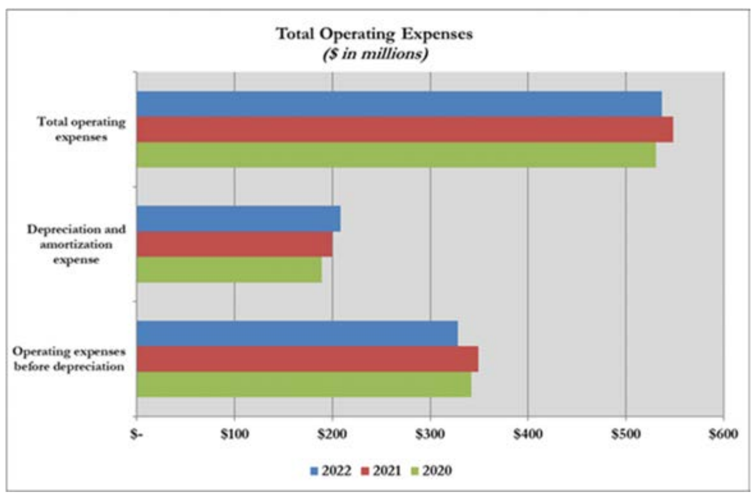


Wastewater customer growth of 2.6% and increased usage in the residential class and the general class, which consists of commercial, multi-family and industrial customers, led to an increase of $15.1 million or 5.4% from 2021 to $295.2 million in 2022. The increase in the residential class usage was directly related to the 2.8% growth in residential wastewater customers. The increase in the general class usage is primarily due to the continued economic rebound experienced by many of these customers subsequent to the COVID related economic slow down. Wastewater customer growth of 2.9% and increased usage in the general class led to an increase of $13.7 million or 5.2% from 2020 to $280.0 million in 2021.

The Chilled Water core business is responsible for providing cooling services to customers, including various downtown hotels, City of San Antonio facilities, the Alamodome, Port Authority of San Antonio tenants and Hemisfair Plaza tenants. Operating revenues for this core business consist of a fixed base load demand charge for each customer and a pass-through charge to recover utility costs. Chilled water revenues increased $0.9 million or 8.2% from 2021 to 2022 largely reflecting the 2022 implementation of a 10% increase in the demand charge, which represents the first such increase in more than 15 years. As a result of the initial economic rebound from COVID-19, the operating revenues for this core business increased $0.9 million or 9.4% from 2020 to 2021.

Operating Expenses

Total 2022 operating expenses of $536.5 million decreased $12.0 million or 2.2% from 2021 largely due to GASB 68 (pension) and GASB 75 (Other Post Employment Benefits-OPEB) related credits along with decreased pension and OPEB actuarial determined contributions. Contractual services increased $12.8 million or 6.3% in 2022 primarily reflecting increased spending on chemicals, maintenance materials and utilities associated with supply chain delays and inflationary pressures. Depreciation and amortization expense increased $9.1 million or 4.6% in 2022 as a result of capital additions during the year. Salary and benefit related costs decreased $5.7 million or 3.7% from 2021 to 2022 largely due to GASB 68 (pension) related credits for active employees. SAWS has taken a number of steps during the last several years to reduce its liability associated with OPEB. As a result of these actions, the yearly totals for other charges, which includes amounts recorded in connection with GASB Statement No. 75 (OPEB), have been credits. The credit for 2022 was $35.7 million or 624% more than that recorded in 2021. In 2022, SAWS changed Medicare Advantage providers. The new contract provides coverage at no charge to the employer and retirees for three years. The impact of this change provided the majority of the increase in this credit.



Total 2021 operating expenses of $548.5 million increased $17.7 million or 3.3% from 2020 primarily due to the impact of a full year of spending on the Vista Ridge Pipeline Project purchased water in combination with a full year of depreciation expenses related to the project's capital assets. Contractual services increased $19.1 million or 10.4% in 2021 primarily reflecting increased spending on purchased water payments and utilities associated with the Vista Ridge Pipeline Project. Depreciation and amortization expense increased $10.5 million or 5.5% in 2021 primarily as a result of a full year of depreciation related to the $929.3 million of the project's related assets added in 2020. Salary and benefit related costs decreased $9.1 million or 5.6% from 2020 to 2021 largely due to GASB 68 (pension) and GASB 75 (OPEB) related credits along with decreased pension and OPEB actuarial determined contributions. Other Charges decreased $3.3 million or 137.9% primarily due to GASB 75 (OPEB) related credits, which are associated with retirees.

Non-operating Revenues/Expenses

Non-operating revenues consist of interest income earned on investments, the mark to market adjustment recorded on SAWS' investment portfolio and the federal interest subsidy on SAWS Build America Bonds (BABs). During 2022, short term interest rates began to rise from their historically low levels. These rising short term rates resulted in a $9.2 million increase in interest income from 2021 and a ($31.6) million increase in the negative mark to market adjustment for 2022. Extremely low short term interest rates throughout the entirety of 2021 resulted in an $8.2 million reduction in interest income as compared to 2020, while the anticipation of higher levels of short-term interest rates going forward resulted in an ($11.4) million increase in the negative mark to market adjustment during 2021.

Non-operating expenses increased $4.8 million or 2.8% in 2022 primarily due to increased payments to the City of San Antonio. Payment to the City of San Antonio increased $4.1 million as a result of the increase in gross revenues. Non-operating expenses increased $11.2 million or 7.1% in 2021 primarily due to the impact of a full year of interest expense for the Vista Ridge contract liability partially offset by a $0.9 million reduction in the payment to the City of San Antonio, resulting from the decline in gross revenues.

In addition, the Medina Treatment Plant that had been idled during the 2011-2014 drought was deemed permanently impaired as of December 31, 2022. The $7.2 million remaining book value of the plant was written off. Based on the unusual nature of event, the loss was recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

Capital Contributions

Capital contributions for 2022 totaled $281.7 million which represents an increase of $42.1 million from 2021 while in 2021, capital contributions totaled $239.7 million, an increase of $30.9 million from 2020. Development activity was strong for a majority of 2022 with some slowing during the last quarter of the year. As a result, contributions in aid of construction increased 785% from $1.4 million in 2021 to $12.7 million in 2022 and plant contributions increased 37% to $139.2 million.

Development activity was also robust in 2021, resulting in strong growth in plant contributions as well as capital recovery fees. The Edwards Aquifer Authority Habitat Conservation Program's obligation to contribute to capital improvements made to address water leaks in the SAWS distribution system ended in January 2020, which resulted in a 55% reduction in contributions in aid of construction for 2021.

CAPITAL CONTRIBUTIONS				2022-2021		2021-2020	
	As of December 31,			Increase	%	Increase	%
($ in thousands)	**2022**	**2021**	**2020**	**(Decrease)**	**Change**	**(Decrease)**	**Change**
Plant Contributions	$ 139,211	$ 101,251	$ 85,955	$ 37,960	37%	$ 15,296	18%
Capital Recovery Fees	129,788	136,963	119,571	(7,175)	(5%)	17,392	15%
Contributions in Aid of Construction	12,747	1,441	3,206	11,306	785%	(1,765)	(55%)
Total Capital Contributions	$ 281,746	$ 239,655	$ 208,732	$ 42,091	18%	$ 30,923	15%

CAPITAL ASSET ACTIVITY

During 2022, SAWS' total capital assets (net of accumulated depreciation) grew from $7.1 billion to $7.5 billion, while during 2021, net capital assets increased from $6.8 billion to $7.1 billion. The increase from 2021 to 2022 is primarily due to SAWS' spending on CIP projects combined with developer contributions of infrastructure.

The overall investment in capital assets includes water and wastewater mains and other related infrastructure, buildings and improvements, land, machinery and equipment, water rights, other intangible assets and construction in progress. Capital asset additions were $580.4 million in 2022 and $484.1 million in 2021.

The following table shows capital assets by asset category for each year.

CAPITAL ASSETS				2022-2021		2021-2020	
	As of December 31,			Increase	%	Increase	%
($ in thousands)	2022	2021	2020	(Decrease)	Change	(Decrease)	Change
Infrastructure	$ 6,992,208	$ 6,692,236	$ 6,410,496	$ 299,972	4%	$ 281,740	4%
Buildings and improvements	1,081,132	1,066,093	1,008,665	15,039	1%	57,428	6%
Machinery and equipment	834,233	800,075	786,163	34,158	4%	13,912	2%
Water rights	248,881	248,881	248,881	-	0%	-	0%
Land	173,669	169,022	162,438	4,647	3%	6,584	4%
Intangibles	61,174	57,290	57,331	3,884	7%	(41)	0%
Construction in progress	775,306	603,821	521,627	171,485	28%	82,194	16%
Less Accumulated depreciation	(2,687,033)	(2,520,370)	(2,355,308)	166,663	7%	165,062	7%
Total Capital Assets	$ 7,479,570	$ 7,117,048	$ 6,840,293	$ 362,522	5%	$ 276,755	4%

Major capital asset spending for the year ended December 31, 2022 included the following projects:

- W-6 Upper Segment: Hwy 90 to SW Military – This project, which is part of the Consent Decree, involves replacing aging and under capacity infrastructure that currently runs through Lackland Air Force Base. Spending during the year totaled $53.2 million and this project was in progress at year end, with a capital investment over the term of the project currently estimated at $196.4 million.

- Water Resources Water Integration Pipeline Phase 2 – This project includes the pipeline necessary to connect the Old Pearsall Road pump station to the Anderson pump station. Spending during the year totaled $19.0 million and this project was in progress at year end. The capital investment over the term of the project is estimated at $44.9 million.

- ConnectH2O Advanced Metering – This project includes the full system-wide implementation of the advanced metering infrastructure, which began in 2022 and is expected to run through 2026. Spending during the year totaled $15.9 million and this project was in progress at year end. The capital investment over the term of the project is currently estimated at $183.6 million.

Construction in progress was $775.3 million at December 31, 2022 and $603.8 million at December 31, 2021. The increase in construction in progress was partially due to the projects listed above in addition to other Consent Decree, water main replacement and chilled water projects. Overall, SAWS is committed under various contracts for completion of construction or acquisition of capital assets totaling $784.9 million as of December 31, 2022. For further information on capital assets, refer to Note E.

LONG-TERM DEBT ACTIVITY

In 2022, SAWS issued $435.6 million in junior lien bonds in three transactions. The proceeds of the bonds, including premiums, were used to refund $204.9 million in revenue bonds, provide funds for capital improvement projects and pay the cost of issuance. Additionally, SAWS used cash on hand to redeem $66.2 million in revenue bonds issued in 2012.

In 2021, SAWS issued $372.8 million in junior lien bonds in two transactions. The proceeds of the bonds, including premiums, were used to refund $112.4 million in revenue bonds, provide funds for capital improvement projects and pay the cost of issuance. Additionally, SAWS issued $20 million in commercial paper notes to provide funds for capital improvement projects while using cash on hand to redeem $33.9 million in revenue bonds issued in 2011.

SAWS intends to reissue maturing commercial paper and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, SAWS classifies outstanding commercial paper notes as long-term debt.

In September 2022, the three major rating agencies reviewed SAWS' credit ratings, with S&P Global upgrading the Junior Lien rating to AA+ from AA, Fitch Ratings revising it's Rating Outlook to Positive from Stable, and Moody's Investors Service affirming the credit rating. SAWS' high quality credit ratings are based on its large and diverse service area, sound financial management, long-term planning for water supply and infrastructure needs, and competitive water and wastewater rates. SAWS' commercial paper ratings were last updated in September 2018 based on a new revolving credit agreement with JPMorgan Chase Bank, N.A., with the existing revolving credit agreement with Wells Fargo Bank, N.A.being reaffirmed. For additional information on the commercial paper program, refer to Note H.

BOND AND COMMERCIAL PAPER RATINGS				
			Tax-Exempt Commercial Paper	
	Senior Lien Debt	Junior Lien Debt	Series A	Series B
Fitch Ratings	AA+	AA	F1+	F1+
Moody's Investors Service, Inc.	Aa1	Aa2	P-1	P-1
S&P Global Ratings	AA+	AA+	A-1+	A-1+

SAWS' bond ordinances require the maintenance of a debt coverage ratio of at least 1.25x the current annual debt service on outstanding senior lien debt and at least 1.00x the current year annual debt service on outstanding junior lien debt. As of December 31, 2022, and 2021, SAWS was in material compliance with the terms and provisions of the ordinances and documents related to its outstanding bonds and commercial paper. In 2018, SAWS began excluding non-cash revenues and expenses from the pledged revenue calculation, including mark-to-market investment adjustments, certain pension & OPEB related expenses and the write-off of impaired construction in progress projects. With the commencement of the operational phase in April 2020, SAWS began recording the Vista Ridge infrastructure payment portion of the Capital and Raw Groundwater unit price payment as a financed purchase and the water agreement portion of this amount as an operating expense. However, in calculating the debt coverage ratios for both 2021 and 2022, in a manner consistent with the provisions of its bond ordinances, SAWS has recorded the entirety of the Vista Ridge capital and raw groundwater unit price payment as an operating expense.

FINANCIAL RATIOS	2022	2021	2020
Current Year Debt Coverage‡:			
Senior Lien Debt	30.19x	10.30x	9.68x
All Debt	2.20x	1.69x	2.11x
Maximum Annual Debt Coverage‡:			
Senior Lien Debt	30.19x	10.30x	9.68x
All Debt	1.88x	1.57x	1.91x
Net Position Ratio			
(net position/total liabilities + net position)	48.8%	46.7%	45.5%
Days Cash on Hand			
(unrestricted cash & investments/O&M expense before depreciation * 365)	490	452	463

‡ Debt service is net of federal interest subsidy.

ECONOMIC OUTLOOK FOR THE FUTURE

In order to comply with the requirements of the Consent Decree, entered into in 2013, as well as to procure sufficient supplies of water to meet the demands of a rapidly growing city, SAWS implemented water and sewer rate adjustments during each of the 10 years from 2011 to 2020, with the last of these rate adjustments taking effect in January 2020.

In March of 2020, the COVID-19 pandemic profoundly disrupted economic activity and reduced employment across the world, the nation and in San Antonio. Significant economic hardships were imposed upon our customers as job layoffs and eliminations occurred throughout the community. In order to limit any further adverse economic impacts on the community, the goal of SAWS' 2021 through 2023 budget processes was to continue to provide *Sustainable, Affordable Water Services* without the need for an adjustment in water or wastewater rates. Simultaneously, SAWS needs to continue to make prudent and necessary operational expenditures and capital investments in order to ensure the resiliency of its service provision capabilities as well as to comply with the terms of the still active Consent Decree. Given the excellent financial condition of the organization, including its strong balance of cash reserves, SAWS has been able to meet each of those competing objectives in each of the last three years.

San Antonio continues to grow with SAWS experiencing 2.6% and 2.9% growth in the average number of customers served, in 2022 and 2021, respectively. Due to a number of factors, the San Antonio region is positioned to see continued growth during the foreseeable future. While customer growth can help offset increasing operating costs and SAWS can utilize its strong financial condition to further mitigate rate pressures in the short-term, eventually required capital improvements to address infrastructure issues, including SAWS' Consent Decree as well as its Water and Wastewater Master Planning efforts, will require future rate adjustments, albeit at a lesser rate and reduced frequency than has been experienced during the recent past.

CONTACTING SAWS' FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is provided to our citizens, customers, investors and creditors as a general overview of SAWS' financial condition and results of operation with a general explanation of the factors affecting the finances of the organization. It is provided to demonstrate SAWS' accountability for the revenues it collects and the expenditures it makes for the services provided. If you have questions about this report or need additional financial information, contact either of the following:

Cecilia Velasquez
Vice President - Financial Services/Controller
Email: Cecilia.Velasquez@saws.org

Douglas P. Evanson
Executive Vice President/Chief Financial Officer
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San Antonio Water System
PO Box 2449
San Antonio, TX 78298

Information about the San Antonio Water System can also be obtained through the Internet at www.saws.org.

BASIC FINANCIAL STATEMENTS

San Antonio Water System

STATEMENTS OF NET POSITION

(amounts in thousands)

	December 31, 2022	December 31, 2021 (Restated)
CURRENT ASSETS		
Unrestricted Current Assets		
Cash and cash equivalents	$ 222,058	$ 165,654
Investments	394,966	373,994
Accounts receivable, net of allowances for uncollectible accounts	86,062	85,591
Other current assets	21,245	16,648
Total unrestricted current assets	724,331	641,887
Restricted Current Assets:		
Cash and cash equivalents	23,902	76,126
Investments	191,724	127,901
Total restricted current assets	215,626	204,027
Total Current Assets	939,957	845,914
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Accounts receivable	3,959	4,264
Restricted Noncurrent Assets:		
Cash and cash equivalents	117,088	185,208
Investments	503,034	451,377
Net pension asset	22,421	3,568
Net OPEB asset	39,039	-
Capital Assets:		
Utility plant in service	8,968,377	8,615,324
Less allowance for depreciation	2,687,033	2,520,370
	6,281,344	6,094,954
Land, water rights and other intangible assets	422,920	418,273
Construction in progress	775,306	603,821
Total capital assets (net of accumulated depreciation)	7,479,570	7,117,048
Total Noncurrent Assets	8,165,111	7,761,465
TOTAL ASSETS	9,105,068	8,607,379
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on bond refunding	21,332	22,005
Deferred outflows - asset retirement obligations	35,462	32,108
Deferred outflows - pension	14,928	13,672
Deferred outflows - OPEB	10,554	12,818
Accumulated decrease in fair value of hedging derivative instrument	1,553	10,357
Total Deferred Outflows of Resources	83,829	90,960
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,188,897	$ 8,698,339

San Antonio Water System
STATEMENTS OF NET POSITION (continued)
(amounts in thousands)

		December 31,		
		2022		2021 (Restated)
CURRENT LIABILITIES				
Current Liabilities To Be Paid From Unrestricted Assets				
Accounts payable	$	41,204	$	34,007
Customers' deposits		17,197		16,567
Contract payable		17,033		16,415
Accrued vacation payable		7,024		6,148
Accrued payroll and benefits		2,508		1,739
Accrued claims payable		8,513		8,821
Sundry payables and accruals		1,392		1,686
Total unrestricted current liabilities		94,871		85,383
Current Liabilities To Be Paid From Restricted Assets				
Accrued interest payable		17,641		15,507
Payables under construction contracts		55,967		46,562
Commercial paper notes		4,640		4,435
Revenue bonds payable within one year		73,745		80,910
Total restricted current liabilities		151,993		147,414
Total Current Liabilities		246,864		232,797
NONCURRENT LIABILITIES				
Contract payable		870,799		887,585
Accrued vacation payable		8,608		7,386
Net pension liability		2,671		16,474
Net OPEB liability		-		16,458
Asset retirement obligation		40,305		36,191
Derivative instrument		3,434		12,545
Commercial paper notes		224,945		229,585
Revenue bonds payable after one year, net of unamortized premiums and discounts		3,218,835		3,126,091
Total Noncurrent Liabilities		4,369,597		4,332,315
TOTAL LIABILITIES		4,616,461		4,565,112
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension		47,121		32,712
Deferred inflows - OPEB		32,893		33,279
Deferred inflows - gain on bond refunding		8,555		-
Deferred inflows - leases		4,264		4,552
Total Deferred Inflows of Resources		92,833		70,543
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES		4,709,294		4,635,655
NET POSITION				
Net investment in capital assets		3,521,405		3,182,373
Restricted for operating reserve		78,553		75,675
Restricted for debt service		63,465		66,283
Restricted for debt service reserve		12,275		16,984
Restricted for construction		192,883		243,927
Restricted for pension and OPEB benefits		61,460		3,568
Unrestricted		549,562		473,874
TOTAL NET POSITION	$	4,479,603	$	4,062,684

The accompanying notes to financial statements form an integral part of this statement.

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San Antonio Water System
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31,
(amounts in thousands)

	2022	2021
OPERATING REVENUES		
Water delivery system	$ 244,748	$ 215,484
Water supply system	325,485	273,008
Wastewater system	295,162	280,014
Chilled water system	11,712	10,826
Total operating revenues	877,107	779,332
OPERATING EXPENSES		
Salaries and fringe benefits	149,045	154,788
Contractual services	216,418	203,658
Material and supplies	34,638	27,707
Other charges	(41,371)	(5,714)
Less costs capitalized to construction in progress	(30,647)	(31,244)
Total operating expenses before depreciation	328,083	349,195
Depreciation and amortization expense	208,462	199,332
Total operating expenses	536,545	548,527
Operating income	340,562	230,805
NON-OPERATING REVENUES/(EXPENSES)		
Interest earned and miscellaneous	(24,053)	(1,654)
Interest expense on revenue bonds and commercial paper	(92,582)	(92,318)
Interest expense on contract payable	(45,116)	(45,930)
Debt issuance and bond defeasance costs	(2,857)	(2,293)
Other finance charges	(2,089)	(1,319)
Gain on defeased debt and bond retirement	2,462	326
Gain on sale of capital assets	308	2,376
Payments to the City of San Antonio	(34,262)	(30,162)
Payments to other entities	-	(23)
Total non-operating revenues/(expenses)	(198,189)	(170,997)
Special item - plant impairment	(7,200)	-
Increase in net position, before capital contributions	135,173	59,808
Capital contributions	281,746	239,655
CHANGE IN NET POSITION	416,919	299,463
NET POSITION, BEGINNING OF YEAR	4,062,684	3,763,221
NET POSITION, END OF YEAR	$ 4,479,603	$ 4,062,684

The accompanying notes to financial statements form an integral part of this statement.

San Antonio Water System
STATEMENTS OF CASH FLOWS
For the years ended December 31,
(amounts in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 865,300	$ 775,422
Cash received from stormwater and other third party billings	67,824	66,352
Cash paid to vendors for operations	(254,252)	(246,714)
Cash paid to employees for services	(134,157)	(135,802)
Cash paid to third parties for stormwater and other third party billings	(67,650)	(66,204)
Net cash provided by operating activities	477,065	393,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to the City of San Antonio	(26,833)	(23,716)
Payments to other entities	-	(44)
Net cash used for noncapital financing activities	(26,833)	(23,760)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	561	8,448
Proceeds from capital recovery fees	129,788	136,963
Proceeds from contributions in aid of construction	12,747	1,441
Payments for the acquisition and construction of plant and equipment	(431,570)	(384,895)
Payment for principal on contract payable	(16,168)	(14,957)
Payment of interest on contract payable	(45,116)	(45,930)
Proceeds from commercial paper	100,000	20,000
Payments for retirement of commercial paper	(104,435)	(4,240)
Proceeds from revenue bonds	275,000	326,537
Payments for retirement/refunding of revenue bonds	(80,910)	(90,260)
Payment for cash defeasance of bonds	(70,939)	(33,890)
Payments of interest on commercial paper	(4,329)	(4,029)
Payments of interest on revenue bonds	(114,464)	(115,897)
Payments for bond related expenses	(702)	(1,069)
Payments for bank charges	(1,687)	(1,306)
Net cash used for capital and related financing activities	(352,224)	(203,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(431,031)	(776,795)
Maturity of investments	253,255	212,361
Interest income and other	15,828	7,205
Net cash used for investing activities	(161,948)	(557,229)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(63,940)	(391,019)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	426,988	818,007
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 363,048	$ 426,988

The accompanying notes to financial statements form an integral part of this statement.

San Antonio Water System
STATEMENTS OF CASH FLOWS (continued)
For the years ended December 31,
(amounts in thousands)

	2022	2021 (Restated)
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO STATEMENTS OF NET POSITION		
Cash and Cash Equivalents		
Unrestricted	$ 222,058	$ 165,654
Restricted		
Current	23,902	76,126
Restricted - Noncurrent	117,088	185,208
	$ 363,048	$ 426,988
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 340,562	$ 230,805
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash revenues from City of San Antonio	(7,429)	(6,425)
Provision for uncollectible accounts	4,482	23,996
Charge-off of prior year construction expenditures to operating expense	2,887	1,407
Charge-off of asset retirement obligation	(141)	(75)
Depreciation and amortization expense	208,462	199,332
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Increase in accounts receivable	(4,647)	(26,276)
Increase in other current assets	(3,153)	(963)
Decrease in deferred outflows - Pension	(1,256)	6,580
Decrease in deferred outflows - OPEB	2,264	2,232
(Increase)/Decrease in accounts payable	6,553	(7,309)
Increase in customers' deposits	630	204
Increase in accrued vacation payable	2,098	337
Increase/(Decrease) in accrued payroll and benefits	769	266
Increase/(Decrease) in claims payables	(309)	617
Decrease in sundry payables and accruals	(289)	60
Decrease in net pension liability/(asset)	(32,656)	(24,993)
Decrease in net OPEB liability/(asset)	(55,497)	(24,541)
Increase in deferred inflows - Pension	14,409	8,902
Increase/(Decrease) in deferred inflows - OPEB	(386)	4,346
Increase/(Decrease) in deferred inflows - Leases	(288)	4,552
Total adjustments	136,503	162,249
Net cash provided by operating activities	$ 477,065	$ 393,054
NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES		
Plant contributions received from developers	$ 139,211	$ 101,251
Accrued but unpaid liabilities related to capital acquisitions	55,967	46,562
Unrealized (gain)/loss on investments	41,325	9,679
Bond proceeds deposited into an escrow account for purposes of refunding:		
Revenue Bonds	201,399	112,457
Impairment loss	7,200	-
Retirement of vehicle lease liability	(219)	-
Noncash payments to City of San Antonio	7,429	6,425
Total noncash capital and financing activities	$ 452,312	$ 276,373

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San Antonio Water System Fiduciary Funds
STATEMENTS OF FIDUCIARY NET POSITION
(amounts in thousands)

	December 31, 2022		December 31, 2021	
ASSETS				
Cash and cash equivalents	$	217	$	146
Investments, at fair value				
Mutual funds - stock		205,805		244,935
Mutual funds - bonds		147,474		170,315
Other Investments		39,135		39,272
Total Investments		392,414		454,522
TOTAL ASSETS		392,631		454,668
LIABILITIES		-		-
Net position restricted for pensions		285,051		333,148
Net position restricted for OPEB		107,580		121,520
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	$	392,631	$	454,668

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the years ended December 31,
(amounts in thousands)

	2022		2021	
ADDITIONS				
Employer contributions	$	18,487	$	18,567
Participant contributions		3,910		3,795
Investment income/(loss)		(66,531)		50,378
Total additions		(44,134)		72,740
DEDUCTIONS				
Benefit payments		17,410		17,072
Administrative expenses		493		530
Total deductions		17,903		17,602
NET INCREASE/(DECREASE) IN NET POSITION		(62,037)		55,138
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - BEGINNING		454,668		399,530
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - ENDING	$	392,631	$	454,668

The accompanying notes to financial statements form an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: On April 30, 1992, the San Antonio City Council approved Ordinance No. 75686, which provided for the consolidation of all city owned utilities related to water including the water, wastewater, and water reuse systems as SAWS. Management and control of SAWS is vested in the SAWS Board consisting of the Mayor of San Antonio and six members who are appointed by the San Antonio City Council. In addition to appointing members of the Board, the City Council must approve all changes in SAWS rates, disposition of real property and any debt issued by SAWS.

SAWS has been defined in City Ordinance No. 75686 as all properties, facilities, and plants currently owned, operated and maintained by the City of San Antonio, Texas and/or the Board, relating to the supply, storage, treatment, transmission and distribution of treated potable water, and chilled water and the collection, treatment and reuse of wastewater, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, and any other projects and programs of SAWS.

The City currently manages a stormwater system. The City has not incorporated the stormwater system within SAWS; however, SAWS administers certain aspects of the stormwater program on behalf of the City, including billing and providing certain technical services, for a fee. SAWS has agreements with the City (for stormwater billings) and other entities to provide third party billings.

The fiduciary financial statements include three fiduciary funds related to SAWS employee benefit plans: the San Antonio Water System Retirement Plan (SAWSRP), the District Special Project Retirement Income Plan (DSPRP) and the San Antonio Water System Retiree Health Trust (SAWS OPEB Plan). All three plans are governed by the Board which may amend plan provisions, and which is responsible for the management of plan assets. SAWSRP and DSPRP are single-employer pension plans and are tax-qualified plans under Section 401(a) of the Internal Revenue Code. SAWS OPEB Plan assets are held in a trust established under the provisions of the Internal Revenue Code of 1986 Section 115.

SAWS has no component units, however, the operations of SAWS as reported herewith are included as a discretely presented component unit of the City.

Basis of Accounting: The financial statements of SAWS are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by the Governmental Accounting Standards Board (GASB). SAWS operates as a proprietary fund and applies all applicable GASB pronouncements and presents its financial statements in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under this approach, all assets, deferred outflows of resources, liabilities and deferred inflows of resources of SAWS are reported in the statement of net position, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The fiduciary fund financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments and plan expenses are recognized when due and payable in accordance with the terms of the plan.

During the year, SAWS implemented the following GASB Statements.

- GASB Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. SAWS adopted the requirements of GASB Statement No. 87 effective January 1, 2022. SAWS presents two-year comparative financial statements. As a result, 2021 was restated to recognize the lease receivable and inflow of resources associated with the leases where SAWS was the lessor. Based on a review of the lease population, it was determined that leases where SAWS was the lessee were immaterial and would not be recognized at this time. This included the lease liability that was recorded in 2020 for certain fleet vehicles. Consequently, the liability was written off, the associated assets were retired and a $6,323 gain on disposal was recognized. As of December 31, 2021, SAWS recorded a short-term lease receivable of $287,870, a long-term lease receivable of $4,264,096 and deferred inflow-leases of $4,551,966. As of December 31, 2022, SAWS adjusted the short-term lease receivable to $305,393, the long-term receivable to $3,958,703 and the deferred inflow-leases to $4,264,096 based on the stated interest rates within each contract. If no interest rate was stated, SAWS used the Jeffries AAA rate in effect at the beginning of the lease. (See Note M for additional information on GASB Statement No. 87 and Note N for details regarding the restated net position).

- GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. SAWS has not issued conduit debt for the benefit of third-party obligors and was not impacted by this Statement.

- GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement includes changes to specific provisions involving GASB Statements No. 10, No. 31, No. 34, No. 48, No. 53, No. 62, No. 67, No. 68, No. 73, No. 74, No. 84, and No. 87. Paragraphs 4-5 covers the implementation date of GASB No. 87. SAWS adopted GASB No. 87 in 2022 in accordance with GASB No. 95. Paragraph 6 addresses intra-entity transfers covered by GASB No. 48, No. 67, No. 68, No. 74, and No. 75.

SAWS had no activity covered by this paragraph and was not impacted by the change. Paragraph 7 relates to assets accumulated for OPEB not in a trust and is not applicable to SAWS. Paragraphs 8 and 9 covers changes related to pension or OPEB plans not held in a trust covered by GASB No. 73, No. 74 and No. 84. SAWS does not have a pension or OPEB plan covered by these paragraphs and was not impacted by this change. Paragraph 10 covers changes to GASB No. 69 and No. 83 involving accounting for AROs in a government acquisition. SAWS did not have any activities covered by this paragraph and was not impacted by the change. Paragraph 11 covers certain changes to GASB No. 10 involving accounting for insurance recoveries. SAWS does not have any activity covered by this paragraph and was not impacted by the change. Paragraph 12 covers changes to GASB No. 62 and No.72 relating to non-recurring fair value measurement of assets or liabilities. SAWS does not have any assets or liabilities covered by this paragraph and was not impacted by these changes. Paragraph 13 requires a change in terminology for derivative instruments as defined in GASB No. 31, No. 53 and No. 62. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. SAWS implemented this Statement in 2022.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement was issued in June 2020 and certain requirements of paragraph 4 and 5 as it applies to defined contribution pension, defined contribution OPEB, and other benefit plans became effective immediately. The remaining requirements are effective for fiscal years beginning after June 15, 2021. In 2022, SAWS evaluated the Empower 457 plan discussed in Note J and determined the plan did not meet the definition of a pension plan and would be classified as an other employee benefit plan for accounting and financial reporting basis. Therefore, SAWS has no plans covered by the requirements of this Statement.

The following additional GASB pronouncements will be implemented in the future. Once implemented, application of these standards may restate portions of these financial statements.

- GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. SAWS will implement this Statement in 2023.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. SAWS will implement this Statement in 2023.

- GASB Statement No. 99, *Omnibus 2022*. This Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees (paragraphs 4-7), derivative instruments (paragraphs 8-10), leases (paragraphs 11-17), public-public and public-private partnerships (paragraphs 18-22), subscription-based information technology arrangements (paragraphs 23-25), the transition from the London Interbank Offered Rate (paragraph 26), the Supplemental Nutrition Assistance Program (paragraph 27), nonmonetary transactions (paragraph 28), pledges of future revenues (paragraph 29), the focus of government-wide financial statements (paragraph 30), and terminology (paragraph 31 - 32). The requirements in paragraphs 4-10 are effective after June 15, 2023. SAWS will implement these paragraphs in 2024. The requirements in paragraphs 11-25 are effective after June 15, 2022. SAWS implemented paragraphs 11-17 in 2022 in conjunction with GASB Statement No. 87. SAWS will implement paragraphs 18-25 in 2023. Paragraphs 26-32 were effective on issuance; SAWS was not impacted by these paragraphs.

- GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment to GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements for this Statement are effective for fiscal years beginning after June 15, 2023. SAWS is in the process of evaluating GASB Statement No. 100 but does not expect it to have an impact on the financial statements. SAWS will implement this Statement in 2024.

- GASB Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for this Statement are effective for fiscal years beginning after December 15, 2023. SAWS is in the process of evaluating GASB Statement No. 101 and has yet to determine the financial impact. SAWS will implement this Statement in 2024.

Recognition of Revenues: Revenues are recognized as goods or services are provided. Customers' meters are read and bills are prepared monthly based on billing cycles. SAWS uses historical information to estimate and record earned revenue not yet billed.

Revenue and Expense Classification: Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SAWS are charges to customers for water supply, water delivery, wastewater, and chilled water services. Operating expenses include costs of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pensions: For purposes of measuring Net Pension Liability/(Asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SAWSRP, TMRS and DSPRP plans and additions to/from the SAWSRP, TMRS and DSPRP fiduciary net position have been determined using the same basis as they are reported by SAWSRP, TMRS and DSPRP. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the Net OPEB Liability/(Asset), deferred outflows of resources and deferred inflows of resources related to SAWS OPEB, and SAWS OPEB expense, information about the fiduciary net position of the SAWS OPEB plan and additions to/from the SAWS OPEB fiduciary net position have been determined using the same basis as they are reported by the SAWS OPEB plan. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Annual Budget: Approximately sixty days prior to the beginning of each fiscal year, an annual budget is presented to the Board for consideration. This budget is prepared on an accrual basis and serves as a tool in controlling and administering the management and operation of the organization. The annual budget reflects an estimate of gross revenues and disposition of these revenues in accordance with the flow of funds required by City Ordinance No. 75686 (See Note B). Once the annual budget has been approved by the Board, the budget is submitted to City Council for review and consultation.

Restricted Resources: When an expenditure is made for purposes for which both restricted and unrestricted resources are available, it is SAWS policy to choose the appropriate resource based on the availability of resources and funding goals established by management for those expenditures.

Cash Equivalents: SAWS considers investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Investments: City Ordinance No. 75686, SAWS' Investment Policy and Texas state law allow SAWS to invest in direct obligations of the United States or its agencies and instrumentalities. Other allowable investments include direct obligations of the State of Texas or its agencies and instrumentalities; secured certificates of deposit issued by depository institutions that have their main office or a branch office in the State of Texas; defined bankers acceptances and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; municipal bonds; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk which may affect the value at which these investments are recorded. Under the provisions of GASB Statement No. 31, money market investments, including US Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

Accounts Receivable: Accounts receivable are recorded at the billed amounts plus an estimate of unbilled revenue receivable. The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses based on account delinquencies and historical write-off experience. Account balances are written off against the allowance when it is probable the receivable will not be recovered. SAWS wrote off account balances totaling $16.5 million in 2022 and $6.3 million in 2021. A provision to increase the allowance for uncollectible accounts is recorded as an offset to operating revenue. Beginning in March 2020 as a result of COVID-19, management increased the provision to account for the suspension of service disconnections and late fees for non-payment. This practice continued through October 2021. The provision recorded to offset revenues was $4.5 million in 2022 and $24.0 million in 2021. In addition, SAWS recorded customer adjustments totaling $0.8 million in 2022 and $0.3 million in 2021. Due to the implementation of GASB Statement No. 87, SAWS recorded a lease receivable in current accounts receivable and the long-term lease receivable was classified as noncurrent accounts receivable.

Other Current Assets: Other current assets include inventory, prepaid expenses, and interest receivable. Inventories are valued at lower of cost or market using the weighted average cost method. Inventories (net) totaled $7.7 million at December 31, 2022 and $6.3 million at December 31, 2021. Prepaid expenses totaled $9.3 million at December 31, 2022 and $7.5 million at December 31, 2021. Interest receivable totaled $4.3 million at December 31, 2022 and $2.8 million at December 31, 2021.

Restricted Assets: Assets restricted by City Ordinance No. 75686, which incorporates the bond indentures, to pay current liabilities are reported as current assets in the Statement of Net Position, regardless of their relative liquidity. Assets restricted for the acquisition of capital assets or to pay noncurrent liabilities are reported as noncurrent assets in the Statement of Net Position. A net pension asset and net OPEB asset is also reported as restricted noncurrent assets in the Statement of Net Position.

Capital Assets: Assets in service are capitalized when the unit cost is greater than or equal to $5,000. Utility plant additions are recorded at cost, which includes materials, labor and direct internal costs during construction. Included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas and development costs for internally generated computer software. Assets acquired through financed purchase agreements are recorded as assets in Utility Plant in Service and the financed purchase agreements recorded as liabilities in Contract Payable using the present value of contract payments and any other non-executory costs. Assets acquired through contributions, such as those from developers, are recorded at estimated acquisition value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense, while major plant replacements are capitalized.

Capital assets are depreciated on the straight-line method. This method is applied to all individual assets except distribution and collection mains and intangible assets. Groups of mains are depreciated on the straight-line method over an estimated average useful life of 50 years. Mains are included in the Distribution and transmission system asset category and the Collection system category. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs.

The following table shows an estimated range of useful lives used in providing for depreciation of capital assets:

Structures and improvements	25 - 50	years
Pumping and purification equipment	10 - 50	years
Distribution and transmission system	17.5 - 50	years
Collection system	50	years
Treatment facilities	25	years
Equipment and machinery	5 - 20	years
Furniture and fixtures	3 - 10	years
Computer equipment	5	years
Software	3 - 10	years
Intangible assets (definite useful life)	20	years

Capital Contributions: Capital Contributions consist of plant contributions from developers, capital recovery fees, and contributions in aid of construction and/or grant proceeds received from governmental agencies for facility expansion. Capital Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position, after non-operating revenues (expenses), when eligibility requirements are met.

Capital recovery fees are charged to customers to connect to the water or wastewater system. By Texas law, these fees are to be used for capital expenditures that expand infrastructure capacity or to reimburse SAWS for the cost associated with existing excess infrastructure capacity. In certain instances, infrastructure that facilitates expansion of SAWS' service capacity is contributed by developers. In these instances, SAWS records the donated infrastructure as plant contributions and may abate future capital recovery fees due from the developer equal to a portion of the acquisition value of the infrastructure contributed. SAWS abated future capital recovery fees of $8.0 million in 2022 and $6.4 million in 2021. These abatements are conditional based on the type of development and in certain instances, time requirements and geographic restrictions.

Deferred Outflows and Inflows of Resources: In addition to assets, liabilities, and net position, the Statement of Net Position includes separate sections for deferred outflows and inflows of resources. A deferred outflow of resources represents a consumption of net assets that applies to a future period(s) and therefore, will not be recognized as an outflow of resources until the applicable future period. A deferred inflow of resources is an acquisition of net assets that is applicable to future reporting period(s) and therefore, will not be recognized as an inflow of resources until the applicable future period.

Deferred charge on bond refunding and *Deferred inflows – gain on bond refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or refunding debt using the interest method.

Deferred outflows – unamortized asset retirement obligations (ARO) result from unamortized asset retirement obligation costs. This amount is deferred and amortized to depreciation and amortization expense based on the ARO's remaining useful life.

Deferred outflows – pension and *Deferred inflows – pension* result from contributions made by SAWS to its defined benefit pension plans after the measurement date of Net Pension Liability as well as changes in the Net Pension Liability not yet reflected in pension expense. Changes in the Net Pension Liability not yet reflected in pension expense include differences between projected and actual earnings on pension plan investments, expected and actual experience with regard to economic or demographic factors and changes in assumptions about future economic or demographic factors. Differences between projected and actual earnings are recognized in pension expense over a closed five-year period. Other changes are recognized in pension expense using a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees participating in the plans.

Deferred outflows – OPEB and *Deferred inflows – OPEB* result from contributions made by SAWS to its OPEB plan after the measurement date of Net OPEB Liability as well as changes in the Net OPEB Liability not yet reflected in OPEB expense. Changes in the Net OPEB Liability not yet reflected in OPEB expense include differences between projected and actual earnings on OPEB plan investments, expected and actual experience with regard to economic or demographic factors and changes in assumptions about future economic or demographic factors. Differences between projected and actual earnings are recognized in OPEB expense over a closed five-year period. Other changes are recognized in OPEB expense using a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees participating in the plans.

SAWS is a party to an interest rate swap agreement which serves to hedge interest rates on a portion of SAWS' variable rate debt. The agreement qualifies as a derivative instrument and meets the requirements of an effective hedge in accordance with GASB Statements No. 53 and 64. As a result, hedge accounting is used to account for the changes in the fair value of the swap agreement. *Accumulated decrease in fair value of hedging derivative instrument* represents the change in the fair value of the interest rate swap that has not been recognized in the Statement of Revenues, Expenses and Changes in Net Position due to the use of hedge accounting. For more information about this derivative instrument see Note G.

Deferred inflows – leases – As a part of the implementation of GASB Statement No. 87, *Leases*, SAWS is required to record an offset to any lease receivable to Deferred inflows – leases. SAWS will measure the lease receivable and the corresponding Deferred inflows – leases at the net present value of all payments. SAWS will recognize lease revenue and interest revenue in a rational and systematic manner over the life of the lease. For more information about leases see Note M.

Customer Deposits: SAWS collects an advance deposit from new customers to secure payment of the customer's final bill. The deposit is refundable once the customer has demonstrated an acceptable payment history of no more than two late payments within the first twelve-month period. SAWS may collect an additional deposit for customers whose service has been turned off for non-payment and need to restore service.

Compensated Absences: It is SAWS' policy to accrue earned but unused employee vacation pay as well as the employer portion of Social Security taxes and required employer pension contributions related to the accrued vacation pay. The total vacation paid in the current year is used as the estimated amount to be due within one year. Sick leave is not accrued as a terminating employee is not paid for accumulated sick leave.

Revenue Bonds & Commercial Paper: SAWS issues revenue bonds to finance capital improvement projects, refund outstanding bonds to reduce future debt service payments, and pay the cost of issuance. All SAWS' revenue bonds are secured by a lien on and pledge of net revenues of the system. Additionally, certain SAWS' bonds are further secured by the maintenance of a reserve fund established for the benefit of the bondholders. SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements.

Contract Payable: Financed purchase agreements that transfer ownership of an underlying asset at the end of the term, do not have a termination option and do not meet the definition of a lease according to GASB Statement No. 87.

Self-Insurance: SAWS is self-insured for a portion of workers' compensation, employee's health, employer's liability, public officials' liability, property damage and certain elements of general liability. A liability has been recorded for the estimated amount of eventual loss, which will be incurred on claims arising prior to the end of the period including incurred but not reported claims.

Derivative Instrument: As noted above, SAWS is a party to an interest rate swap agreement that qualifies as a derivative instrument. Additionally, mutual fund investments held by SAWS fiduciary funds may use derivative instruments as part of their investment strategy. These mutual funds are comingled pools, rather than individual securities.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE B - CITY ORDINANCE NO. 75686

Funds Flow: City Ordinance No. 75686 requires that SAWS' gross revenues be applied in sequence to: (1) System Fund for payment of current maintenance and operating expenses including a reserve equal to two months of budgeted maintenance and operating expenses for the current fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) Payment of amounts required on Inferior Lien Obligations, and (7) Transfers to the City's General Fund and to the Renewal and Replacement Fund.

Payments to the City's General Fund: City Ordinance No. 75686 requires SAWS to make payments to the City each month after making all other payments required by the City Ordinance. The amount of the payment is determined by City Council from time to time and cannot exceed 5% of Gross Revenues. Gross Revenues consist of all revenue with respect to the operation and ownership of SAWS with the exception of capital contributions, payments received under the CPS Energy contract for recycled water, discussed below, the federal subsidy of interest on Build America Bonds and earnings on funds deposited in the Project Fund and Reserve Fund until the Reserve Fund contains the required reserve amount. In October 2019, SAWS payment to the City was increased from 2.7% to 4.0% of Gross Revenues. Payments to the City are reported as non-operating expense in the Statement of Revenues, Expenses and Changes in Net Position.

Reuse Contract: SAWS has a contract with CPS Energy, the city owned electricity and gas utility, for the provision of reuse water. According to the City Ordinance, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any payments to the City's General Fund.

Pledged Revenues: Net Revenues of SAWS have been pledged to the payment and security of its debt obligations. Net Revenues are defined by the City Ordinance as SAWS' Gross Revenues after deducting operating expenses before depreciation.

No Free Service: The City Ordinance also provides for no free services except for municipal fire-fighting purposes.

NOTE C – CASH AND INVESTMENTS

San Antonio Water System

The following is a reconciliation of cash and investments reported in the Statements of Net Position to deposits and investments disclosed in this note for December 31, 2022 and 2021.

(amounts in thousands)	December 31, 2022	December 31, 2021
Reported in Statements of Net Position:		
Cash and Cash Equivalents:		
Unrestricted	$ 222,058	$ 165,654
Restricted - current	23,902	76,126
Restricted - noncurrent	117,088	185,208
Total cash and cash equivalents	363,048	426,988
Investments:		
Unrestricted	394,966	373,994
Restricted - current	191,724	127,901
Restricted - noncurrent	503,034	451,377
Total investments	1,089,724	953,272
Total Cash, Cash Equivalents and Investments	$ 1,452,772	$ 1,380,260
Reported amounts in note for:		
Deposits	$ 17,709	$ 44,059
Investments	1,435,063	1,336,201
Total Deposits and Investments	$ 1,452,772	$ 1,380,260

Deposits: As of December 31, 2022, SAWS' funds are deposited in demand accounts at JP Morgan Chase, SAWS' general depository bank. As required by state law, all SAWS' deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2022 and 2021, the collateral pledged was a letter of credit issued by the Federal Home Loan Bank of Cincinnati, under SAWS' name so SAWS incurred no custodial credit risk. At December 31, 2022, the bank balance of SAWS' demand accounts was $1,938,000 and the reported amount was $17,709,000, which included $18,000 of cash on hand. At December 31, 2021, the bank balance of SAWS' demand accounts was $42,509,000 and the reported amount was $44,059,000, which included $18,000 of cash on hand.

Investments: As of December 31, 2022, and 2021, investments include securities issued by the United States government and its agencies and instrumentalities, municipal securities, money market funds and investment pools. As of December 31, 2022, securities purchased are held in custody by Bank of New York Mellon and registered as securities of SAWS. Money Market Funds are managed by Fidelity and Morgan Stanley and are invested in securities issued by the U.S. government or by U.S. agencies. Funds in investment pools are invested in TexPool Prime, Texas Class, Texas Fixed Income Trust and Texas TERM. Investment pools may invest in commercial paper and certificates of deposit, as well as obligations of the U.S. government or its agencies and instrumentalities, and repurchase agreements as allowed under the Public Funds Investment Act (PFIA). All investments in money market funds and investment pools are reported at amortized cost. Amortized cost approximates fair value for these investments.

The following tables provide information related to SAWS investments at December 31, 2022 and 2021.

December 31, 2022
(dollars in thousands)

Investment Type	Reported Value	Fair Value	Allocation Based on Fair Value	Credit Rating	Weighted Average Maturity (in days)
U.S. Treasury Securities	$ 274,821	$ 274,821	19%	Aaa	493
U.S. Agency Notes	583,469	583,469	41%	AA+	626
Municipal Bonds	231,434	231,434	16%	AAA to AA-	602
Money Market Funds					
Fidelity Instituional MMF	28,080	28,080	2%	AAAm	1
Morgan Stanley	17,652	17,652	1%	AAAm	1
Texas Class Investment Pool	98,602	98,602	7%	AAAm	1
Texpool Prime Local Government Pool	131,414	131,414	9%	AAAm	1
Texas FIT Cash Pool	69,591	69,591	5%	AAAf	1
Total Investments	$ 1,435,063	$ 1,435,063	100%		451

December 31, 2021
(dollars in thousands)

Investment Type	Reported Value	Fair Value	Allocation Based on Fair Value	Credit Rating	Weighted Average Maturity (in days)
U.S. Treasury Securities	$ 300,700	$ 300,700	22%	AA+	579
U.S. Agency Notes	358,534	358,534	27%	AA+	884
Municipal Bonds	246,530	246,530	18%	AAA to AA-	691
Money Market Funds					
Fidelity Instituional MMF	36,507	36,507	3%	AAAm	1
Morgan Stanley	17,522	17,522	1%	AAAm	1
Texas Class Investment Pool	63,489	63,489	5%	AAAm	1
Texpool Prime Local Government Pool	57,431	57,431	4%	AAAm	1
Texas FIT Cash Pool	207,980	207,980	16%	AAAf	1
Texas Term Investment Pool	47,508	47,508	4%	AAAf	145
Total Investments	$ 1,336,201	$ 1,336,201	100%		501

Interest Rate Risk: Interest rate risk is the risk that a change in market interest rates of fixed income securities will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses due to rising interest rates, SAWS' investment policy limits its investments maturities to no more than five years. At December 31, 2022 the longest remaining maturity for any investment was approximately four years with approximately 56% of the investment portfolio maturing in less than one year. At December 31, 2021, the longest remaining maturity for any investment was approximately four years with 46% of the investment portfolio maturing in less than one year.

Credit Risk: Credit risk is the risk that an issuer of financial securities will not fulfill its obligations to the holder of the obligation. In accordance with its investment policies, SAWS manages exposure to credit risk by limiting its investments in long-term obligations of other states and cities to those with a credit rating of "A" or better. As of December 31, 2022 and 2021, the lowest rated municipal security held was "AA-". Additionally, any short-term investments require a rating of at least "A-1" or "P-1".

Concentration of Credit Risk: Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. SAWS' investment policy does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to concentration of credit risk, the investment policy does limit the amount that can be invested in any one government-sponsored issuer to no more than 50% of the total investment portfolio, and no more than 30% of the total investment portfolio in any non-government issuer unless it is fully collateralized, excluding investment pools and money market funds.

As of December 31, 2022, and 2021, the percentage of the investment portfolio for government-sponsored issuers that represent 5% or more of the total investments was as follows:

	December 31,	
	2022	2021
Federal Home Loan Bank	32%	18%

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a financial institution failure, SAWS' deposits or collateral securities may not be returned to it. For SAWS, this risk is completely mitigated by (1) insurance coverage provided by the custodian that protects against loss of cash or securities held in custody and (2) collateral in the form of letters of credit issued by the Federal Home Loan Bank of Cincinnati over the Federal Deposit Insurance Corporation limit. Texas public fund accounts are collateralized at 100%.

Fair Value Measurement: SAWS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables summarize SAWS investments by the fair value hierarchy as of December 31, 2022 and 2021.

(amounts in thousands)	December 31, 2022	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury Securities	$ 274,821	$ 274,821	$ -	$ -
U.S. Agency Notes	583,469	-	583,469	-
Municipal Bonds	231,434	-	231,434	-
Total investments measured at fair value	$ 1,089,724	$ 274,821	$ 814,903	$ -

(amounts in thousands)	December 31, 2021	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury Securities	$ 300,700	$ 300,700	$ -	$ -
U.S. Agency Notes	358,534	-	358,534	-
Municipal Bonds	246,530	-	246,530	-
Texas Term Investment Pool	47,508	-	47,508	-
Total investments measured at fair value	$ 953,272	$ 300,700	$ 652,572	$ -

Pricing for Level 1 inputs is provided by a pricing service as of the measurement date using pricing from exchanges. Securities classified in Level 2 of the fair value hierarchy are valued using interest rate curves and credit spreads applied to the terms of the debt instruments (maturity and coupon interest) and consider the counterparty rating.

Restricted Cash and Investments: Cash and investments are restricted for a variety of purposes based on the requirements set forth in City Ordinance No. 75686, state law or SAWS policy. The following table summarizes both current and noncurrent restricted cash and investments by purpose at December 31, 2022 and 2021.

(amounts in thousands)	December 31, 2022	2021
Restricted for:		
Operations	$ 78,553	$ 75,675
Debt Service	81,106	81,790
Debt Service Reserve	13,072	32,401
Construction - accrued liabilities	55,967	46,562
Construction - capital recovery fees	192,883	243,927
Construction - bond proceeds	414,167	360,257
Total Restricted Cash & Investments	$ 835,748	$ 840,612

The requirements of City Ordinance No. 75686 stipulate that SAWS must accumulate and maintain a reserve equal to 100% of the maximum annual debt service requirements for senior lien obligations. Additional City ordinances require SAWS to maintain a debt service reserve equal to the average annual debt service on all junior lien obligations secured by a reserve fund. Not all SAWS junior lien obligations require the security of a debt service reserve.

Increases in the required reserve amount may be deposited into a reserve account over a five-year period. Ordinance No. 75686 allows for SAWS to provide surety policies equal to all or part of the required reserve. SAWS may use bond proceeds to make the required deposits related to new debt issued. Debt service reserve deposits are required to be maintained until a) the revenue bonds mature, b) the surety policy provider's credit ratings improve to the minimum ratings required under SAWS bond ordinance, or c) new surety policies are provided that meet the requirements of the bond ordinance.

The following table summarizes the cash and investments restricted for Debt Service Reserve at December 31, 2022 and 2021 based on the allocation of the funds between junior lien and senior lien bond requirements.

(amounts in thousands)	December 31, 2022	December 31, 2021
Restricted for Junior Lien Bonds	$ 13,072	$ 13,487
Restricted for Senior Lien Bonds	-	18,914
Total Cash & Investments - Debt Service Reserve	$ 13,072	$ 32,401

Funds restricted for construction include amounts needed to pay accrued construction liabilities, collected but unspent capital recovery fees and unspent bond proceeds. Funds restricted for accrued construction liabilities and unspent bond proceeds are completely offset by related liabilities. By state law, capital recovery fees are restricted for the construction of the infrastructure upon which the calculation of the fee is based.

San Antonio Water System Fiduciary Funds

The fiduciary financial statements include three fiduciary funds related to SAWS employee benefit plans: the San Antonio Water System Retirement Plan (SAWSRP), the District Special Project Retirement Income Plan (DSPRP) and the San Antonio Water System Retiree Health Trust (SAWS OPEB Trust).

In 2020, SAWS established an investment policy for the SAWSRP and DSPRP fiduciary funds. It is the policy of the SAWSRP and DSPRP to invest 20% to 55% of their assets in fixed income securities, 40% to 70% of their assets in equity securities and 0% to 15% of their assets in real assets. The SAWSRP and DSPRP utilize an investment manager to make recommendations as to the appropriate target portfolio weightings among major asset classes. Additionally, the investment manager has full discretionary authority to buy, hold, and sell investments subject to the guidelines as defined in the SAWSRSP and DSPRP investment policies.

In 2012, SAWS established the SAWS OPEB Plan for the exclusive purpose of funding health and life benefits provided to eligible retirees and their dependents. It is the policy of SAWS OPEB Plan to invest 49% to 67% of its assets in equity securities, 28% to 50% in fixed income securities, 1% to 5% in real assets and 0% to 5% in cash. SAWS OPEB Plan utilizes an investment manager to make recommendations as to the appropriate target portfolio weightings among major asset classes. Additionally, the investment manager has full discretionary authority to buy, hold, and sell investments subject to the guidelines as defined in SAWS OPEB Plan's investment policy.

The following tables summarize fiduciary fund investments by plan and in total at December 31, 2022 and 2021.

December 31, 2022
(dollars in thousands)

Investment Type	SAWSRP	DSPRP	SAWS OPEB Plan	Total All Plans	Allocation Based on Fair Value
Collective, Pooled & Mutual Funds:					
Domestic Equity	$ 91,924	$ 3,198	$ 53,521	$ 148,643	37.9%
International Equity	44,155	1,433	11,574	57,162	14.6%
Domestic Debt	104,767	439	42,268	147,474	37.6%
Real Estate	21,226	-	-	21,226	5.4%
Balanced/Asset Allocation	15,666	-	-	15,666	3.9%
Annuity	110	-	-	110	0.0%
Money Market Mutual Funds	-	-	217	217	0.1%
Standard Insurance Company:					
Guaranteed Long-term Fund	-	2,133	-	2,133	0.5%
Total Investments	$ 277,848	$ 7,203	$ 107,580	$ 392,631	100.0%

December 31, 2021
(dollars in thousands)

Investment Type	SAWSRP	DSPRP	SAWS OPEB Plan	Total All Plans	Allocation Based on Fair Value
Collective, Pooled & Mutual Funds:					
Domestic Equity	$ 113,136	$ 3,826	$ 55,726	$ 172,688	38.0%
International Equity	52,963	1,582	17,702	72,247	15.8%
Domestic Debt	121,862	507	47,946	170,315	37.5%
Real Estate	20,356	-	-	20,356	4.5%
Balanced/Asset Allocation	16,356	-	-	16,356	3.6%
Money Market Mutual Funds	-	-	146	146	0.0%
Standard Insurance Company:					
Guaranteed Long-term Fund	-	2,560	-	2,560	0.6%
Total Investments	$ 324,673	$ 8,475	$ 121,520	$ 454,668	100.0%

The Standard Insurance Company Guaranteed Long-term Fund is reported at contract value as of December 31, 2022 and 2021, and money market mutual funds are reported at amortized cost, which approximates fair value. Money market funds are reported as Cash and Cash Equivalents in the Statements of Fiduciary Net Position.

Fair Value: SAWS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Pricing for Level 1 inputs is provided by a pricing service as of the measurement date using pricing from exchanges. Pricing for Level 2 inputs is provided by various sources such as issuer, investment managers or fund accountants.

The following tables summarize fiduciary fund investments by the fair value hierarchy as of December 31, 2022 and 2021.

(dollars in thousands) Investment Type	December 31, 2022	Fair Value Measurement Using Level 1	Level 2	Level 3
Collective and Pooled Funds				
Domestic Equity	$ 148,643	$ 97,742	$ 50,901	$ -
International Equity	57,162	53,007	4,155	-
Domestic Debt	147,474	121,138	26,336	-
Real Estate	21,226	21,226	-	-
Balanced/Asset Allocation	15,666	15,666	-	-
Total Investments	$ 390,171	$ 308,779	$ 81,392	$ -

(dollars in thousands) Investment Type	December 31, 2021	Fair Value Measurement Using Level 1	Level 2	Level 3
Collective and Pooled Funds				
Domestic Equity	$ 172,688	$ 116,275	$ 56,413	$ -
International Equity	72,247	50,561	11,686	-
Domestic Debt	170,315	139,938	30,377	-
Real Estate	20,356	20,356	-	-
Balanced/Asset Allocation	16,356	16,356	-	-
Total Investments	$ 451,962	$ 343,486	$ 98,476	$ -

Fiduciary Fund investments are not subject to the Public Funds Investment Act. The investments are subject to the following risks:

Credit Risk: The individual investments held by the Collective, Pooled and Mutual funds at December 31, 2022 and December 31, 2021 were not rated. The Standard Insurance Company Guaranteed Long-term Fund had a rating of A by S&P Global Ratings at December 31, 2022 and A at December 31, 2021.

Concentration of Credit Risk: As of December 31, 2022, and 2021, more than 99% of fiduciary fund investments were in collective, pooled and mutual funds.

The following funds exceeded 5% of fiduciary net position:

	December 31, 2022
Principal Core Plus Bond Separate Account-Z	22.65%
Principal LargeCap S&P 500 Index Separate Account-Z	12.24%
Principal Diversified International Separate Account-Z	6.56%
Principal MidCap S&P 400 Index SA-Z	6.47%
Principal US Property	5.41%

	December 31, 2021
Principal Core Plus Bond Separate Account-Z	22.71%
Principal LargeCap S&P 500 Index Separate Account-Z	13.06%
Principal Diversified International Separate Account-Z	6.87%
Principal MidCap S&P 400 Index SA-Z	6.86%

Interest Rate Risk: The effective duration of the Domestic Debt funds was 5.9 years at December 31, 2022 and 5.7 years at December 31, 2021. The Standard Insurance Company Guaranteed Long-term Fund had an effective duration of 5.8 years at December 31, 2022 and 6.2 years at December 31, 2021.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2022 and 2021:

(amounts in thousands)	2022	2021*
Current:		
Receivable from customers	$ 89,260	$ 90,666
Unbilled revenue	28,120	37,699
Receivable from leases & governmental agencies	1,355	1,096
Less: Allowance for doubtful accounts	(32,673)	(43,870)
	86,062	85,591
Noncurrent:		
Receivable from leases	3,959	4,264
Total accounts receivable	$ 90,021	$ 89,855

*2021 was restated in 2022 due to the implementation of GASB Statement No. 87.

Due to the implementation of GASB Statement No. 87 in 2022, SAWS recorded a lease receivable in accounts receivable, of which $0.3 million was classified as current accounts receivable as of December 31, 2022 and 2021. In addition, the long-term lease receivable of $4.0 million and $4.3 million was classified as noncurrent as of December 31, 2022 and 2021, respectively.

NOTE E – CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2022 is as follows:

(amounts in thousands)	December 31, 2021	Increases	Transfers	Decreases	December 31, 2022
Capital assets, not being depreciated:					
Land	$ 169,022	$ 168	$ 4,480	$ 1	$ 173,669
Water rights purchased	248,881	-	-	-	248,881
Other intangible assets	370	-	-	-	370
Construction in progress	603,821	570,949	(396,577)	2,887	775,306
Total capital assets, not being depreciated/amortized	1,022,094	571,117	(392,097)	2,888	1,198,226
Capital assets, being depreciated					
Structures and improvements	1,059,502	161	24,714	9,836	1,074,541
Pumping and purification equipment	281,030	-	6,658	96	287,592
Distribution and transmission system	3,740,045	-	61,730	11,220	3,790,555
Treatment facilties	2,952,191	-	269,452	19,990	3,201,653
Equipment and machinery	488,533	7,136	25,710	6,226	515,153
Furniture and fixtures	6,591	-	-	-	6,591
Computer equipment	30,512	1,959	-	983	31,488
Software	55,566	51	3,833	-	59,450
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	8,615,324	9,307	392,097	48,351	8,968,377
Less accumulated depreciation					
Structures and improvements	(304,117)	(28,263)	-	(3,239)	(329,141)
Pumping and purification equipment	(103,872)	(9,579)	-	(96)	(113,355)
Distribution and transmission system	(934,576)	(73,547)	-	(11,220)	(996,903)
Treatment facilties	(909,189)	(60,105)	-	(19,989)	(949,305)
Equipment and machinery	(193,957)	(29,258)	-	(5,473)	(217,742)
Furniture and fixtures	(6,360)	(68)	-	-	(6,428)
Computer equipment	(22,956)	(2,152)	-	(880)	(24,228)
Software	(44,556)	(4,520)	-	-	(49,076)
Other intangible assets	(787)	(68)	-	-	(855)
Total accumulated depreciation	(2,520,370)	(207,560)	-	(40,897)	(2,687,033)
Total capital assets, being depreciated/amortized	6,094,954	(198,253)	392,097	7,454	6,281,344
Capital assets, net	$ 7,117,048	$ 372,864	$ -	$ 10,342	$ 7,479,570

A summary of capital asset activity for the year ended December 31, 2021 is as follows:

(amounts in thousands)	December 31, 2020	Increases	Transfers	Decreases	December 31, 2021
Capital assets, not being depreciated:					
Land	$ 162,438	$ -	$ 6,830	$ 246	$ 169,022
Water rights purchased	248,881	-	-	-	248,881
Other intangible assets	370	-	-	-	370
Construction in progress	521,627	474,037	(390,436)	1,407	603,821
Total capital assets, not being depreciated/amortized	933,316	474,037	(383,606)	1,653	1,022,094
Capital assets, being depreciated					
Structures and improvements	1,002,070	394	58,808	1,770	1,059,502
Pumping and purification equipment	279,218	461	1,351	-	281,030
Distribution and transmission system	3,610,086	-	138,633	8,674	3,740,045
Treatment facilties	2,800,410	-	167,975	16,194	2,952,191
Equipment and machinery	477,239	7,802	16,839	13,347	488,533
Furniture and fixtures	6,595	-	-	4	6,591
Computer equipment	29,706	1,333	-	527	30,512
Software	55,607	80	-	121	55,566
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	8,262,285	10,070	383,606	40,637	8,615,324
Less accumulated depreciation					
Structures and improvements	(276,667)	(28,011)	-	(561)	(304,117)
Pumping and purification equipment	(94,744)	(9,128)	-	-	(103,872)
Distribution and transmission system	(872,534)	(70,716)	-	(8,674)	(934,576)
Treatment facilties	(863,401)	(56,474)	-	(10,686)	(909,189)
Equipment and machinery	(179,076)	(28,071)	-	(13,190)	(193,957)
Furniture and fixtures	(6,294)	(70)	-	(4)	(6,360)
Computer equipment	(21,409)	(2,066)	-	(519)	(22,956)
Software	(40,464)	(4,213)	-	(121)	(44,556)
Other intangible assets	(719)	(68)	-	-	(787)
Total accumulated depreciation	(2,355,308)	(198,817)	-	(33,755)	(2,520,370)
Total capital assets, being depreciated/amortized	5,906,977	(188,747)	383,606	6,882	6,094,954
Capital assets, net	$ 6,840,293	$ 285,290	$ -	$ 8,535	$ 7,117,048

Asset Impairment: SAWS periodically reviews its capital assets for possible impairment. As part of SAWS' capital improvement program, SAWS incurs costs to design capital improvement projects. These costs are included in capital assets as Construction in Progress. Periodically the actual construction of these projects may not occur due to changes in plans. Once it has been determined that construction will not proceed, any capitalized costs are charged off to operating expenses. Design and project costs written off totaled $2.9 million in 2022 and $1.4 million in 2021.

SAWS owns a water treatment plant in southwest Bexar County to treat water supplied from Medina Lake and the Medina River. During the height of the 2011 - 2014 drought, Medina Lake water levels were greatly diminished leading to poor water quality. As a result, the treatment plant was idled from April 2013 through August 2015. Due to heavy rainfall during the summer of 2015, lake levels increased to a peak of nearly 80% of capacity. SAWS restarted the treatment plant on September 1, 2015 and treated approximately 500 acre-feet of Medina River water. Water quality concerns persisted, and SAWS elected to idle the treatment plant again in October 2015. During the planning efforts to develop the 2022-2023 Water Management Plan, it was determined that current available water supplies were expected to be sufficient to meet customers' demand in the foreseeable future without utilizing the Medina supplies during the drought of record. The restoration costs were evaluated and deemed significant in relation to the service utility of the plant. As a result, the plant was deemed permanently impaired as of December 31, 2022. The $7.2 million remaining book value of the plant was written off and the loss was recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

NOTE F – OTHER LIABILITIES

Accrued Vacation Payable: SAWS records an accrual for vacation payable for all full-time employees and pays unused vacation hours available at the end of employment with the final paycheck. Changes in the liability amount for 2022 and 2021 were as follows:

(amounts in thousands)

	Balance at Beginning of Year	Current-Year Accruals	Payments	Balance at End of Year	Estimated Due Within One Year
Year Ended December 31, 2022	$ 13,534	$ 9,122	$ (7,024)	$ 15,632	$ 7,024
Year Ended December 31, 2021	$ 13,197	$ 6,485	$ (6,148)	$ 13,534	$ 6,148

Risk Management

Health Care Benefits: SAWS provides health care benefits to eligible employees and retirees through a self-insured plan that includes medical, prescription drug and dental benefits. The payment of claims associated with these benefits is handled by third party administrators. Plan participants contribute a portion of the cost of providing these benefits through payroll deductions or monthly premiums, annual deductibles and other co-payments. SAWS was self-insured for the first $500,000 of medical claims per person during 2021 and 2022.

Other Risks: SAWS is exposed to various risks of financial loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAWS is self-administered and self-insured for the first $2,000,000 of each workers' compensation and general liability claim and is fully self-insured for automobile liability. Claims that exceed the self-insured retention limit for workers' compensation and general liability are covered through SAWS' comprehensive commercial insurance program (CCIP). Additionally, under the CCIP, SAWS maintains deductible programs for public officials and employment practices liability, fiduciary liability, pollution legal liability, drone liability, cyber liability and crime with varying deductibles. Property coverage is on a replacement cost basis with a deductible of $250,000 per occurrence. Settled claims during the last three years have not exceeded the insurance coverage in any year.

The claims liability for health care benefits and other risks, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. Changes in the liability amount for the last three fiscal years were as follows:

(amounts in thousands)

	Balance at Beginning of Year	Current-Year Accruals	Payments	Balance at End of Year	Estimated Due Within One Year
Year Ended December 31, 2022	$ 8,821	$ 19,373	$ (19,682)	$ 8,513	$ 8,513
Year Ended December 31, 2021	8,205	24,234	(23,618)	8,821	8,821
Year Ended December 31, 2020	8,312	23,627	(23,734)	8,205	8,205

NOTE G – DERIVATIVE INSTRUMENT

In 2003, SAWS entered into an interest rate swap agreement in connection with its City of San Antonio, Texas, Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the "Series 2003 Bonds") issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for SAWS' capital improvements program and to refund certain outstanding commercial paper notes.

Objective of the Interest Rate Swap: The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower interest rate than a traditional long-term fixed rate bond issued at that time. In August 2008, SAWS used commercial paper notes to redeem $110,615,000 of the $111,615,000 outstanding principal of the Series 2003 Bonds due to unfavorable market conditions relating to the ratings downgrade of the 2003 Bond insurer, MBIA Insurance Corporation (MBIA). In 2009, SAWS redeemed the remaining $1 million of the Series 2003 Bonds through the issuance of additional commercial paper. The interest rate swap agreement was not terminated upon the redemption of the Series 2003 Bonds and instead serves as an off-market hedge for that portion of the commercial paper notes outstanding, which pertain to the redemption of the Series 2003 Bonds. SAWS currently intends to maintain a portion of its outstanding commercial paper in amounts matching the notional amounts of the swap. SAWS did not recognize any economic gain or loss as a result of this refunding since the debt service requirements of the commercial paper notes are expected to closely match the debt service requirements of the refunded debt. Commercial paper notes totaling $64,385,000 at December 31, 2022 and $68,820,000 at December 31, 2021 were hedged by the interest rate swap agreement.

Terms: The swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow the original scheduled reductions of the Series 2003 Bonds. The Series 2003 Bonds were issued on March 27, 2003, with a principal amount of $122,500,000. The swap agreement matures on May 1, 2033. At the time the swap was entered into, the counterparty was Bear Stearns Financial Products, Inc. (Bear Stearns FPI), with the index for the variable rate leg of the swap being the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

In 2008, JPMorgan Chase & Co. announced its acquisition of The Bear Stearns Companies Inc., the parent of Bear Stearns FPI. JPMorgan Chase & Co. guaranteed the trading obligations of the Bear Stearns Companies Inc. and its subsidiaries. Effective June 16, 2009, the swap agreement was amended between SAWS, JPMorgan Chase & Co, and MBIA to provide for JPMorgan Chase Bank N.A. (JP Morgan Chase) to become the swap counterparty and allow for the remainder of outstanding Series 2003 Bonds to be redeemed, while maintaining the swap agreement as an obligation to all parties. The amendment provides for the conditional release of MBIA's swap insurance policy upon the occurrence of certain future events.

The combination of commercial paper notes and a floating-to-fixed swap creates a synthetic fixed-rate of 4.18%. The synthetic fixed-rate protects against the potential of rising interest rates.

Fair Value: The swap had an approximate fair value of negative $3,434,000 at December 31, 2022 and $12,545,000 at December 31, 2021. This value is based on Level 2 inputs in the fair value hierarchy using the zero-coupon valuation method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap agreement meets the criteria of an effective hedge under GASB Statement No. 53 and therefore qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a non-current liability. Changes in the swap's fair value are recorded as a deferred outflow of resources and included on the Statement of Net Position. At the time the Series 2003 Bonds were redeemed in 2008, the fair value of the swap was negative $6.2 million. The deferred outflow at the time of redemption was included in the carrying value of the Series 2003 Bonds and resulted in a loss on redemption of $6.2 million. This loss is included in the deferred charge on bond refunding on the Statement of Net Position and is being amortized over the remaining life of the Series 2003 Bonds. The unamortized deferred charge on bond refunding related to the swap was $1,881,000 at December 31, 2022 and $2,188,000 at December 31, 2021.

Credit Risk: SAWS was not exposed to credit risk on its outstanding swap at December 31, 2022 and 2021 because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, SAWS would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, JPMorgan Chase was rated Aa2 by Moody's Investors Service, A+ by S&P Global Ratings, and AA by Fitch Ratings as of December 31, 2022, and Aa2 by Moody's Investors Service, A+ by S&P Global Ratings, and AA by Fitch Ratings as of December 31, 2021. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair value of the swap reach applicable thresholds as stated in the amended swap agreement.

Basis Risk: SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by (a) matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

Termination Risk: SAWS may terminate the swap at any time for any reason. JPMorgan Chase may terminate the swap if SAWS fails to perform under the terms of the agreement. SAWS' ongoing payment obligations under the swap are insured as provided for in the swap amendment and JPMorgan Chase cannot terminate as long as the insurer does not fail to perform. Also, if at the time of the termination the swap has a negative fair value, SAWS would be liable to the counterparty for a payment equal to the swap's fair value.

Market-access Risk: SAWS is subject to market-access risk as the variable-rate debt hedged by the swap consists of commercial paper notes. At December 31, 2022, $64,385,000 of outstanding commercial paper with current maturities of approximately 31 days was hedged by the interest rate swap. At December 31, 2021, $68,820,000 of outstanding commercial paper with current maturities of approximately 18 days was hedged by the interest rate swap. As previously noted, SAWS intends to reissue the commercial paper notes in amounts matching the notional amounts of the swap.

Swap Payments and Associated Debt: As of December 31, 2022, debt service requirements of the hedged commercial paper notes and net swap payments, assuming current interest rates remain the same, are as detailed below. As rates vary, variable-rate interest payments and net swap payments will vary. Principal payments assume that commercial paper notes will be repaid in accordance with the amortization schedule of the swap.

Pay-Fixed, Receive-Variable Interest Rate Swap
Estimated Debt Service Requirements of Variable-Rate
Debt Outstanding and Net Swap Payments
(amounts in thousands)

Year	Principal	Interest Paid on Debt	Interest Rate Swap, Net	Total
2023	$ 4,640	$ 1,396	$ 319	$ 6,355
2024	4,850	1,288	294	6,432
2025	5,070	1,174	268	6,512
2026	5,305	1,055	241	6,601
2027	5,540	930	212	6,682
2028 - 2032	31,740	2,576	588	34,904
2033	7,240	55	13	7,308
Total	$ 64,385	$ 8,474	$ 1,935	$ 74,794

NOTE H – LONG TERM DEBT

REVENUE BONDS

On February 15, 2022, SAWS issued $77,785,000 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund). The proceeds from the sale of the bonds were used (i) refund $105,280,000 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2012A (Series 2012A) and (ii) pay the cost of issuance. The refunding of the Series 2012A bonds reduced future debt service by approximately $41.3 million and resulted in an economic gain of approximately $30.3 million. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On May 15, 2022, SAWS deposited $66,165,000 from available cash on hand to the paying agent for the redemption of $56,065,000 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012 and $10,100,000 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2012A. The redemption of these bonds reduced future debt service by approximately $78,365,500 between 2022 and 2028.

On October 18, 2022, SAWS issued $258,235,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, and (ii) pay the cost of issuance. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On November 1, 2022, SAWS remarketed $99,590,000 City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B Bonds (No Reserve Fund) into a SIFMA Index Mode for a period of three years, ending October 31, 2025. The interest rate on the bonds is reset weekly at a spread of 0.65% over the Securities Industry and Financial Markets Association (SIFMA) Swap Index. The proceeds from the sale of the bonds were used to pay the $99,590,000 principal of the maturing bonds. There was no economic gain or loss on this transaction. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

Senior lien water system revenue bonds outstanding as of December 31, 2022, consist of the Series 2009B and Series 2010B, outstanding in the amount of $101,835,000 and as of December 31, 2021, consist of the Series 2009B, Series 2010B, Series 2012, and Series 2012A, outstanding in the amount of $280,565,000. Senior lien revenue bonds are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operations and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates on senior lien bonds range from 5.502% to 5.920%, exclusive of any federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

The junior lien water system revenue bonds are composed of two categories of debt: fixed rate debt and variable rate debt. The junior lien fixed rate debt is similar to the senior lien bonds, as they have fixed interest rates for the life of the bonds. The junior lien variable rate bonds have interest rates that are periodically reset throughout the life of the bonds. An additional component of the fixed rate junior lien debt is direct placement debt with the Texas Water Development Board (TWDB). Direct placement debt with TWDB is offered at subsidized interest rates for qualified water, wastewater and water supply projects. All the junior lien water system revenue bonds are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operations and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien obligations.

As of December 31, 2022, direct placement bonds with TWDB consist of junior lien Series 2012, Series 2013A, Series 2013C, Series 2013D, Series 2014C, Series 2014D, Series 2015A, Series 2016D, Series 2016E, Series 2018B, Series 2019B, Series 2020B, and Series 2020D in an outstanding amount of $301,960,000. Interest rates on the TWDB junior lien fixed rate bonds range from 0.00% to 3.39%.

As of December 31, 2022, the remaining junior lien fixed rate revenue bonds consist of Series 2013B (No Reserve Fund), Series 2013E (No Reserve Fund), Series 2014A (No Reserve Fund), Series 2015B (No Reserve Fund), Series 2016A (No Reserve Fund), Taxable Series 2016B, Series 2016C (No Reserve Fund), Series 2017A (No Reserve Fund), Series 2018A (No Reserve Fund), Series 2019C (No Reserve Fund), Series 2020A (No Reserve Fund), Series 2020C (No Reserve Fund), Series 2021A (No Reserve Fund), Series 2022A (No Reserve Fund), and Series 2022B (No Reserve Fund) is outstanding in the amount of $2,223,240,000. Interest rates on the junior lien fixed rate bonds range from 2.00% to 5.25%.

The junior lien variable rate bonds, comprised of the Series 2013F (No Reserve Fund) (Series 2013F Bonds), the Series 2014B (No Reserve Fund) (Series 2014B Bonds) and the Series 2019A (No Reserve Fund) (Series 2019A Bonds), are outstanding in the amount of $364,490,000 at December 31, 2022. The Series 2013F Bonds are tax-exempt variable rate notes currently in a Term Mode through October 31, 2026 at an interest rate of 1.00% with a yield of 0.82%. The Series 2014B Bonds are tax-exempt variable rate notes currently in a SIFMA Index Mode with interest reset weekly at a spread of 0.65% over the SIFMA Swap Index through October 31, 2025. The Series 2019A Bonds are tax-exempt variable rate notes currently in the term mode through April 30, 2024, at an interest rate of 2.625% with a yield of 2.45%.

Upon conclusion of an interest period, SAWS is permitted to change the mode for all or any portion of the junior lien variable interest bonds (the Bonds) to a different mode. The Bonds are subject to a mandatory tender without right of retention at the conclusion of the interest period. The Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure to remarket the Bonds at the end of an interest period will result in the rescission of the notice of mandatory tender with respect to the Bonds and SAWS has no obligation to purchase the Bonds at such time. The occurrence of a failed remarketing will not result in an event of default under the ordinance. Until SAWS redeems or remarkets the Bonds that had a failed remarketing, the Bonds shall bear interest at the stepped rate of 7.0% for the Series 2013F Bonds and 8.0% for the Series 2014B Bonds and Series 2019A Bonds.

On May 15, 2021, SAWS deposited $33,890,000 from available cash on hand to the paying agent for the redemption of $21,055,000 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011 and $12,835,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2011. The redemption of these bonds reduced future debt service by approximately $38,393,000 between 2022 and 2031.

On July 13, 2021, SAWS issued $274,375,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, (ii) refund $13,570,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2011A (Series 2011A), and (iii) pay the costs of issuance. The refunding of the Series 2011A bonds reduced future debt service by approximately $3,131,000 and resulted in an economic gain of approximately $2,033,000. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On November 1, 2021, SAWS remarketed $98,420,000 City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F Bonds (No Reserve Fund) into a Fixed Rate Mode for a period of five years, ending October 31, 2026. The coupon rate for these bonds is 1.00% with a yield of 0.82%. The proceeds from the sale of the bonds were used to (i) pay the $98,795,000 principal of the maturing bonds, and (ii) pay the cost of issuance. There was no economic gain or loss on this transaction. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

As of December 31, 2021, direct placement bonds with TWDB consist of junior lien Series 2012, Series 2013A, Series 2013C, Series 2013D, Series 2014C, Series 2014D, Series 2015A, Series 2016D, Series 2016E, Series 2018B, Series 2019B, Series 2020B, and Series 2020D in an outstanding amount of $315,555,000. Interest rates on the TWDB junior lien fixed rate bonds range from 0.00% to 3.39%.

As of December 31, 2021, the remaining junior lien fixed rate revenue bonds consist of Series 2012 (No Reserve Fund), Series 2013B (No Reserve Fund), Series 2013E (No Reserve Fund), Series 2014A (No Reserve Fund), Series 2015B (No Reserve Fund), Series 2016A (No Reserve Fund), Taxable Series 2016B, Series 2016C (No Reserve Fund), Series 2017A (No Reserve Fund), Series 2018A (No Reserve Fund), Series 2019C (No Reserve Fund), Series 2020A (No Reserve Fund), Series 2020C (No Reserve Fund) and Series 2021A (No Reserve Fund) is outstanding in the amount of $1,947,250,000. Interest rates on the junior lien fixed rate bonds range from 2.00% to 5.00%.

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time as payment of the calculated liability is due. A liability is recorded once payment appears to be probable. As of December 31, 2022, SAWS had a recorded arbitrage liability of $23,000 related to the Series 2018B junior lien bonds. As of December 31, 2021, SAWS had no arbitrage rebate liability associated with any outstanding bonds.

The following tables summarize revenue bond transactions for the years ended December 31, 2022, and 2021.

(*amounts in thousands*)	Balance January 1, 2022	Additions	Reductions/ Amortization	Balance December 31, 2022	Due Within One Year
Revenue Bonds	$ 2,592,305	$ 435,610	$ 338,350	$ 2,689,565	$ 60,035
Direct Placement Bonds	315,555	-	13,595	301,960	13,710
Unamortized premium	299,888	36,189	34,773	301,304	
Unamortized discount	(747)	-	(498)	(249)	
Total Bonds Payable, Net	$ 3,207,001	$ 471,799	$ 386,220	$ 3,292,580	$ 73,745

(*amounts in thousands*)	Balance January 1, 2021	Additions	Reductions/ Amortization	Balance December 31, 2021	Due Within One Year
Revenue Bonds	$ 2,414,435	$ 372,795	$ 194,925	$ 2,592,305	$ 67,315
Direct Placement Bonds	357,145	-	41,590	315,555	13,595
Unamortized premium	263,255	67,676	31,043	299,888	
Unamortized discount	(790)	-	(43)	(747)	
Total Bonds Payable, Net	$ 3,034,045	$ 440,471	$ 267,515	$ 3,207,001	$ 80,910

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The following table shows the annual debt service requirements on SAWS' debt obligations for each of the next five years and then in five-year increments after that.

Annual Debt Service Requirements
Revenue and Refunding Bonds
(amounts in thousands)

Year Ended December 31,	Fixed Rate Bonds						Variable Rate Bonds	
	Revenue Bonds				Direct Placement Bonds		Revenue Bonds	
	Principal	Interest	Interest Rate Subsidy‡	Net Interest	Principal	Interest	Principal	Interest*
2023	$ 60,035	$ 111,550	$ 1,908	$ 109,642	$ 13,710	$ 4,681	$ -	$ 8,342
2024	65,405	107,422	1,908	105,514	13,835	4,554	-	8,654
2025	70,270	104,178	1,875	102,303	13,980	4,408	-	8,966
2026	76,285	100,646	1,797	98,849	14,155	4,242	-	8,966
2027	68,240	97,009	1,716	95,293	14,315	4,062	-	10,934
2028 - 2032	434,165	425,233	7,487	417,746	74,815	17,106	59,275	51,371
2033 - 2037	575,240	302,182	4,864	297,318	59,320	11,130	100,105	38,443
2038 - 2042	466,550	168,214	691	167,523	57,615	5,861	115,530	22,301
2043 - 2047	301,100	85,132	-	85,132	33,685	1,057	69,510	7,075
2048 - 2052	207,785	19,714	-	19,714	6,530	56	20,070	607
	$ 2,325,075	$ 1,521,280	$ 22,246	$ 1,499,034	$ 301,960	$ 57,157	$ 364,490	$ 165,659

‡ Federal interest rate subsidy on Build America Bonds is utilized to pay interest on those bonds but is reported as nonoperating revenue. The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, reduced the BAB subsidy paid during the fiscal years 2021-2030 by 5.7%. The BAB subsidy to be received by SAWS is reduced by this amount for all future payments.

*The variable rate bonds are currently in a Term Mode and SIFMA Index Mode. Interest listed above is based on the fixed rate through the interst period for the Term Mode and a budged rate of 3.00% thereafter and at 3.00% for the SIMFA Index Mode.

COMMERCIAL PAPER PROGRAM

SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements. The City has authorized the commercial paper program in an amount of $500 million. Notes payable under the program cannot exceed maturities of 270 days.

The City has covenanted in the ordinance authorizing the commercial paper program (Note Ordinance) the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series A (Series A Notes), the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series B (Series B Notes), and City of San Antonio, Texas Water System Commercial Paper Notes, Series C (Series C Notes) and the maintenance at all times of credit facilities with banks or other financial institutions which would provide available borrowing capacity sufficient to pay the principal of the commercial paper program. The credit facility is maintained under the terms of a revolving credit agreement. The Note Ordinance also authorizes the ability to designate and issue subseries of notes. The Series A Notes are currently authorized as City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-1 (Subseries A-1 Notes) and City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-2 (Subseries A-2 Notes). The Subseries A-2 Notes are directly placed with JPMorgan Chase Bank, N.A. under a Note Purchase Agreement.

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement. The capacity of the combined revolving credit and note purchase agreements is $500 million with the Revolving Credit Agreement with JPMorgan Chase Bank, N.A. in the amount of $400 million, supporting the Series A Notes expiring October 4, 2023; and the Revolving Credit Agreement with Wells Fargo Bank, N.A. in the amount of $100 million, supporting the Series B Notes and Series C Notes expiring January 5, 2024.

The issuance of commercial paper is further supported by the following agreements and related participants:

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities LLC., and Ramirez & Co., Inc.
- Issuing and Paying Agency Agreement with The Bank of New York Mellon Trust Company, N.A.

Commercial paper notes of $229,585,000 are outstanding as of December 31, 2022, with $227,585,000 outstanding under the Subseries A-1 Notes, and $2,000,000 outstanding under Subseries A-2 Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2022 range from 2.25% to 3.75% and maturities range from 31 to 124 days. The interest rate on the Subseries A-2 Notes outstanding at December 31, 2022 is 4.555% with a maturity of 33 days. All outstanding notes combined had an average rate of 2.616% and average 61 days to maturity. Commercial paper notes of $234,020,000 are outstanding as of December 31, 2021, with $132,020,000 outstanding under the Subseries A-1 Notes, $2,000,000 outstanding under Subseries A-2 Notes, and $100,000,000 outstanding under Series C Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2021 range from 0.09% to 0.15% and maturities range from 7 to 128 days. The interest rate on the Subseries A-2 Notes outstanding at December 31, 2021 is 1.378% with a maturity of 34 days. The interest rate on the Series C Notes outstanding at December 31, 2021 is 0.33% with a maturity of 269 days. All outstanding notes combined had an average rate of 0.256% and average 144 days to maturity. The direct placement revenue bonds and commercial paper notes of $301,960,000 and $2,000,000, respectively, contain events of default and/or termination provisions with possible finance-related consequences. SAWS management has evaluated the events of default and/or termination provisions with possible finance-related consequences and in the opinion of SAWS management, the likelihood is remote that these provisions will have a significant effect on SAWS' financial position or results of operations.

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The following tables summarize the outstanding and available balance of the commercial paper program for the years ended December 31, 2022 and December 31, 2021.

Year Ended December 31, 2022 *(amounts in thousands)* Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Subseries A-1 Notes	$ 398,000	$ 227,585	$ 170,415
Subseries A-2 Notes (Direct Placement)	2,000	2,000	-
Series C Notes (Direct Placement)	100,000	-	100,000
Total	$ 500,000	$ 229,585	$ 270,415

Year Ended December 31, 2021 *(amounts in thousands)* Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Subseries A-1 Notes	$ 398,000	$ 132,020	$ 265,980
Subseries A-2 Notes (Direct Placement)	2,000	2,000	-
Series C Notes (Direct Placement)	100,000	100,000	-
Total	$ 500,000	$ 234,020	$ 265,980

SAWS intends to reissue maturing commercial paper, in accordance with the refinancing terms of the revolving credit agreement, and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, and since SAWS has the available $500 million revolving credit agreement described above, SAWS has classified nearly all outstanding commercial paper notes as long-term debt. In accordance with the amortization schedule of the interest rate swap agreement discussed in Note G, SAWS intends to redeem $4,640,000 of commercial paper in 2023. Therefore, this portion of the commercial paper is classified as a current liability.

The following tables summarize transactions of the commercial paper program for the years ended December 31, 2022 and 2021.

Year Ended December 31, 2022 *(amounts in thousands)* Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year	Payable Within One Year
Subseries A-1 Notes	$ 132,020	$ 100,000	$ 4,435	$ 227,585	$ 4,640
Subseries A-2 Notes (Direct Placement)	2,000	-	-	2,000	-
Series B Notes	-	-	-	-	-
Series C Notes (Direct Placement)	100,000	-	100,000	-	-
Total	$ 234,020	$ 100,000	$ 104,435	$ 229,585	$ 4,640

Year Ended December 31, 2021 *(amounts in thousands)* Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year	Payable Within One Year
Subseries A-1 Notes	$ 116,260	$ 20,000	$ 4,240	$ 132,020	$ 4,435
Subseries A-2 Notes (Direct Placement)	2,000	-	-	2,000	-
Series B Notes	-	-	-	-	-
Series C Notes (Direct Placement)	100,000	-	-	100,000	-
Total	$ 218,260	$ 20,000	$ 4,240	$ 234,020	$ 4,435

OTHER DEBT MATTERS

Debt Covenants: SAWS is required to comply with various provisions included in the ordinances which authorized the bond issuances. SAWS management believes it is in compliance with all significant provisions of the bond ordinances.

Under these bond ordinances, SAWS is required to establish and maintain rates and charges for services sufficient to produce Net Revenues 1.25x the annual debt service requirements on Senior Lien obligations (senior lien debt coverage ratio) and at least 1.00x the current year annual debt service on outstanding Junior Lien obligations. SAWS senior lien debt coverage ratio was 30.19x at December 31, 2022 and 10.30x at December 31, 2021. The current annual combined debt coverage ratio was 2.20x at December 31, 2022 and 1.69x at December 31, 2021.

In prior years, SAWS legally defeased revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in SAWS' financial statements. At December 31, 2022, there were $2.2 million of the former Bexar Metropolitan Water Districts bonds outstanding considered legally defeased.

NOTE I - CONTINGENCIES AND COMMITMENTS

Water Agreements

As of December 31, 2022, SAWS has entered into various agreements to obtain rights to pump water from the Edwards Aquifer. The term of these agreements varies, with some expiring as early as 2023 and others continuing until 2028. The annual cost per acre foot ranges from $100 to $140. Under these various agreements, SAWS paid $2.9 million in 2022 and $3.2 million 2021.

The future commitments under these agreements are as follows:

(dollars in thousands)	2023	2024	2025	2026	2027	Thereafter
Edwards Aquifer - commitments	$ 1,728	$ 657	$ 657	$ 657	$ 309	$ 30
Edwards Aquifer - acre feet	13,111	5,232	5,232	5,232	2,464	300

SAWS also has commitments to purchase water supplies under various contracts. All water provided under these contracts is subject to availability.

Under a contract with Guadalupe-Blanco River Authority (GBRA), SAWS will receive 4,000-acre feet of water annually through the end of the contract in 2037. Additionally, SAWS must purchase water not sold by GBRA to other third parties. The additional amount of water available in 2023 is estimated to be 2,500-acre feet and is projected to decline over the remaining term of the contract as the demand increases for other GBRA customers.

The cost of the water escalates over time with projected prices ranging from $1,178 per acre foot in 2023 to approximately $1,803 per acre foot by 2037.

Under a contract with the Massah Development Corporation, SAWS has a minimum take or pay commitment to purchase 100 acre-feet per month or 1,200 acre-feet per year of raw water from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County at projected prices ranging from $820 to $870 per acre foot. This agreement expires in July 2025 and SAWS has a unilateral option to extend the contract for 10 years.

In 2012, SAWS entered into an agreement with Water Exploration Company, Ltd., (WECO) to purchase groundwater produced by WECO from the Trinity Aquifer. In connection with this agreement, two prior water purchase agreements between DSP and WECO were terminated. In 2018, Texas Water Supply Company assumed the assets of WECO, including this agreement between SAWS and WECO. The 2012 agreement has a term of 15 years, with two optional 5-year extensions. SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet if the water is available to be produced. SAWS only pays for delivered water meeting all state and federal drinking water standards. Pumping under this contract may not reduce the Trinity Aquifer below 600 feet Mean Sea Level at test wells on the tracts. The projected price to be paid per acre-foot of raw water ranges from $1,251 in 2023 to $1,355 by 2027.

In 2010, SAWS was granted a permit by the Gonzales County Underground Water Conservation District (District) to produce 11,688-acre feet of water from the Carrizo Aquifer in Gonzales County. SAWS has entered into 23 separate agreements with landowners to produce water under that permit. These agreements remain in force indefinitely as long as SAWS continues to make payments in accordance with the terms of the agreements. SAWS makes payments to the landowners based on actual water produced. SAWS expects to produce the maximum water available under its permit in 2023 and projects payments to landowners will be $1,500,000. These payments escalate annually based on the average of the increase in the Consumer Price Index and Producers Price Index.

In 2011, SAWS entered into an agreement with the Schertz Seguin Local Government Corporation (SSLGC) to 1) treat water produced by SAWS under its permit with the District at SSLGC's treatment plant in Gonzales County and transport that water through SSLGC's existing transportation pipeline to a SAWS facility in Schertz, Texas and 2) purchase up to 5,000 acre feet of wholesale water annually from SSLGC. As part of this agreement, SSLGC agreed to expand its treatment facilities to handle the volume of water supplied by SAWS. SSLGC issued contract revenue bonds in 2012 to finance the expansion. SAWS is unconditionally obligated to make monthly payments to SSLGC beginning in December 2014 equal to 1/12th the annual debt service payment owed by SSLGC on the contract revenue bonds regardless of the amount of water actually provided by SAWS to SSLGC for treatment and transportation. In addition to the payment made to SSLGC for the expansion of the treatment plant, SAWS makes payments to SSLGC for treating and transporting the SAWS produced water.

The initial term of the agreement with SSLGC expires in 2050 and is automatically renewed for successive terms of 5 years unless SAWS chooses to cancel the contract upon the expiration of any term. The projected price paid to SSLGC to treat and transport water provided by SAWS is projected to be $527 per acre foot in 2023, peaks at $683 per acre foot in 2041 and ends at $655 per acre foot in 2050. The projected price through 2041 includes the debt service associated with the expansion of SSLGC's treatment plant. Payments for any wholesale water purchased from SSLGC are based on SSLGC's operating water rates. The 2023 price also includes the cost of surplus water from SSLGC, which contractually continues to be made available in subsequent years.

Under a contract with Bexar-Medina-Atascosa Counties W.C.I.D. No. 1 (BMA), SAWS has a take or pay commitment to purchase 19,974 acre feet of untreated water annually from Medina Lake. If BMA is unable to deliver water to SAWS, BMA issues a credit for the undelivered water, which can be used to offset payments due to BMA during the next calendar year. The price of the water is based on the rate charged by GBRA for raw water. GBRA's rate for raw water as of December 31, 2022 was $165 per acre foot. The agreement has been amended several times with the current agreement ending in 2049.

Under a contract with Canyon Regional Water Authority (CRWA), SAWS is required to make certain contractually required minimum payments each year to fund capital and operating expenses of CRWA. Additionally, SAWS makes payments based on the number of acre feet of water SAWS commits to take in a given year. SAWS currently has access to 6,300 acre feet annually from 2023 through 2028 and 6,800 acre feet annually from 2029 to 2042. The average cost ranges from $973 to $1,451 per acre foot.

Total payments under these water purchase agreements were $28.9 million in 2022 and $35.3 million in 2021. A summary of all estimated future payments under all of these agreements is provided in the following table. The estimated fixed water payments consist of the take or pay commitments under the agreements. The estimated variable water payments will be made only if water is made available to SAWS. The estimates assume price escalations but do not assume the extension of any water purchase agreement. As with any estimate, the actual amounts paid could differ materially.

(dollars in thousands)	2023	2024	2025	2026	2027	Thereafter
Purchased water payments - fixed	$ 24,083	$ 24,390	$ 24,555	$ 24,465	$ 24,858	$ 463,250
Acre feet purchased - fixed	42,507	42,507	41,907	41,307	41,307	834,698
Purchased water payments - variable	$ 16,715	$ 16,995	$ 16,817	$ 16,617	$ 9,717	$ 30,537
Acre feet purchased - variable	13,756	13,532	12,955	12,380	6,876	13,739

In October 2014, the City Council adopted an ordinance, approving the execution of a Water Transmission and Purchase Agreement (Agreement) between the City, acting by and through SAWS, and Vista Ridge LLC (Project Company), pursuant to which the Project Company has committed to make available to SAWS, and SAWS has 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 extension period (up to 20 years) under certain circumstances (hereinafter referred to as the operational phase). The execution of the Agreement represents a significant diversification of the City's water sources, as SAWS projects that Project Water, if delivered at the maximum contractual amount, will account for approximately 20% of SAWS' current annual usage.

Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as a maintenance and operating expense of SAWS from a flow of funds perspective (see Note B), only for Project Water made available at the connection point (which payment will also include the costs of operating and maintaining the Vista Ridge Pipeline Project as described below. SAWS will have no obligation to pay for any debt issued by the Project Company, 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. This action served to lock in the price of the Project Water component of SAWS annual payment requirement at $1,606 per acre foot for the entire 30-year term (and any extension of that term) of the Agreement.

In addition to the Capital and Raw Groundwater Unit Price, SAWS will pay operations and maintenance costs deemed to be compensable by an independent budget panel as a direct pass through under the Agreement as well as electricity costs. Finally, SAWS is responsible for compensating the Project Company for any major repairs and replacement costs, which may arise and are deemed to be compensable by the budget panel.

Delivery of Project Water commenced April 15, 2020. The start of water delivery initiated the 30-year operational phase, during which period SAWS is obligated to pay for Project Water (up to 50,000 acre-feet annually) made available by the Project Company. A total of $102.1 million was spent in 2022 to make contractually required payments for water made available, provide for the operations and maintenance of the pipeline, support the operation of the treatment plant, which receives the water made available and provide for the utility expenses associated with the pipeline and the treatment process.

During early 2020, SAWS paid for approximately 9,000 acre-feet of water that it was not able to receive. Consistent with the terms of the Agreement, SAWS recorded a prepaid asset, which as of December 31, 2022 totaled $3.4 million. Given the priority of water deliveries and payments, it is currently estimated it will take a number of years to fully amortize the prepaid Project Water.

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 up to 50,000 acre-feet annually of untreated groundwater, for an additional 30-year period upon the termination of the Agreement and transfer of the Project to SAWS. The cost of such water at the end of the Agreement will be tied to prevailing Edwards Aquifer agreements.

Because all Project assets will transfer to SAWS at the end of the Agreement, SAWS recorded the capital assets and a contract payable equal to the acquisition value of the Project Company infrastructure of approximately $929.3 million in 2020. During 2022, SAWS recorded depreciation of $24.0 million associated with these assets, while reducing the contract payable through the debt service portion of payments to be made under the contract to $887.8 million as of December 31, 2022. The following table is a schedule of interest and principal payments for each of the next five years and then in five-year increments thereafter.

Year Ended December 31,	Principal	Interest	Total
	(Amounts in thousands)		
2023	$ 17,033	$ 44,426	$ 61,459
2024	17,788	43,839	61,627
2025	18,479	42,980	61,459
2026	19,251	42,208	61,459
2027	20,059	41,400	61,459
2028-2032	114,004	193,628	307,632
2033-2037	141,388	166,075	307,463
2038-2042	178,199	129,264	307,463
2043-2047	230,888	76,575	307,463
2048-2050	130,743	10,192	140,935
Total	$ 887,832	$ 790,587	$ 1,678,419

SAWS has the right to terminate the Agreement at any time by purchasing the Project for the aggregate amount of the outstanding Project Company debt, contract breakage costs and return of and return on equity contributions. SAWS also has the obligation to purchase the Project assets in similar fashion in the event of a SAWS default under the Agreement. The termination payment as of December 31, 2022, was estimated to be approximately $1.1 billion. SAWS also maintains the option to assume rather than pay off the outstanding Project Company debt. Under either scenario, SAWS purchasing of the Project would result in the recording of additional liabilities totaling approximately $200.0 million.

Other Contingencies and Commitments

During 2020, SAWS entered into capital lease agreements for fleet vehicles. The term of each vehicle lease is 5 years. Payments are based on the current market value of the vehicle less a residual value. A 4.5% interest rate was used to calculate the payment. A service charge of $250 per vehicle is due at the end of each lease. In 2020, SAWS recorded a $402,000 capital lease liability associated with these leases, which included the present value of all future payments and the service charge due at the end of the lease. Based on the 2022 implementation of GASB Statement No. 87, all leases were reviewed, and a $250,000 materiality threshold was established for the present value of all future payments. Since the present value of all future payments did not meet the threshold, the remaining net book value of these vehicles were retired, and the capital lease liability was removed.

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately $784.9 million as of December 31, 2022. Funding of this amount will come from excess revenues, contributions from developers, restricted assets, and available commercial paper capacity.

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (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 (DOJ) for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. In June 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas to resolve this enforcement action. 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 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.

Through December 31, 2022, capital expenditures related to the Consent Decree totaled approximately $1.1 billion, 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 annual SSOs, from 538 in 2010 to 152 in 2020 and 174 in 2022.

SAWS operated the Mitchell Lake structural wetlands best management practice and dam spillway (Mitchell Lake) pursuant to a Texas Pollutant Discharge Elimination Permit (Permit) issued by the Texas Commission on Environmental Quality under a delegation of authority from the EPA. In October 2015, the EPA notified SAWS that SAWS violated the effluent discharge limitations provided in that Permit as a result of discharges occurring during significant rainfall events.

On August 18, 2016, SAWS received an Administrative Order from the EPA that alleged SAWS violated the Permit by failing to meet effluent limits, as required by the Permit. Mitchell Lake is not a standard brick and mortar wastewater treatment facility. Instead, Mitchell Lake is a unique and environmentally sensitive natural facility that has become a wildlife refuge and an active destination attraction within the City. Mitchell Lake and adjacent wetlands cover approximately 600 acres and provide an essential habitat where migrating birds can rest and feed. Discharges from Mitchell Lake only occur after significant rainfall events. The intermittent nature of the discharges after rainfall makes traditional treatment options impractical.

Upon receiving the Administrative Order, SAWS began working with consulting experts and conducted preliminary feasibility evaluations of a potential solution that has two major components: (a) modifications to the existing dam with the construction of a new spillway and (b) constructing treatment wetlands of approximately 83 acres below Mitchell Lake.

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 283-acre tract of land, a portion of which is anticipated to be used to implement the water quality treatment wetlands project. On September 23, 2022, SAWS acquired an additional 234-acre tract that will be necessary for the implementation of the project as currently designed. At this time, projected costs for the constructed wetlands project are estimated to be $72.0 million. To date, no monetary penalties have been assessed, although the EPA reserves all rights to seek any appropriate remedies.

In 2020, SAWS partnered with the U.S. Army Corps of Engineers (USACE) on an Aquatic Ecosystem Restoration Feasibility Study for Mitchell Lake. The study identified potential future projects for restoring lost and/or degraded ecological functions in several areas adjacent to Mitchell Lake. SAWS cost-share portion of funding for the study was $520,000.

In 2021, engineering design commenced for the dam modifications, new spillway and constructed wetlands. At the direction of EPA, SAWS explored the conversion of Mitchell Lake from its long-held classification as a wastewater treatment facility to a new classification as a Best Management Practice in a Municipal Separate Storm Sewer System (MS4) permit held jointly by SAWS and the City of San Antonio. The new permit was issued by the Texas Commission on Environment Quality (TCEQ) on December 17, 2021.

On August 11, 2022, the EPA issued a revised schedule of activities extending the completion date to March 31, 2026, in order to allow for completion of additional historical and archaeological review and coordination with appropriate agencies for additional permitting. The project's current timeline sets design to be completed by 2024, with construction expected to be completed by 2026.

NOTE J - PENSION AND RETIREMENT PLANS

SAWS' pension program includes benefits provided by the Texas Municipal Retirement System (TMRS), the San Antonio Water System Retirement Plan (SAWSRP) and the District Special Project Retirement Income Plan (DSPRP).

Texas Municipal Retirement System

SAWS participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (TMRS Board). Although the Governor, with the advice and consent of the Senate, appoints the TMRS Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com.

TMRS provides retirement benefits to eligible SAWS employees. At retirement, the benefit is calculated as if the sum of the employee's contribution, with interest, and the SAWS financed monetary credits with interest were used to purchase an annuity. Members choose to receive their benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions that have been adopted by SAWS are within the options available in the governing state statutes of TMRS. Plan provisions for SAWS for the 2021 and 2020 plan years were as follows:

Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, any/20
Updated Service Credit	100% Repeating
Annuity increase (to retirees)	70% of CPI Repeating

Total number of SAWS participants in TMRS as of the last two actuarial valuation dates is summarized below:

	December 31, 2021	December 31, 2020
Active employees	1,680	1,767
Retirees and beneficiaries currently receiving benefits	1,377	1,326
Inactive members	823	754
Total	3,880	3,847

Under the state law governing TMRS, SAWS' contribution rate is determined annually by the actuary using the Entry Age Normal (EAN) cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Eligible SAWS employees are required to contribute 3% of their annual gross earnings. The employer required contribution rates for SAWS were 3.64% and 3.74% in calendar years 2022 and 2021, respectively. SAWS' contributions to TMRS totaled $4,510,000 and $4,450,000 for the years ended December 31, 2022 and 2021, respectively. These contributions equaled the required contributions.

SAWS Net Pension Liability for the TMRS plan as of December 31, 2022 and 2021 was measured as of December 31, 2021 and 2020, respectively. The Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of the measurement date.

The Total Pension Liability in the December 31, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the mortality study performed in 2013, with factors based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

For fiscal years 2022 and 2021, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the valuation focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Fiscal years 2022 and 2021 had the following target allocations and best estimates of real rates of return for each major asset class. The Long-term Expected Real Rate of Return amounts do not include inflation.

	December 31, 2022		December 31, 2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.0%	7.55%	30.0%	5.30%
Non-Core Fixed Income	20.0%	5.68%	20.0%	4.14%
Real Estate	12.0%	6.85%	10.0%	4.00%
Other Public & Private Markets	12.0%	7.22%	-	-
Private Equity	10.0%	10.00%	10.0%	7.75%
Core Fixed Income	6.0%	2.00%	10.0%	1.25%
Hedge Funds	5.0%	5.35%	-	-
Real Return	-	-	10.0%	3.85%
Absolute Return	-	-	10.0%	3.48%
Total	100.0%		100.0%	

The discount rate of 6.75% was used to measure the Total Pension Liability in the December 31, 2022 and 2021 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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The following table summarizes the changes in the TMRS Net Pension Liability for the year ended December 31, 2022 and 2021 based on the measurement date of December 31, 2021 and 2020, respectively.

Changes in Net Pension Liability - TMRS
($ in thousands)

	2021 Increase (Decrease)			2020 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1,	$ 242,093	$ 225,619	$ 16,474	$ 230,895	$ 211,848	$ 19,047
Changes for the year:						
Service Cost	6,068	-	6,068	6,233	-	6,233
Interest	16,200	-	16,200	15,448	-	15,448
Differences between expected and actual experience	1,214	-	1,214	(189)	-	(189)
Changes in assumptions	-	-	-	-	-	-
Contributions - employer	-	4,450	(4,450)	-	4,440	(4,440)
Contributions - employee	-	3,569	(3,569)	-	3,660	(3,660)
Net investment income	-	29,401	(29,401)	-	16,073	(16,073)
Benefit payments	(10,261)	(10,261)	-	(10,294)	(10,294)	-
Administrative expense	-	(136)	136	-	(104)	104
Other charges	-	1	(1)	-	(4)	4
Net Changes	13,221	27,024	(13,803)	11,198	13,771	(2,573)
Balances at December 31, *	$ 255,314	$ 252,643	$ 2,671	$ 242,093	$ 225,619	$ 16,474

*Based on measurement date of December 31, 2021 and December 31, 2020 respectively

The following table presents the Net Pension Liability for the TMRS plan as of December 31, 2022 and December 31, 2021 calculated using the discount rate of 6.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

TMRS Net Pension Liability/(Asset) *($ in thousands)*

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
December 31, 2022	$ 35,408	$ 2,671	$ (24,559)
December 31, 2021	$ 47,908	$ 16,474	$ (9,657)

San Antonio Water System Retirement Plan

The San Antonio Water System Retirement Plan (SAWSRP) is a single-employer pension plan, which serves as a supplement to SAWS' other retirement benefits. The plan has both a defined benefit and a defined contribution component. SAWS has delegated to Principal Financial Group the authority to manage plan assets and administer the payment of benefits under the plan.

The financial information for SAWSRP is reported in the SAWS Fiduciary Funds financial statements. SAWSRP does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2022 and 2021 is presented in the following tables.

San Antonio Water System Retirement Plan
Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2022			December 31, 2021		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Assets						
Investments	$ 260,949	$ 16,899	$ 277,848	$ 307,118	$ 17,555	$ 324,673
Total Assets	260,949	16,899	277,848	307,118	17,555	324,673
Liabilities	-	-	-	-	-	-
Net position restricted for pension benefits	$ 260,949	$ 16,899	$ 277,848	$ 307,118	$ 17,555	$ 324,673

San Antonio Water System Retirement Plan
Changes in Net Position Restricted for Pension Benefits
(amounts in thousands)
For the years ended

	December 31, 2022			December 31, 2021		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Additions						
Employer Contributions	$ 7,000	$ 2,049	$ 9,049	$ 6,136	$ 1,814	$ 7,950
Employee Contributions	2,165	1,745	3,910	2,219	1,576	3,795
Investment Income	(43,416)	(3,210)	(46,626)	34,841	2,228	37,069
Total additions/(deductions)	(34,251)	584	(33,667)	43,196	5,618	48,814
Deductions						
Pension payments/distributions	11,654	1,186	12,840	10,669	683	11,352
Administrative Expenses	264	54	318	294	52	346
	11,918	1,240	13,158	10,963	735	11,698
Increase (Decrease) in net position	(46,169)	(656)	(46,825)	32,233	4,883	37,116
Net position restricted for pension benefits - beginning	307,118	17,555	324,673	274,885	12,672	287,557
Net position restricted for pension benefits - ending	$ 260,949	$ 16,899	$ 277,848	$ 307,118	$ 17,555	$ 324,673

Defined Benefit Component: Eligible employees hired prior to June 1, 2014, participate in the defined benefit component of the plan. Eligible employees vest in this plan after the completion of five years of service.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of (i) 20 years of vesting service regardless of age or (ii) five years of vesting service and at least age 60. An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

The normal retirement benefit is based upon two factors, average compensation and years of vesting service. Average Compensation is defined as the monthly average of total compensation received for the three consecutive years ending December 31, out of the last ten compensation years prior to normal retirement date which gives the highest average. The normal retirement benefit under SAWSRP is equal to the following:

1. 1.20% of the Average Compensation, times years of credited service not in excess of 25 years, plus
2. 0.75% of the Average Compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
3. 0.375% of the Average Compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of eight alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides disability benefits.

Participants in the defined benefit component of the SAWSRP as of the last two actuarial valuation dates is summarized below:

	January 1, 2022	January 1, 2021
Active employees	895	975
Retirees and beneficiaries currently receiving benefits	1,198	1,145
Inactive members	563	558
Total	2,656	2,678

The funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when they are due. Contribution requirements are established and may be amended by SAWS Board of Trustees. The actuarially determined contributions for 2022 and 2021 were determined using the employer normal cost method. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by participating employees during the year, with an additional amount to finance any unfunded accrued liability. Prior to 2015, active members made no contributions to the plan and all obligations with respect to the defined benefit feature of the plan were paid solely by SAWS. On January 1, 2015, active members began sharing in the cost of providing benefits under the plan by contributing 3% of their compensation.

The Net Pension Asset for the defined benefit component of the SAWSRP as of December 31, 2022 and 2021 was measured as of January 1, 2022 and 2021, respectively. The Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date performed as of the measurement date.

The January 1, 2022 and 2021 valuations included the following actuarial assumptions:

Annual Inflation	2.25%
Rate of Return on Investments	6.25%

Expected salary increases are composed of salary inflation, real wage growth and merit increases reflecting SAWS' salary increase philosophies along with more recent experience of plan participants.

Mortality rates for the January 1, 2022 and January 1, 2021 valuation were based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates that were issued by the Society of Actuaries (SOA). PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The January 1, 2022 valuation was based on MP-2021, the most recent MI scale published in October 2021. The January 1, 2021 valuation was based on MP-2020 published in October 2020.

For the 2022 and 2021 valuations, the expected long-term return on plan assets assumption was developed as a weighted average rate based on target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) May 2020. The capital market assumptions were developed with a primary focus on forward-looking valuation models, interest rates, risk-premium, and long-term performance patterns of the applicable asset classes. Due to the long-term nature of pension obligations, the investment horizon for the CMA 2020 is 20 years. Some of the economic assumptions rely on the Long-Term CMA May 2021, which was an interim update to the CMA 2020 to help ensure that the results are consistent with the current economic situation and outlook.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table. The Long-term Expected Real Rate of Return amounts do not include inflation.

The target investment allocations in effect at January 1, 2022 and January 1, 2021 were:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Total Return	34.0%	2.9%
US Equity - Large Cap	19.0%	5.1%
International Equity	10.0%	3.9%
US Mid Cap Equity	10.0%	7.4%
International Small/Mid Equity	7.0%	6.4%
US Small Cap Equity	7.0%	5.8%
Real Estate	7.0%	6.8%
High Yield Bond	6.0%	4.7%
Total	100.0%	

The discount rate used to measure the Total Pension Liability at December 31, 2022 and December 31, 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on actuarial determined amounts. Based on that assumption, the SAWSRP defined benefit component's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following table summarizes the changes in the SAWSRP Net Pension Asset for the year ended December 31, 2022 and 2021 based on the measurement date of January 1, 2022 and January 1, 2021, respectively.

Changes in Net Pension Asset - SAWSRP
($ in thousands)

	2022 Increase (Decrease)			2021 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at January 1,	$ 272,187	$ 274,885	$ (2,698)	$ 261,816	$ 242,461	$ 19,355
Changes for the year:						
Service Cost	5,036	-	5,036	5,187	-	5,187
Interest	17,026	-	17,026	16,403	-	16,403
Differences between expected and actual experience	2,224	-	2,224	(66)	-	(66)
Changes in assumptions	413	-	413	(1,063)	-	(1,063)
Contributions - employer	-	6,136	(6,136)	-	9,131	(9,131)
Contributions - employee	-	2,219	(2,219)	-	2,095	(2,095)
Net investment income	-	34,840	(34,840)	-	31,582	(31,582)
Benefit payments	(10,669)	(10,669)	-	(10,090)	(10,090)	-
Administrative expense	-	(293)	293	-	(294)	294
Net Changes	14,030	32,233	(18,203)	10,371	32,424	(22,053)
Balances at December 31,*	$ 286,217	$ 307,118	$ (20,901)	$ 272,187	$ 274,885	$ (2,698)

*Based on measurement date of January 1, 2022 and January 1, 2021 respectively

The following table presents the Net Pension Liability/(Asset) associated with the defined benefit component of the SAWSRP calculated at December 31, 2022 and December 31, 2021 using the discount rate of 6.25%, as well as what the Net Pension Liability/(Asset) would be if it were calculated using a discount rate of one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

SAWSRP Net Pension Liability/(Asset) *($ in thousands)*

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
December 31, 2022	$ 15,602	$ (20,901)	$ (51,259)
December 31, 2021	$ 32,580	$ (2,698)	$ (31,986)

Defined Contribution Component: Eligible employees hired on or after June 1, 2014 participate in the defined contribution component of the SAWSRP. SAWS contributes 4% of participant's compensation into an individual retirement account. Participants are required to contribute 3% of their compensation into their individual retirement account. Contributions under the defined contribution feature of the plan are made to participants' individual retirement accounts on a bi-weekly basis based on the participants' compensation during the period. An eligible employee totally vests in SAWS contributions to the individual retirement account after one year of service and immediately vests in the employee's contributions to the plan. The employee directs the investments in their individual retirement account. SAWS has no liability for losses under the defined contribution component of the SAWSRP but does have the usual fiduciary responsibilities of a plan sponsor.

During the year ended December 31, 2022, SAWS made contributions to participants' individual retirement accounts totaling $2,049,000, net of forfeitures of $38,000 and employees contributed $1,745,000. During the year ended December 31, 2021, SAWS made contributions to participants' individual retirement accounts totaling $1,814,000, net of forfeitures of $21,000 and employees contributed $1,576,000.

District Special Project Retirement Income Plan

District Special Project Retirement Income Plan (DSPRP) is a single-employer defined benefit pension plan that covers all eligible employees. The plan was originally established by Bexar Metropolitan Water District (BexarMet) to provide pension benefits to its employees. In 2008, the BexarMet Board elected to freeze pension benefits and entry into the plan effective September 30, 2008. In 2012, BexarMet was dissolved and all its assets and liabilities were transferred to the San Antonio Water System District Special Project (DSP). The plan was renamed District Special Project Retirement Income Plan. In 2016, DSP was merged into SAWS and DSPRP is now governed by SAWS, which is authorized to establish and amend all plan provisions. SAWS has delegated the authority to manage plan assets and administer the payment of benefits under the plan to Standard Insurance Company.

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The financial information for DSPRP is reported in the SAWS Fiduciary Funds financial statements. DSPRP does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2022 and 2021 is presented in the following tables.

District Special Project Retirement Income Plan
Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2022	December 31, 2021
Assets		
Investments	$ 7,203	$ 8,475
Total Assets	7,203	8,475
Liabilities	-	-
Net position restricted for pension benefits	$ 7,203	$ 8,475

District Special Project Retirement Income Plan
Changes in Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2022	December 31, 2021
Additions		
Employer Contributions	$ 138	$ 175
Investment Income (Loss)	(1,034)	1,049
Total additions/(deductions)	(896)	1,224
Deductions		
Pension payments/distributions	370	378
Administrative Expenses	6	7
	376	385
Increase/(Decrease) in net position	(1,272)	839
Net position restricted for pension benefits - beginning	8,475	7,636
Net position restricted for pension benefits - ending	$ 7,203	$ 8,475

Prior to freezing entry into the plan, employees were eligible to enter on May 1st or November 1st following the completion of 12 months of employment and attaining age 21. Participating employees accrued benefits if they worked at least 1,000 hours per plan year. Eligible employees vested in this plan after the completion of five years of service. Employees are 100% vested in any benefits derived from employee contributions regardless of years of service. A terminating participant who has completed five years of service is entitled to receive a vested benefit starting on his/her normal retirement date.

The normal retirement benefit upon retirement is a percentage of average monthly earnings. Prior to March 1, 1996, the monthly benefit was 60% of average monthly earnings reduced proportionately for less than 15 years of service. Effective March 1, 1996, the monthly benefit was 40% of average monthly earnings reduced proportionately for less than 20 years of service. Prior to March 1, 1996, average monthly earnings were based on the monthly earnings during the five consecutive and complete calendar years that produced the highest average. After March 1, 1996, average monthly earnings are determined by the ten consecutive and complete calendar years after December 31, 1990, which produce the highest average. Upon retirement, retirees may choose from 3 different types of annuities or receive a single lump sum distribution.

Participants in DSPRP as of the last two actuarial valuation dates is summarized below:

	January 1, 2022	January 1, 2021
Active employees	84	90
Retirees and beneficiaries currently receiving benefits	13	12
Inactive members	40	38
Total	137	140

The plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits as they come due. Contribution requirements are established and may be amended by the Board. The unit credit method was used to calculate the actuarial determined contribution for 2022 and 2021. Under this method, the actual or expected accrued benefit of each participant is allocated to the year in which it accrues. The normal cost is the present value of benefits expected to accrue in the current year.

The Net Pension Asset for DSPRP as of December 31, 2022 and 2021 was measured as of January 1, 2022 and 2021, respectively. The Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date performed as of the measurement date.

The January 1, 2022 and 2021 valuations included the following actuarial assumptions:

Annual Inflation	2.25%
Rate of Return on Investments	6.25%

For 2022 and 2021, mortality rates are based on the SOA RP-2014 table projected on a fully generational basis using mortality improvement scale MP-2018. Due to the limited size of this plan and the frozen nature of benefits under the plan, an experience study has not been done.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the January 1, 2022 and January 1, 2021 valuations are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	36.0%	4.85%
Fixed Income	40.0%	1.40%
International Equity	17.0%	5.05%
Real Estate	7.0%	4.05%

The discount rate used to measure the total pension liability at December 31, 2022 and December 31, 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The following table summarizes the changes in the DSPRP Net Pension Asset for the year ended December 31, 2022 and 2021 based on the measurement date of January 1, 2022 and 2021 respectively.

Changes in Net Pension Asset - DSPRP
($ in thousands)

	2022 Increase (Decrease)			2021 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at January 1,	$ 6,766	$ 7,636	$ (870)	$ 6,149	$ 6,652	$ (503)
Changes for the year:						
Service Cost	209	-	209	241	-	241
Interest	420	-	420	409	-	409
Differences between expected and actual experience	(62)	-	(62)	375	-	375
Changes in assumptions	-	-	-	-	-	-
Contributions - employer	-	175	(175)	-	400	(400)
Net investment income	-	1,049	(1,049)	-	998	(998)
Benefit payments	(378)	(378)	-	(408)	(408)	-
Administrative expense	-	(7)	7	-	(6)	6
Net Changes	189	839	(650)	617	984	(367)
Balances at December 31,*	$ 6,955	$ 8,475	$ (1,520)	$ 6,766	$ 7,636	$ (870)

*Based on measurement date of January 1, 2022 and January 1, 2021 respectively

The following table presents the DSPRP Net Pension Asset calculated at December 31, 2022 and December 31, 2021 using the discount rate of 6.25%, as well as what the Net Pension Asset would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

	DSPRP Net Pension Asset *($ in thousands)*		
	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
December 31, 2022	$ (1,046)	$ (1,520)	$ (1,927)
December 31, 2021	$ (372)	$ (870)	$ (1,296)

Other Pension Disclosures

For the years ended December 31, 2022 and December 31, 2021, SAWS recognized pension expense under the TMRS, SAWSRP and DSPRP plans as follows:

($ in thousands)
Year-ended December 31,

	2022	2021
TMRS	$ (1,037)	$ 1,766
SAWSRP - defined benefit	(6,565)	(476)
SAWSRP - defined contribution	2,049	1,814
DSPRP	(253)	(39)
	$ (5,806)	$ 3,065

Amounts payable to the pension plans by SAWS for contributions totaled $209,000 at December 31, 2022 and $225,000 at December 31, 2021.

The following table summarizes the Deferred Outflows of Resources, Net Pension Liability/(Asset) and Deferred Inflows of Resources for each of the plans as reported in the Statement of Net Position for December 31, 2022 and 2021.

($ in thousands)	December 31, 2022			December 31, 2021		
Plan	Deferred Outflows of Resources	Net Pension Liability / (Asset)	Deferred Inflows of Resources	Deferred Outflows of Resources	Net Pension Liability / (Asset)	Deferred Inflows of Resources
TMRS	$ 5,724	$ 2,671	$ 15,201	$ 4,933	$ 16,474	$ 6,153
SAWSRP	8,515	(20,901)	30,153	7,870	(2,698)	24,872
DSPRP	689	(1,520)	1,767	869	(870)	1,687
Total - All Plans	$ 14,928	$ (19,750)	$ 47,121	$ 13,672	$ 12,906	$ 32,712

At December 31, 2022, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS pension plans related to the following sources:

December 31, 2022

	TMRS		SAWSRP		DSPRP		All Plans	
($ in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$ 4,510	$ -	$ 7,000	$ -	$ 138	$ -	$ 11,648	$ -
Differences between expected and actual experience	1,144	106	1,278	15	339	768	2,761	889
Effects of changes in assumption	70	-	237	232	212	-	519	232
Net Difference between projected and actual earnings on pension plan investments	-	15,095	-	29,906	-	999	-	46,000
	$ 5,724	$ 15,201	$ 8,515	$ 30,153	$ 689	$ 1,767	$ 14,928	$ 47,121

At December 31, 2021, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS pension plans related to the following sources:

	TMRS		SAWSRP		DSPRP		All Plans	
($ in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$ 4,450	$ -	$ 6,136	$ -	$ 175	$ -	$ 10,761	$ -
Differences between expected and actual experience	366	148	850	58	424	899	1,640	1,105
Effects of changes in assumption	117	-	884	1,090	270		1,271	1,090
Net Difference between projected and actual earnings on pension plan investments	-	6,005	-	23,724	-	788	-	30,517
	$ 4,933	$ 6,153	$ 7,870	$ 24,872	$ 869	$ 1,687	$ 13,672	$ 32,712

Contributions made after the measurement date of $11,648,000 will be recognized as a reduction of the Net Pension Liability for the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	*($ in thousands)*			
December 31,	SAWSRP	TMRS	DSPRP	Combined
2023	$ (6,769)	$ (2,246)	$ (332)	$ (9,347)
2024	(11,525)	(6,114)	(423)	(18,062)
2025	(6,810)	(2,947)	(299)	(10,056)
2026	(3,534)	(2,680)	(172)	(6,386)
2027	-	-	13	13
Thereafter	-	-	(3)	(3)

The following table summarizes the components of the Net Pension Liability/(Asset) at December 31, 2022 and 2021 for the pension plans included in SAWS Fiduciary Fund Statements in accordance with *GASB 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement 25*.

	December 31, 2022 (a)		December 31, 2021	
($ in thousands)	SAWSRP	DSPRP	SAWSRP	DSPRP
Total pension liability	$ 295,649	$ 7,052	$ 286,217	$ 6,955
Plan fiduciary net position	260,949	7,202	307,118	8,475
Net pension liability / (asset)	$ 34,700	$ (150)	$ (20,901)	$ (1,520)
Plan fiduciary net position as a percentage of the total pension liability	88.3%	102.1%	107.3%	121.9%

(a) Actuarial valuation performed at January 1, 2022 was rolled forward to December 31, 2022

Deferred Compensation Plans

In November 2019, SAWS consolidated its prior deferred compensation plans into one plan with Empower Retirement, who acts as an independent administrator of the plan. The plan complies with Section 457(b) of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments) and is classified as an other employee benefit plan for accounting and financial reporting basis. Employee participation is voluntary, and SAWS makes no contributions to this plan. Empower Retirement issues a publicly available financial report that includes financial information relating to participating entities. The report may be obtained at: https://www.empower-retirement.com/about/financial-strength.

NOTE K – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to providing pension benefits described in Note J, SAWS provides certain health care and life insurance benefits for eligible retirees, their spouses, and their dependents through San Antonio Water System Retiree Health Trust (SAWS OPEB Plan), a single-employer defined benefit plan administered by SAWS. The authority to establish and amend the SAWS OPEB Plan provisions is vested in the Board.

The financial information for SAWS OPEB Plan is reported in the fiduciary funds statements. SAWS OPEB Plan does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2022 and 2021 is presented in the following tables.

San Antonio Water System Retiree Health Plan
Net Position Restricted for Post Employment Benefits
(amounts in thousands)

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 217	$ 146
Investments	107,363	121,374
Total assets	107,580	121,520
Liabilities	-	-
Net position restricted for other post employment benefits	$ 107,580	$ 121,520

Changes in Net Position Restricted for Post Employment Benefits
For the year ended December 31,
(amounts in thousands)

	2022	2021
Additions		
Employer contributions	$ 9,300	$ 10,442
Investment income/(loss)	(18,871)	12,260
Total additions/(deductions)	(9,571)	22,702
Deductions		
Benefit payments	4,200	5,342
Administrative expenses	169	177
Total deductions	4,369	5,519
Increase in net position	(13,940)	17,183
Net position restricted for other post employment benefits - beginning	121,520	104,337
Net position restricted for other post employment benefits - ending	$ 107,580	$ 121,520

By state law, any employee that retires under a SAWS retirement plan is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Retirees may also purchase coverage for their spouse and qualifying dependents at group rates partially subsidized by SAWS. Any plan participant eligible for Medicare is required to enroll in a Medicare Advantage Plan. No supplemental health benefits are provided to those participants enrolled in Medicare Advantage Plans. Employees hired after December 31, 2013 will not be eligible for any subsidized medical benefits upon retirement from SAWS.

Participants in the SAWS OPEB Plan as of January 1, 2022 and 2021 consisted of the following:

	January 1, 2022	January 1, 2021
Active Employees	878	957
Retired Employees	771	801
Total	1,649	1,758

The contribution requirements of plan participants are established and may be amended by the Board. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Plan participants made contributions toward plan benefits totaling $1,747,000 in 2022 and 1,840,000 in 2021.

SAWS contributions to the plan are also established by the Board. Prior to 2012, SAWS only funded the shortfall between annual benefit payments and retiree contributions ("current benefit payments"). In March 2012, SAWS established a trust for the purpose of prefunding future benefit payments for eligible retirees and their dependents. In addition to making contributions to the trust, SAWS has continued to fund current benefit payments outside of the trust. SAWS intends to fund current benefit payments as well as make annual contributions to the trust in accordance with a plan that, at a minimum, fully funds the actuarially determined annual required contributions for these benefits thereby improving the funded status of the SAWS OPEB Plan over a period of time.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between SAWS and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following table summarizes the actuarial methods and assumptions used in the most recent actuarial valuations for the SAWS OPEB Plan.

Actuarial Valuation Date	January 1, 2022	January 1, 2021
Actuarial Value of Assets	Market Value	Market Value
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Method	12 Years - Closed	13 Years - Closed
Actuarial Assumptions		
Investment Rate of Return	6.25%	6.25%
Inflation Rate	2.50%	2.50%
Healthcare Cost Trend:		
Initial	6.00%	6.00%/-2.00%*
Ultimate	3.94%	4.04%

*Pre-65 initial trend is 6.00%. Post 65 trend is -2.00%.

Mortality rates for the January 1, 2022 valuation were based Pub-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2021 published in October 2021.

Mortality rates for the January 1, 2021 valuation were based Pub-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2020 published in October 2020.

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The following table summarizes the changes in Net OPEB Liability/(Asset) at December 31, 2022 and December 31, 2021

Changes in Net OPEB Liability/(Asset) - SAWS OPEB Plan
($ in thousands)

	2022 Increase (Decrease)			2021 Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1,	$ 120,795	$ 104,337	$ 16,458	$ 124,276	$ 83,277	$ 40,999
Changes for the year:						
Service Cost	1,712	-	1,712	1,750	-	1,750
Interest	7,491	-	7,491	7,688	-	7,688
Differences between expected and actual experience	(5,859)	-	(5,859)	(8,867)	-	(8,867)
Changes in assumptions	(3,799)	-	(3,799)	2,089	-	2,089
Changes in terms	(32,517)	-	(32,517)	-	-	-
Contributions - employer	-	10,442	(10,442)	-	13,641	(13,641)
Net investment income	-	12,260	(12,260)	-	13,747	(13,747)
Benefit payments	(5,342)	(5,342)	-	(6,141)	(6,141)	-
Administrative expense	-	(177)	177	-	(187)	187
Net Changes	(38,314)	17,183	(55,497)	(3,481)	21,060	(24,541)
Balances at December 31,*	$ 82,481	$ 121,520	$ (39,039)	$ 120,795	$ 104,337	$ 16,458

*Based on measurement date of January 1, 2022 and January 1, 2021 respectively

The following table presents the change in the SAWS OPEB Plan Net OPEB Liability/(Asset) calculated at December 31, 2022 and 2021 assuming healthcare cost trends decrease or increase by one percentage point from the assumptions used in Total OPEB liability.

($ in thousands)

	1% Decrease	Current Assumptions	1% Increase
December 31, 2022	$ (41,841)	$ (39,039)	$ (35,941)
December 31, 2021	$ 7,630	$ 16,458	$ 27,032

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The target allocation and best estimates of arithmetic real rates of return for each major asset class for January 1, 2022 and January 1, 2021 are summarized in the following table. The Long-term Expected Real Rate of Return amounts do not include inflation.

	January 1, 2022		January 1, 2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income - Core Bond	37.0%	1.42%	37.0%	1.46%
Domestic Equity - Large Cap	30.4%	6.54%	30.4%	6.54%
Foreign Equity - Developed International	11.3%	5.93%	11.3%	5.93%
Domestic Equity - Small Cap	6.4%	8.06%	6.4%	8.06%
Domestic Equity - Mid Cap	6.3%	7.36%	6.3%	7.36%
Foreign Equity - Emerging Markets	3.1%	8.28%	3.1%	8.28%
Fixed Income - High Yield	3.0%	4.14%	3.0%	4.46%
Real Estate	2.5%	6.14%	2.5%	6.14%
Total	100.0%		100.0%	

The discount rate used to measure the Total OPEB Liability at December 31, 2022 and December 31, 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

The following table presents the SAWS OPEB Plan Net OPEB Liability/(Asset) calculated at December 31, 2022 and December 31, 2021 using the current discount rate of 6.25%, as well as what the Net OPEB Liability/(Asset) would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

($ in thousands)

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
December 31, 2022	$ (30,819)	$ (39,039)	$ (45,989)
December 31, 2021	$ 30,909	$ 16,458	$ 4,443

SAWS recognized ($44,318,000) in OPEB expense for the fiscal year ended December 31, 2022 based on a measurement date of December 31, 2021 and ($7,521,000) in OPEB expense for the fiscal year ended December 31, 2021 based on a measurement date of December 31, 2020.

The following table summarizes Deferred Outflows of Resources and Deferred Inflows of Resources associated with the SAWS OPEB Plan at December 31, 2022 and December 31, 2021 from the following sources.

($ in thousands)	2022 Deferred Outflows of Resources	2022 Deferred Inflows of Resources	2021 Deferred Outflows of Resources	2021 Deferred Inflows of Resources
Contributions made after the measurement date	$ 9,300	$ -	$ 10,442	$ -
Differences between expected and actual experience	-	17,147	-	21,371
Effects of changes in assumption	1,254	4,145	2,376	1,957
Net Difference between projected and actual earnings on OPEB plan investments	-	11,601	-	9,951
	$ 10,554	$ 32,893	$ 12,818	$ 33,279

Contributions made after the measurement date of $9,300,000 will be recognized as a reduction of the Net OPEB Liability for the year ending December 31, 2023. Other amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended December 31,	*($ in thousands)*
2023	$ (11,265)
2024	(12,706)
2025	(6,551)
2026	(1,117)
Thereafter	-

The components of the Net OPEB Asset for the SAWS OPEB Plan at December 31, 2022 and 2021 were as follows:

($ in thousands)	December 31, 2022(a)	December 31, 2021
Total OPEB liability	$ 81,162	$ 82,481
Plan fiduciary net position	107,580	121,520
Net OPEB asset	$ (26,418)	$ (39,039)
Plan fiduciary net position as a percentage of the total OPEB liability	132.5%	147.3%

(a) Actuarial valuation performed at January 1, 2022 was rolled forward to December 31, 2022

NOTE L – ASSET RETIREMENT OBLIGATIONS (AROs)

SAWS adopted GASB Statement No. 83, *Certain Asset Retirement Obligations,* effective January 1, 2019. SAWS accounts for Asset Retirement Obligations (AROs) by recognizing the total obligation as a liability based on the best estimate of the current value of expenditures expected to be incurred once the assets are retired. The statement requires the effects of inflation or deflation on the ARO liability be adjusted annually. In addition to the ARO liability, SAWS has recorded associated outflows of resources that are being amortized over the remaining useful life of the respective asset groups. The total liability for AROs was $40,305,000 at December 31, 2022 and $36,191,000 at December 31, 2021. The following asset groups have been included in the ARO liability reflected in the Statements of Net Position.

Wastewater Treatment Plants (WTPs) – SAWS operates three WTPs in its service area, while also maintains Mitchell Lake, which was previously classified as a WTP. Due to the environmentally sensitive nature and ongoing wetlands project at the plant, the remaining life and the cost to decommission this site are not reasonably estimable and are not included in the ARO liability. The average remaining useful life of the other WTPs is 47 years. TCEQ requires that a WTP be decommissioned once no longer in service. The cost for decommissioning the other three plants was $38,920,000 at December 31, 2022 and $34,778,000 at December 31, 2021. The cost was determined using data from various 2006 contracts relating to the decommissioning of the Salado Creek WTP. The cost included a 10% design allowance. The data from the contracts was inflated to 2022 and 2021 dollars, respectively.

Underground Storage Tanks (USTs) – SAWS maintains 10 USTs across its service area for servicing fleet vehicles. Texas State Law, 30 Texas Administrative Code Chapter 334, requires that USTs be removed from the ground when they are no longer in use. The cost to remove these USTs from the ground is estimated to be $868,000 at December 31, 2022 and $917,000 at December 31, 2021. The cost was determined using data from a 2020 contract to remove two USTs at the Van Dyke Service Center. The cost includes a 10% design allowance. There was one UST removed in 2022 and two USTs were removed in 2021.

Desalination Injection Wells – SAWS currently has two injection wells in use with the desalination process. In connection with desalination injection well permits obtained by SAWS from TCEQ, SAWS has an obligation to plug the injection wells once the wells are no longer in service. These wells became operational in 2016 and have a remaining useful life of 43 years based on SAWS experience with other wells throughout the system. The cost to plug these wells was estimated to be $517,000 at December 31, 2022 and $496,000 at December 31, 2021. Data from past contracts for well plugging from 2012 to 2018 was used to determine the costs to plug the various wells currently in service. The contract data was inflated to 2022 and 2021 dollars, respectively. The cost includes a 10% design allowance.

The following table summarizes the ARO activity for 2022 and 2021.

	(amounts in thousands)				
	AROs Beginning of Year	Increases to AROs	AROs Retired	AROs at End of Year	AROs Due Within One Year
Year Ended December 31, 2022	$ 36,191	$ 4,255	$ 141	$ 40,305	$ -
Year Ended December 31, 2021	$ 35,942	$ 490	$ 241	$ 36,191	$ -

NOTE M – LEASES

For the year ended December 31, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. This Statement covers leases where the entity is the lessee and the lessor. SAWS has agreements for each type. SAWS reviewed all the leases where SAWS is the lessee and determined these leases are not material to the financials. As a result, SAWS did not record any lease liabilities or Deferred outflows – leases on the Statements of Net Position. SAWS examined all agreements where SAWS is the lessor and recorded seven leases that are material to the financials and have been included in the Statements of Net Position.

Six of these leases are for rental of space on various water towers which allow cell phone providers to attach transmitter equipment and may include space on the ground for the installation of support equipment. The seventh lease is for acreage at one of SAWS' water treatment plants for the installation of solar panel equipment for the production of electricity. Once a lease is complete, the lessee is responsible for removing all equipment. The remaining terms of the leases range from 5 to 22 years inclusive of any anticipated renewal options. These leases were recorded at the net present value of all future payments. None of the lessor agreements are a principal part of SAWS' ongoing operations nor are they subject to paragraph 58 of GASB Statement No. 87.

During 2022, SAWS recognized $288,000 as lease revenue and $132,000 in interest revenue. For 2021, SAWS recognized $406,000 as lease revenue. SAWS did not recognize interest revenue related to leases as it was considered immaterial to the financial statements.

NOTE N – RESTATED NET POSITION

Effective January 1, 2022, SAWS implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 requires the effects of accounting change to be applied retroactively by restating the financial statements. SAWS adopted GASB Statement No. 87 in 2022 and accordingly, has restated amounts of the affected balances within the financial statements for the fiscal year ending December 31, 2021 as follows:

($ in thousands)	As Originally Reported	As Restated	Effects of Change
Statement of Net Assets			
Unrestricted Current Assets			
Accounts Receivable, net of allowances for uncollectible accounts	$ 85,303	$ 85,591	$ 288
Total current assets	85,303	85,591	288
Noncurrent Assets			
Lease receivables, greater than one year	-	4,264	4,264
Total noncurrent liabilities	-	4,264	4,264
Deferred Inflows of Resources			
Deferred Inflows - leases	-	4,552	4,552
Total Deferred Inflows - leases	-	4,552	4,552
Total Net Position	$ 4,062,684	$ 4,062,684	$ -

NOTE O – SPECIAL ITEM

As discussed previously in Note I, SAWS has a commitment to purchase 19,974-acre feet of untreated water annually from Medina Lake. In order to treat this water, SAWS maintains a surface water treatment plant. Due to ongoing water quality concerns, this plant has been idle since 2015. In connection with its ongoing Water Management Plan update, it was determined that, current available water supplies are expected to be sufficient to meet customers' demand in the foreseeable future without utilizing the Medina supplies. Based upon this information, the projected costs to rehabilitate the facility and ongoing concerns about the source water availability, the plant was deemed permanently impaired as of December 31, 2022. The $7.2 million remaining book value of the plant was written off and the loss has been recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

NOTE P – SUBSEQUENT EVENTS

On March 10, 2023, SAWS extended the Revolving Credit Agreements with JPMorgan Chase supporting $400 million in Commercial Paper Notes, Series A through October 4, 2026. The existing Revolving Credit Agreement with Wells Fargo Bank, N.A. supporting $100 million in Commercial Paper Notes, Series B expires January 5, 2024.

REQUIRED SUPPLEMENTAL INFORMATION

Texas Municipal Retirement System - San Antonio Water System
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
($ in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service Cost	$ 6,068	$ 6,233	$ 5,733	$ 5,551	$ 5,332	$ 4,979	$ 4,810	$ 4,379
Interest	16,200	15,448	14,670	13,952	13,268	12,623	12,480	11,960
Differences between expected and actual	1,214	(189)	499	240	54	29	(1,311)	(1,717)
Changes of assumptions	-	-	211	-	-	-	433	-
Benefit payments	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)	(7,461)
Net change in pension liability	13,221	11,198	11,721	10,783	10,322	9,445	9,075	7,161
Total pension liability at beginning of year	242,093	230,895	219,174	208,391	198,069	188,624	179,549	172,388
Total pension liability at end of year (a)	$ 255,314	$ 242,093	$ 230,895	$ 219,174	$ 208,391	$ 198,069	$ 188,624	$ 179,549
Plan fiduciary net position								
Contributions - Employer	$ 4,450	$ 4,440	$ 4,095	$ 4,059	$ 3,852	$ 3,609	$ 3,953	$ 3,721
Contributions - Employee	3,569	3,660	3,412	3,291	3,149	2,935	2,892	2,722
Net investment income	29,401	16,073	28,632	(5,773)	23,639	10,909	239	8,818
Benefit payments	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)	(7,461)
Administrative expenses	(136)	(104)	(162)	(111)	(123)	(123)	(146)	(92)
Other	1	(4)	(5)	(6)	(6)	(7)	(7)	(8)
Net change in plan fiduciary net position	27,024	13,771	26,580	(7,500)	22,179	9,137	(406)	7,700
Plan fiduciary net position at beginning of year	225,619	211,848	185,268	192,768	170,589	161,452	161,858	154,158
Plan fiduciary net position at end of year (b)	$ 252,643	$ 225,619	$ 211,848	$ 185,268	$ 192,768	$ 170,589	$ 161,452	$ 161,858
Net pension liability (a) - (b)	$ 2,671	$ 16,474	$ 19,047	$ 33,906	$ 15,623	$ 27,480	$ 27,172	$ 17,691
Plan fiduciary net position as a percentage of the total pension liability	99.0%	93.2%	91.8%	84.5%	92.5%	86.1%	85.6%	90.1%
Covered payroll	$ 118,981	$ 121,984	$ 113,750	$ 109,703	$ 104,960	$ 97,818	$ 96,389	$ 90,721
Net pension liability as a percentage of total Covered payroll	2.2%	13.5%	16.7%	30.9%	14.9%	28.1%	28.2%	19.5%

Notes to Schedule:

Changes of assumptions: In 2015, the long term rate of return was reduced from 7% to 6.75%. In 2015, mortality rates were updated to reflect updated historical data.

Other: GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 8 years of data is available. A full 10 years of data will be presented by 2024.

Texas Municipal Retirement System - San Antonio Water System
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,510	$ 4,450	$ 4,440	$ 4,095	$ 4,059	$ 3,852	$ 3,609	$ 3,672	$ 3,721
Contributions in relation to the actuarially determined contribution	4,510	4,450	4,440	4,095	4,059	3,852	3,609	3,953	3,721
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (281)	$ -
Covered payroll	$ 123,902	$ 118,981	$ 121,984	$ 113,750	$ 109,703	$ 104,960	$ 97,818	$ 96,389	$ 90,721
Contributions as a percentage of covered payroll	3.64%	3.74%	3.64%	3.60%	3.70%	3.67%	3.69%	4.10%	4.10%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of December 31st and become effective 12 months later on January 1st.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	For 2022, the remaining amortization period is 24 years. In 2015, the remaining amortization period was adjusted to 30 years from 23 years in 2014.
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	In 2015, the inflation rate was changed to 2.5% from 3.0% in 2014.
Salary increases	The assumption was 3.5% to 11.5% for 2020 to 2022, 3.5% to 10.5% for 2015 to 2019 and 3.5% to 12.0% in 2014. All percentages include inflation.
Investment rate of return	In 2015, the investment rate of return was lowered from 7.0% to 6.75%.
Retirement age	Experience-based table of rates that are specific to SAWS' plan of benefits. Last updated for the 2019 valuation puruant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other: GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be presented by 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	$ 4,933	$ 5,036	$ 5,187	$ 5,464	$ 5,629	$ 5,859	$ 5,724	$ 5,004	$ 5,204
Interest	17,869	17,026	16,403	16,282	15,101	14,354	13,680	12,596	11,709
Changes of benefit terms	-	-	-	-	-	-	-	4,339	-
Differences between expected and actual experience	(1,716)	2,224	(66)	1,700	1,926	(1,394)	712	555	(622)
Changes of assumptions	-	413	(1,063)	(1,534)	4,653	1,152	5,532	(405)	2,771
Benefit payments	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)	(6,318)	(5,796)
Net change in pension liability	9,432	14,030	10,371	12,554	18,694	11,997	18,365	15,771	13,266
Total pension liability at beginning of year	286,217	272,187	261,816	249,262	230,568	218,571	200,206	184,435	171,169
Total pension liability at end of year (a)	$ 295,649	$ 286,217	$ 272,187	$ 261,816	$ 249,262	$ 230,568	$ 218,571	$ 200,206	$ 184,435
Plan fiduciary net position									
Contributions - Employer	$ 7,000	$ 6,136	$ 9,131	$ 9,131	$ 7,923	$ 7,982	$ 7,367	$ 7,890	$ 10,339
Contributions - Employee	2,165	2,219	2,095	2,528	2,434	2,484	2,533	2,357	-
Net investment income / (loss)	(43,416)	34,840	31,582	38,722	(7,767)	30,741	6,971	1,215	15,695
Benefit payments	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)	(6,318)	(5,796)
Administrative expenses	(264)	(293)	(294)	(309)	(360)	(380)	(195)	(17)	-
Net change in plan fiduciary net position	(46,169)	32,233	32,424	40,714	(6,385)	32,853	9,393	5,127	20,238
Plan fiduciary net position at beginning of year	307,118	274,885	242,461	201,747	208,132	175,279	165,886	160,759	140,521
Plan fiduciary net position at end of year (b)	$ 260,949	$ 307,118	$ 274,885	$ 242,461	$ 201,747	$ 208,132	$ 175,279	$ 165,886	$ 160,759
Net pension liability/(asset) (a) - (b)	$ 34,700	$ (20,901)	$ (2,698)	$ 19,355	$ 47,515	$ 22,436	$ 43,292	$ 34,320	$ 23,676
Plan fiduciary net position as a percentage of the total pension liability	88.3%	107.3%	101.0%	92.6%	80.9%	90.3%	80.2%	82.9%	87.2%
Covered payroll	$ 68,883	$ 75,822	$ 74,643	$ 76,320	$ 78,348	$ 79,417	$ 83,493	$ 85,299	$ 83,812
Net pension liability as a percentage of total covered payroll	50.4%	-27.6%	-3.6%	25.4%	60.6%	28.3%	51.9%	40.2%	28.2%

Notes to Schedule:

Current year calculation: Total pension liability at December 31, 2022 is based on a rollforward of the January 1, 2022 actuarial valuation.

Benefit Changes: In 2015, the normal form of distribution changed and a mandatory employee contribution of 3% was instituted. Effective June 1, 2014, the defined benefit plan was frozen to new entrants.

Changes of assumptions: In 2020, retirement age assumptions were changed to reflect more recent experience. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the SOA. In 2017 through 2022, the mortality assumption was updated for the latest improvement scale. In 2020, the long term rate of return was adjusted to 6.25%. In 2016, the long term rate of return was reduced to 6.5%. In 2015, mortality rates were updated to reflect historical data. In 2014, the long term rate of return was reduced to 6.75%.

Other: No changes to plan or assumptions for 2022. GASB 68 requires 10 years of data to be provided. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be available by 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,428	$ 6,136	$ 7,723	$ 9,131	$ 7,923	$ 7,982	$ 7,367	$ 7,890	$ 10,339
Contributions in relation to the actuarially determined contribution	7,000	6,136	9,131	9,131	7,923	7,982	7,367	7,890	10,339
Contribution deficiency/(excess)	$ (2,572)	$ -	$ (1,408)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 68,883	$ 75,822	$ 74,643	$ 76,320	$ 78,348	$ 79,417	$ 83,493	$ 85,299	$ 83,812
Contributions as a percentage of covered payroll	10.2%	8.1%	12.2%	12.0%	10.1%	10.1%	8.8%	9.2%	12.3%

Notes to Schedule:
Valuation date: Actuarially determined contributions are determined as of January 1st of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Remaining amortization period	Unfunded Liability at December 31, 2013 of $40,551,000 is being amortized over a 15 fixed year period. The annual impact of experience gains/losses, plan amendments and changes in plan assumptions are amortized over 10 years.
Amortization Method	Equal annual installments
Asset valuation method	4 year smoothed market
Inflation	In 2019, rate was changed to 2.25%. In 2017, the rate was changed to 2%, previously it was 2.25%
Salary increases	In 2021, changed to a new table based on management philosophies and more recent experience of plan participants. Previously, scale based on 2011-2013 SAWS' experience.
Retirement age - active	In 2020, changed to a table of rates starting at age 45 and ending at age 70. In 2015, expected retirement ages were adjusted to reflect actual experience from 2011-2013. Previously, the retirement age was based on experience from 2011-2012.
Retirement age - inactive	In 2020, changed from 100% at age 62 to a table of rates starting at age 60 and ending at age 65.
Investment rate of return	In 2020, the rate was changed to 6.25%. In 2017, the rate was changed from 6.75% to 6.5%, net of pension expense, including inflation. In 2014, the rate was changed from 7.0% to 6.75%.
Mortality Table	In 2022, the improvement scale was changed to MP-2021. In 2021, the improvement scale was changed to MP-2020. In 2020, the improvement scale was changed to MP-2019. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the SOA. In 2018 and 2017, the mortality assumption was updated for the latest improvement scale. In 2016, the mortality table was changed to use adjusted RP-2014 mortality with scale MP-2016 based on data published by the SOA in 2015. Previously, the IRS Prescribed Generational Mortality table was used.

Other: No changes to methods or assumptions for 2022. GASB 68 requires 10 years of data to be provided. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be available by 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Investment Returns (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-14.17%	12.68%	12.98%	19.10%	-3.71%	17.37%	4.21%	0.76%	11.34%

District Special Project Retirement Income Plan
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 201	$ 209	$ 241	$ 245	$ 257	$ 108	$ 71	$ 124	$ 123
Interest	426	420	409	371	388	424	418	446	424
Benefit payments	(371)	(378)	(408)	(330)	(485)	(776)	(324)	(261)	(230)
Changes in assumptions		-	-	219	6	15	224		
Difference between expected and actual experience	(159)	(62)	375	(466)	(622)	101	(381)	18	153
Net change in Total Pension Liability	97	189	617	39	(456)	(128)	8	327	470
Total Pension Liability - beginning	6,955	6,766	6,149	6,110	6,566	6,694	6,686	6,359	5,889
Total Pension Liability - ending (a)	$ 7,052	$ 6,955	$ 6,766	$ 6,149	$ 6,110	$ 6,566	$ 6,694	$ 6,686	$ 6,359
Fiduciary Net Position									
Employer contributions	$ 138	$ 175	$ 400	$ 400	$ 400	$ 315	$ 280	$ 308	$ 414
Net investment income / (loss)	(1,034)	1,049	998	1,049	(75)	764	306	18	394
Benefit payments	(370)	(378)	(408)	(330)	(485)	(776)	(324)	(261)	(230)
Administrative expenses	(6)	(7)	(6)	(6)	(7)	(7)	(8)	(6)	(11)
Net change in Fiduciary Net Position	(1,272)	839	984	1,113	(167)	296	254	59	567
Fiduciary Net Position - beginning	8,475	7,636	6,652	5,539	5,706	5,410	5,156	5,097	4,530
Fiduciary Net Position - ending (b)	$ 7,203	$ 8,475	$ 7,636	$ 6,652	$ 5,539	$ 5,706	$ 5,410	$ 5,156	$ 5,097
Net Pension Liability (Asset) (a) - (b)	$ (151)	$ (1,520)	$ (870)	$ (503)	$ 571	$ 860	$ 1,284	$ 1,530	$ 1,262
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	102.1%	121.9%	112.9%	108.2%	90.7%	86.9%	80.8%	77.1%	80.2%
Covered payroll (frozen plan)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net Pension Liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes to schedule:

The plan was frozen in 2008. Therefore, current & future wages have no impact on Net Pension Liability.

Total pension liability at December 31, 2022 is based on a rollforward of the January 1, 2022 actuarial valuation.

Changes in assumptions: In 2020, the interest rate was changed to 6.25%. In 2022, the mortality improvement scale was uodated to MP-2020. In 2019, the mortality improvement scale was updated to MP-2018. In 2018, the mortality improvement scale was based on MP-2017. In 2017, the mortality table was changed from 1994 GAR projected to 2002 to the RP-2014 table using the MP-2016 improvement scale. In 2017, the interest rate of return was modified from 7% to 6.5%.

Other: No changes to the plan or assumptions for 2022. GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be presented by 2023.

District Special Project Retirement Income Plan
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ -	$ 138	$ 290	$ 388	$ 247	$ 315	$ 279	$ 274	$ 307
Contributions in relation to the actuarially determined contribution	138	175	400	400	400	315	280	308	414
Contribution deficiency/(excess)	$ (138)	$ (37)	$ (110)	$ (12)	$ (153)	$ -	$ (1)	$ (34)	$ (107)
Covered payroll (frozen plan)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Unit Credit
Amortization method	Rolling level amortization over a declining period
Remaining amortization period	5 years (2022), 6 years (2021), 7 years (2020), 8 years (2019), 9 years (2018), 10 years(2017), 11 years(2016), 12 years(2015), 13 years (2014)
Asset valuation method	Fair value with smoothing
Inflation	In 2020, the inflation rate was changed to 2.25%. In 2019, the inflation rate was changed to 2.5%. In 2015, the inflation rate was changed to 2.75%. Previously, 2% was used.
Salary increase	Earned benefits frozen in 2008
Investment rate of return	In 2020, the rate was changed to 6.25%. In 2017, the rate was changed to 6.5%. Previously, 7.0%, net of pension plan investment expense, including inflation was used.
Retirement age	Normal retirement age - the earlier of (a) age 65 or (b) the "rule of 90" where the participant's age and years of service added together equal 90 or greater.
Mortality	In 2022, the improvement scale was updated to MP-2020. In 2019, the mortality projection scale was updated to MP-2018. In 2018, the mortality projection scale was based on MP-2017. In 2017, the table was changed to the RP-2014 table using mortality improvement scale MP-2016. Previously,1994 GAR projected to 2002 was used.

Other: No changes to the plan or assumptions for 2022. GASB 68 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 68 in 2014, only 9 years of data is available. A full 10 years of data will be presented by 2023.

District Special Project Retirement Income Plan
Schedule of Investment Returns (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-12.37%	13.93%	15.03%	18.83%	-1.32%	14.76%	5.98%	0.29%	8.55%

San Antonio Water System Other Post Employment Benefit Plan
Schedule of Changes in Net OPEB Liability and Related Ratios (Unaudited)

($ in thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service Cost	$ 1,171	$ 1,712	$ 1,750	$ 1,913	$ 2,220	$ 2,428
Interest	5,099	7,491	7,688	9,112	9,429	9,221
Changes of benefit terms	-	(32,517)	-	-	-	-
Differences between expected and actual experience	(3,389)	(5,859)	(8,867)	(18,580)	(11,970)	(3,358)
Changes of assumptions	-	(3,799)	2,089	(3,237)	2,817	(351)
Benefit payments	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Net change in OPEB liability	(1,319)	(38,314)	(3,481)	(17,103)	(5,312)	1,731
Total OPEB liability at beginning of year	82,481	120,795	124,276	141,379	146,691	144,960
Total OPEB liability at end of year (a)	$ 81,162	$ 82,481	$ 120,795	$ 124,276	$ 141,379	$ 146,691
Plan fiduciary net position						
Contributions - Employer	$ 9,300	$ 10,442	$ 13,641	$ 13,811	$ 15,308	$ 13,709
Net investment income / (loss)	(18,871)	12,260	13,747	13,264	(3,164)	7,127
Benefit payments	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Administrative expenses	(169)	(177)	(187)	(175)	(159)	(144)
Net change in plan fiduciary net position	(13,940)	17,183	21,060	20,589	4,177	14,483
Plan fiduciary net position at beginning of year	121,520	104,337	83,277	62,688	58,511	44,028
Plan fiduciary net position at end of year (b)	$ 107,580	$ 121,520	$ 104,337	$ 83,277	$ 62,688	$ 58,511
Net OPEB liability (a) - (b)	$ (26,418)	$ (39,039)	$ 16,458	$ 40,999	$ 78,691	$ 88,180
Plan fiduciary net position as a percentage of the total OPEB liability	132.5%	147.3%	86.4%	67.0%	44.3%	39.9%
Covered employee payroll	$ 98,904	$ 65,898	$ 67,557	$ 68,894	$ 78,348	$ 79,417
Net OPEB liability as a percentage of total covered payroll	-26.7%	-59.2%	24.4%	59.5%	100.4%	111.0%

Notes to Schedule:

(a) Total OPEB liability at December 31, 2022 is based on a rollforward of the January 1, 2022 actuarial valuation.

Changes of benefit terms: SAWS changed Medicare Advantage providers in 2022. The new contract provides coverage at no charge to the employer or employee for three years. After three years, the cost is expected to be nominal. Covered employee payroill was expanded to include retirees not eligible for subsidies, using the new no cost benefit.

Changes in assumptions: In 2021, the mortality table was updated to MP-2020. Healthcare trend rate assumption updated to 2021 SOA Long-Run Medical Trend model and the post-65 initial trend rate set to -2.0%. In 2020, the investment rate of return was changed from 6.5% to 6.25%. In 2019, health care cost trends ultimate rate was changed to 3.94% in 2075. In 2018, health care cost trends ultimate rate was changed to 3.84% in 2075. In 2019, the mortality table was changed to the public retirement plans mortality tables published by the SOA. The mortality table was updated for 2018 & 2017.

Other: GASB 74 requires 10 years of data to be provided in the Schedule of Contributions. As SAWS adopted GASB 74 in 2017, only 6 years of data is available. A full 10 years of data will be presented by 2026.

San Antonio Water System Other Post Employment Benefit Plan
Schedule of Contributions (Unaudited)
($ in thousands)

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ -	$ 3,706	$ 6,339	$ 10,407	$ 11,392	$ 11,416
Contributions in relation to the actuarially determined contribution	9,300	10,442	13,641	13,811	15,308	13,709
Contribution deficiency/(excess)	$ (9,300)	$ (6,736)	$ (7,302)	$ (3,404)	$ (3,916)	$ (2,293)
Covered employee payroll	$ 98,904	$ 65,898	$ 67,557	$ 68,894	$ 78,348	$ 79,417
Contributions as a percentage of covered payroll	9.4%	15.8%	20.2%	20.0%	19.5%	17.3%

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Salary increases	Varies by age, ranging from 3.75% to 9.0%
Mortality Assumptions:	In 2022, the improvement table was changed to MP-2021. In 2021, the improvement table was changed to MP-2020. In 2020, the improvement table was changed to MP-2019. In 2019, the mortality tables were changed to the public retirement plans mortality tables published by the SOA. Previously, the RP-2014 mortality tables for Healthy Employee/Annuitant updated annually were used.
Inflation	2.5% for 2020 through 2022, 2.4% for 2019, 2.5% for 2017 and 2018
Salary increases	3.75% to 9.00%, varies by age.
Healthcare cost trend rates:	
Current Year	6.0% - Pre-65
Ultimate trend rate	2022 - 3.94%, 2020 & 2021 - 4.04%, 2019 - 3.94%, 2018 - 3.84%, 2017 - 4.14%
Ultimate year	2018, 2019, 2020, 2021 & 2022 (2075), 2017 (2074)
Investment rate of return	In 2020, the investment rate of return was changed to 6.25% from 6.50%
Remaining amortization period	12 years

GASB 74 requires 10 years of data to be provided in the Schedule of Contributions. Since SAWS implemented GASB 74 in 2017, only 6 years of data is available. A full 10 years of data will be presented by 2026.

San Antonio Water System Other Post Employment Benefit Plan
Schedule of Investment Returns (Unaudited)

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-15.24%	11.51%	15.88%	19.96%	-5.11%	14.69%

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<u>APPENDIX C</u>

UNAUDITED FINANCIAL STATEMENTS (THROUGH JUNE 30, 2023)

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San Antonio Water System (SAWS)
Summary of Revenues, Expenses and Changes in Net Position - Unaudited
(All amounts in millions)

	Six Months Ended June 30,		Twelve Months Ended June 30,	
	2023	2022	2023	2022
Revenues				
Water Supply	$ 137.0	$ 149.1	$ 313.4	$ 299.1
Water Delivery	102.8	116.0	231.5	231.0
Wastewater	148.7	148.1	295.8	291.4
Chilled Water & Steam	5.5	5.4	11.8	11.4
Total operating revenues	394.0	418.6	852.5	832.9
Non-operating revenue	28.9	(24.9)	29.7	(28.0)
Total revenues	422.9	393.7	882.2	804.9
Expenses				
Operating and maintenance	200.9	181.7	347.3	347.1
Depreciation & Amortization expense	109.0	103.4	214.1	203.8
Interest and debt related	73.4	67.1	146.4	139.8
Transfer to City of San Antonio	15.7	16.2	33.8	32.3
Other	(0.9)	(0.2)	(1.0)	(1.4)
Total expenses	398.1	368.2	740.6	721.6
Special Item - Plant Impairment	-	-	(7.2)	-
Income before capital contributions	24.8	25.5	134.4	83.3
Capital Contributions	213.1	121.1	373.8	248.0
Change in Net Position	237.9	146.6	508.2	331.3
Beginning Net Position	4,479.6	4,062.7	4,209.3	3,878.0
Ending Net Position	$ 4,717.5	$ 4,209.3	$ 4,717.5	$ 4,209.3

San Antonio Water System (SAWS)
Summary of Net Position Information - Unaudited
(All amounts in millions)

	June 30, 2023	June 30, 2022
Assets		
Current Assets	$ 894.8	$ 830.4
Noncurrent Assets	566.4	603.0
Capital Assets, Net	7,716.8	7,240.6
Total Assets	9,178.0	8,674.0
Deferred Outflows of Resources	91.3	89.3
Total Assets and Deferred Outflows of Resources	9,269.3	8,763.3
Liabilities		
Current Liabilities	224.6	218.0
Long Term Liabilities - Benefits & AROs	62.0	80.8
Long Term Liabilities - Contract Payable	862.2	879.9
Long Term Debt, Net	3,310.7	3,296.6
Total Liabilities	4,459.5	4,475.3
Deferred Inflows of Resources	92.3	78.7
Total Liabilities and Deferred Inflows of Reources	4,551.8	4,554.0
Net Position		
Net Investment in Capital Assets	3,792.4	3,369.1
Restricted	359.9	343.0
Unrestricted	565.2	497.2
Total Net Position	$ 4,717.5	$ 4,209.3

APPENDIX D

SELECTED PROVISIONS OF THE ORDINANCE

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APPENDIX D

SELECTED PROVISIONS OF THE ORDINANCE

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

Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 37 and 52 of this Ordinance have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Ordinance to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Additional Junior Lien Obligations* shall mean (i) bonds, notes, warrants, certificates of obligation or other obligations hereafter issued by the City payable wholly or in part from and equally and ratably secured, together with the currently outstanding Junior Lien Obligations, by a junior and inferior lien and pledge of the Net Revenues of the System, that is junior and inferior to the lien on and pledge thereof securing the payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, all as further provided in Section 21 of this Ordinance, and (ii) any obligations issued to refund the foregoing that are payable from and secured by a junior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

B. The term *Additional Senior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 21 of this Ordinance and which are equally and ratably secured solely by a prior and first lien on and pledge of the Pledged Revenues of the System and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a prior and first lien on and pledge of the Pledged Revenues as determined by the City Council in accordance with applicable law.

C. The term *Additional Subordinate Lien Obligations* means (i) any bonds, notes, warrants, certificates of obligation, or other Debt hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of the currently outstanding Senior Lien Obligations and Junior Lien Obligations and any Additional Senior Lien Obligations or Additional Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Inferior Lien Obligations hereafter issued by the City, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

D. The term *Authorized Officials* shall mean any of the Mayor, the City Clerk, the City Manager, the City's Chief Financial Officer, the President/Chief Executive Officer of the Board and/or the Executive Vice President/Chief Financial Officer of the Board.

E. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on the Bonds when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

F. The term *Board* shall mean the Board of Trustees of the System created and described in Section 41 of this Ordinance.

G. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Ordinance.

H. The term *Bonds* shall mean the $289,165,000 "CITY OF SAN ANTONIO, TEXAS WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2023A (NO RESERVE FUND)", dated August 1, 2023, authorized by this Ordinance.

I. The term *City* shall mean the City of San Antonio, Texas, located in the State of Texas and, where appropriate, the City Council of the City.

J. The term *Closing Date* shall mean the date of physical delivery of the Initial Bond for the payment in full by the Purchaser.

K. The term *CPS Contract* shall mean the Wastewater Contract executed on September 15, 1990 between the Alamo Conservation and Reuse District and the City Public Service Board of San Antonio. Pursuant to Ordinance No. 74983 the City Council abolished the Alamo Conservation and Reuse District and assumed all of such entity's assets and obligations by creating the Department of Water Reuse as a new City department and a part of the System pursuant to the provisions of the City's Home Rule Charter.

L. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Debt.

M. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a rating agency having an outstanding rating on any Debt would rate such Debt fully insured by a standard policy issued by the insurer in its highest generic rating category for such obligations (provided that, at such time the Previously Issued Junior Lien Obligations issued prior to January 1, 2010 are no longer Outstanding, the requirement of a credit rating in the highest general category shall no longer be of any effect); or (ii) a letter or line of credit issued by any financial institution, provided that a rating agency having an outstanding rating on any Debt would rate such Debt in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of such Debt and the interest thereon.

N. The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is party to or provider of a Credit Agreement.

O. The term *Debt* shall mean

(1) all indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money (including indebtedness payable from Pledged Revenues and/or Net Revenues arising under Credit Agreements) and all other financing obligations of the System payable from Pledged Revenues and/or Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Pledged Revenues and/or Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations pertaining to the System that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining *Debt*, there shall be excluded any particular Debt if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Fiscal Years.

P. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

Q. The term *Depository* shall mean one or more official depository banks of the Board.

R. The term *Designated Financial Officer* shall mean the Chief Financial Officer of the City, the City Clerk, President/Chief Executive Officer of the Board, the Senior Vice President/Chief Financial Officer of the Board, or such other financial or accounting official of the Board so designated by the City Council.

S. The term *Engineer* shall mean an individual, firm, or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State of Texas, having specific experience with respect to water, wastewater, reuse water, and/or stormwater drainage systems similar to the System and such individual, firm, or corporation may be employed by, or may be an employee of, the City or the Board.

T. The term *Fiscal Year* shall mean the twelve month accounting period used by the Board in connection with the operation of the System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Board, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

U. The term *Government Securities* shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

V. The term *Gross Revenues* for any period means all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, grants in aid of construction, any amounts payable to the United States as rebate pursuant to the provisions of Section 37, any impact fees charged by the System pursuant to the provisions of Chapter 395, as amended, Texas Local Government Code, payments received pursuant to the CPS Contract together with earnings and interest thereon, and earnings and income derived from the investment or deposit of money in the Construction Fund and, until the Reserve Fund contains the Required Reserve Amount, the Reserve Fund, but including, earnings and income derived from the investment or deposit of money in the Bond Fund, the Reserve Fund after it contains the Required Reserve Amount, and any earnings and income from any special fund or account created and established for the payment or security of the Senior Lien Obligations, the Junior Lien Obligations, the Bonds, the Subordinate Lien Obligations, or Inferior Lien Obligations, unless the ordinance which authorizes the issuance of any such obligations specifically provides that any such earnings and income are to be deposited to another fund or account other than the System Fund.

W. The term *Holder* or *Holders* shall mean the registered owner, whose name appears in the Security Register, for any Bond.

X. The term *Inferior Lien Obligations* means (i) any bonds, notes, warrants, certificates of obligation, or other Debt hereafter issued by the City that are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations or any Additional Senior Lien Obligations, Additional Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City, (ii) any obligations that are issued subject to the limitations in Section 1502.052, as amended, Texas Government Code, and (iii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Y. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being May 15 and November 15 of each year, commencing November 15, 2023, while any of the Bonds remain Outstanding.

Z. The term *Junior Lien Obligations* shall mean the Previously Issued Junior Lien Obligations, the Junior Lien Obligations–No Reserve Fund, and any Additional Junior Lien Obligations (whether issued as Junior Lien Obligations–No Reserve Fund or Reserve Fund-Secured Junior Lien Obligations) hereafter issued by the City or bonds issued to refund any of the foregoing (as determined within the sole discretion of the City Council in accordance with applicable law) if issued in a manner so as to be payable from and equally and ratably secured by a junior lien on and pledge of the Net Revenues of the System.

AA. The term *Junior Lien Obligations–No Reserve Fund* shall mean the:

(1) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2013B (No Reserve Fund)", dated May 1, 2013, in the original principal amount of $82,885,000;

(2) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (No Reserve Fund)", dated October 1, 2013, in the original principal amount of $79,350,000;

(3) "City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund)", dated October 1, 2013, in the original principal amount of $100,000,000;

(4) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2014A (No Reserve Fund)", dated April 1, 2014, in the original principal amount of $103,930,000;

(5) "City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund)", dated April 1, 2014, in the original principal amount of $100,000,000;

(6) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund)", dated February 1, 2015, in the original principal amount of $303,235,000;

(7) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2016A (No Reserve Fund)", dated January 1, 2016, in the original principal amount of $173,565,000;

(8) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Taxable Series 2016B (No Reserve Fund)", dated January 1, 2016, in the original principal amount of $42,775,000;

(9) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund)", dated October 1, 2016, in the original principal amount of $305,065,000;

(10) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund)", dated January 1, 2017, in the original principal amount of $90,915,000;

(11) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund)", dated May 1, 2018, in the original principal amount of $208,825,000;

(12) "City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue Bonds, Series 2019A (No Reserve Fund)", dated January 1, 2019, in the original principal amount of $166,480,000;

(13) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund)", dated October 1, 2019 in the original principal amount of $82,565,000;

(14) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund)", dated January 1, 2020 in the original principal amount of $276,815,000;

(15) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund)", dated July 1, 2020 in the original principal amount of $153,390,000;

(16) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund)", dated July 1, 2021 in the original principal amount of $274,375,000;

(17) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund)", dated February 1, 2022 in the original principal amount of $77,785,000;

(18) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2022B (No Reserve Fund)", dated October 1, 2022 in the original principal amount of $258,235,000;

(19) Upon issuance, the Bonds; and

any Additional Junior Lien Obligations hereafter issued that are not additionally secured by a lien on and pledge of the Reserve Fund.

BB. The term *Maintenance and Operating Expenses* shall mean all current expenses of operating and maintaining the System not paid from the proceeds of any Debt, *including* (1) the cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, that are, in the judgment of the Board (reasonably and fairly exercised), necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof and other customers of the System, or are necessary to meet some physical accident or condition which would otherwise impair the payment of Debt, (2) payments to pension, retirement, health, hospitalization, and other employee benefit funds for employees of the Board engaged in the operation or maintenance of the System, (3) payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods, or services for the System to the extent authorized by law and the provisions of such contract, (4) payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City or the Board hereunder, (5) the payments made on or in respect of obtaining and maintaining any Credit Facility, and (6) any legal liability of the City or the Board arising out of the operation, maintenance, or condition of the System, *but excluding* any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Bonds or any Debt.

CC. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

DD. The term *Ordinance* shall mean this ordinance adopted by the City Council on October 21, 2021.

EE. The term *Outstanding*, when used in this Ordinance with respect to Bonds shall mean as of the date of determination, all Bonds issued and delivered under this Ordinance, except:

(1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the City in accordance with the provisions of Section 39 of this Ordinance by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Obligations, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and for which replacement Bonds have been registered and delivered as provided in Section 32 of this Ordinance.

FF. The term *Pledged Revenues* means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Senior Lien Obligations, and excluding those revenues excluded from Gross Revenues.

GG. The term *Previously Issued Junior Lien Obligations* shall mean (i) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a junior and inferior lien on and pledge of the Pledged Revenues of the System, identified as follows:

(1) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2012", dated August 1, 2012, in the original principal amount of $19,630,000;

(2) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013A", dated April 1, 2013, in the original principal amount of $50,000,000;

(3) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013D", dated October 1, 2013, in the original principal amount of $60,100,000;

(4) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013C", dated November 1, 2013, in the original principal amount of $26,370,000;

(5) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2014C", dated May 15, 2014, in the original principal amount of $38,260,000;

(6) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2014D", dated May 15, 2014, in the original principal amount of $22,400,000;

(7) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2015A", dated November 15, 2014, in the original principal amount of $75,920,000;

(8) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2016D", dated December 1, 2016, in the original principal amount of $12,500,000;

(9) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2016E", dated December 1, 2016, in the original principal amount of $14,360,000;

(10) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2018B", dated April 1, 2018, in the original principal amount of $10,500,000;

(11) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2019B, dated September 1, 2019 in the original principal amount of $30,765,000;

(12) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2020B, dated February 1, 2020 in the original principal amount of $25,285,000;

(13) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2020D, dated November 1, 2020 in the original principal amount of $11,805,000;

and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

HH. The term *Prudent Utility Practice* shall mean any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or previously approved by a significant portion of the public utility industry, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in the System which is operated in common with one or more other entities, the term Prudent Utility Practice, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

II. The term *Purchaser* shall mean the initial purchaser or purchasers of the Bonds named in Section 33 of this Ordinance.

JJ. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Senior Lien Obligations.

KK. The term *Refunding Candidates* shall mean:

(1) "City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2013B (No Reserve Fund)", dated May 1, 2013, in the original principal amount of $82,885,000;

(2) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (No Reserve Fund)", dated October 1, 2013, in the original principal amount of $79,350,000;

(3) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2014A (No Reserve Fund)", dated April 1, 2014, in the original principal amount of $103,930,000;

(4) "City of San Antonio, Texas Water System Commercial Paper Notes, Series A", "City of San Antonio, Texas Water System Commercial Paper Notes, Series B", and "City of San Antonio, Texas Water System Commercial Paper Notes, Series C" authorized in the aggregate principal amount of $500,000,000; and

(5) Any other general or special obligations hereafter identified and selected by an Authorized Official as a candidate presenting an opportunity advantageous to the System and its ratepayers.

LL. The term *Refunded Obligations* shall mean those obligations indicated on Schedule I hereto, consisting of obligations selected from the Refunding Candidates.

MM. The term *Required Reserve Amount* shall mean the amount required to be deposited and maintained in the Reserve Fund under the respective City ordinances authorizing the issuance of each series of Reserve Fund–Secured Junior Lien Obligations.

NN. The term *Required Reserve Fund Deposits* shall mean the monthly deposits, if any, required to be deposited and maintained in the Reserve Fund under the respective City ordinances authorizing the issuance of each series of Reserve Fund–Secured Junior Lien Obligations.

OO. The term *Reserve Fund-Secured Junior Lien Obligations* shall mean the Previously Issued Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued that are secured by a parity lien on and pledge of the Reserve Fund and specifically excluding the Junior Lien Obligations–No Reserve Fund.

PP. The term *Reserve Fund* shall mean the special fund of the City known as the "City of San Antonio, Waterworks and Sewer System Junior Lien Bond Reserve Fund" established and maintained pursuant to the terms and provisions of the respective City ordinances authorizing the issuance of each series of Reserve Fund-Secured Junior Lien Obligations.

QQ. The term *Senior Lien Obligations* shall mean (i) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Pledged Revenues of the System, identified as follows:

(1) "City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy–Build America Bonds)", dated November 1, 2009, in the original principal amount of $102,750,000; and

(2) "City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2010B (Direct Subsidy–Build America Bonds)", dated November 15, 2010, in the original principal amount of $110,000,000;

and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues of the System as determined by the City Council in accordance with any applicable law.

RR. The term *Series 1992 Bonds* shall mean the "City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 1992" originally issued in the aggregate principal amount of $635,925,000 pursuant to Ordinance No. 75686 that are no longer outstanding.

SS. The term *Special Project* shall mean, to the extent permitted by law, any water, sewer, wastewater reuse, or municipal drainage system property, improvement, or facility declared by the City, upon the recommendation of the Board, not to be part of the System, for which the costs of acquisition, construction, and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues, or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues, or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction, and installation under such financing transaction.

TT. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on May 15 of each year, as set forth in Section 2 of this Ordinance.

UU. The term *Subordinate Lien Obligations* shall mean (i) the currently outstanding and unpaid obligations of the City that are payable wholly or in part from a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations and the Junior Lien Obligations or any Additional Senior Lien Obligations or Additional Junior Lien Obligations, all as further provided in Section 21 of the Ordinance, identified as follows:

(1) "City of San Antonio, Texas Water System Commercial Paper Notes, Series A", "City of San Antonio, Texas Water System Commercial Paper Notes, Series B", and "City of San Antonio, Texas Water System Commercial Paper Notes, Series C" authorized in the aggregate principal amount of $500,000,000, and including the currently outstanding

Commercial Paper Notes and Loan Notes (each as defined in the ordinance authorizing the issuance of such series of Commercial Paper);

and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

VV. The term *System* shall mean all properties, facilities, and plants currently owned, operated, and maintained by the City and/or the Board for the supply, treatment, and transmission and distribution of treated potable water, chilled water (which may be subsequently spun-off as necessary or desired in accordance with this Ordinance and applicable law), and steam, for the collection and treatment of wastewater, and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the City, all water (in any form) owned by the City, and any other projects and programs of the Board; provided, however, that the City expressly retains the right to incorporate (1) a stormwater system as provided by the provisions of Section 552.041 through 552.054, as amended, Texas Local Government Code, or other similar law, and (2) any other related system as provided by the laws of the State of Texas as a part of the System. The System shall not include any Special Project or any water or water-related properties and facilities owned by the City as part of its electric and gas systems.

SECTION 11: Rates and Charges. For the benefit of the Holders of the Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the currently outstanding 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 all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Pledged Revenues, together with any other lawfully available funds, sufficient to satisfy the rate covenant contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations and to pay the principal of and interest on the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on an pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on the currently outstanding Junior Lien Obligations 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 the Additional Junior Lien

Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior lien on and pledge of the Net Revenues of the System;

D. To produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City 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 the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured, in whole or in part, by a subordinate lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the City 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 Inferior Lien Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured by an inferior lien on and pledge of the Net Revenues of the System in accordance with applicable law;

F. To produce Net Revenues, together with any other lawfully available funds, to fund the transfers as permitted by the provisions of Section 15 of this Ordinance; and

G. To pay, together with any other lawfully available funds, any other legally incurred Debt payable from the Net Revenues of the System and/or secured by a lien on the System.

SECTION 12: System Fund. The City hereby covenants, agrees, and reaffirms that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account (previously created, established, and to be maintained with the Depository) known as the "City of San Antonio, Texas Water System Revenue Fund" (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the City. All Gross Revenues deposited into the System Fund shall 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, as amended, Texas Government Code (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 as provided in Section 15 hereof and into the Renewal and Replacement Fund created and established by Section 16 hereof.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law and the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations.

SECTION 13: Bond Fund; Excess Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the currently outstanding Junior Lien Obligations as the same become due and payable, the City agrees to maintain, at the Depository, a separate and special Fund or account to be created and known as the "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2023A Interest and Sinking Fund" (the *Bond Fund*). The City covenants that there shall be deposited by the Designated Financial Officer into the Bond Fund prior to each principal and Interest Payment Date from the available Net Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the currently outstanding Junior Lien Obligations then falling due and payable, such deposits to pay maturing principal and accrued interest on the currently outstanding Junior Lien Obligations to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchaser. 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 currently outstanding Junior Lien Obligations shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund and Reserve 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, if any, received from the Purchaser 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 of the System. 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 of the System.

SECTION 14 Reserve Fund. For the benefit of the Reserve Fund-Secured Junior Lien Obligations and not the Junior Lien Obligations–No Reserve Fund (which includes the Bonds), the City has heretofore established and now maintains the Reserve Fund. The Reserve Fund is maintained pursuant to the provisions of the respective City ordinances authorizing the issuance of the Reserve Fund-Secured Junior Lien Obligations. Though the Reserve Fund does not secure the Bonds or the other Junior Lien Obligations–No Reserve Fund, the City hereby acknowledges and affirms its rights, duties, and obligations with respect to the Reserve Fund included in the respective City ordinances authorizing the issuance of the Reserve Fund-Secured Junior Lien Obligations.

The City hereby acknowledges, reserves and confirms its right to issue Additional Junior Lien Obligations as Junior Lien Obligations–No Reserve Fund, being obligations not benefited by the additional pledge of the Reserve Fund, provided that such Additional Junior Lien Obligations issued as Junior Lien Obligations–No Reserve Fund are not sold to the Texas Water Development Board. In such instance, those Additional Junior Lien Obligations issued as Junior Lien Obligations–No Reserve Fund shall be (i) designated as such by including the parenthetical "(No Reserve Fund)" to the style of the subject obligations in all related transaction documentation (including, but not limited to, the City ordinance authorizing the issuance of such Additional Junior Lien Obligations and the Form of Bond therefor) to clearly distinguish such Additional Junior Lien Obligations from those Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations and (ii) excluded from all calculations identified in and requirements of this Section and other applicable sections of any ordinance authorizing the issuance of Additional Junior Lien Obligations concerning amounts at any time required to be deposited to and held in the Reserve Fund. Any disclosure or similar document used to market and sell Additional Junior Lien Obligations issued as Junior Lien Obligations–No Reserve Fund shall clearly indicate that the holders of such Additional Junior Lien Obligations shall have no right to or claim on the funds at any time held in the Reserve Fund.

SECTION 15: Payments to City General Fund. The Designated Financial Officer of the Board shall transfer no later than the last business day of each month, an amount of money calculated, subject to the second paragraph of Section 16, 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 making each of the payments required by the provisions of subparagraphs First through Fifth of Section 12 hereof) for the preceding month to be utilized by the City in the manner permitted by the provisions of Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 1113a, as amended). The amount so transferred shall be net of all amounts owed by the City to the Board for the utility services described in Section 25E hereof; provided, however, that the Board shall provide the City with a sufficiently detailed statement of charges for such utility services to permit the City to allocate the charges for such utility services to the appropriate office, division, or department of the City.

To the extent that the available Net Revenues in any month are insufficient for the Board to make all or part of the transfer required by the preceding paragraph, the Board shall make up such shortfall (i) in the next month in which available Net Revenues exceed the amounts required to make the transfer to the City pursuant to the preceding paragraph and the *pari passu* payment to the Renewal and Replacement Fund under Section 16 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 for such Fiscal Year. The Board's obligation to make up any shortfall in a Fiscal Year shall not carry over to a subsequent Fiscal Year.

SECTION 16: Renewal and Replacement Fund. There has previously been created and established and there shall be maintained on the books of the Board, and accounted for separate and apart from all other funds of the City and the Board, a separate fund to be entitled the "City of San Antonio, Texas Water System Renewal and Replacement Fund" (the *Renewal and Replacement Fund*). The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) depositing any funds received by the City pursuant to the CPS Contract, and such funds, including any interest or income thereon, shall be maintained in a separate, segregated account of the Renewal and Replacement Fund and shall only be used to pay Maintenance and Operating Expenses of the water reuse facilities of the System or the debt service requirements on any obligations incurred as permitted by the CPS Contract and in no event shall any such amount, including interest and income thereon, be transferred to the general fund of the City except as permitted by the CPS Contract, or (5) paying bonds or other obligations of the System for which other System revenues are not available, or (6) in the last month of any Fiscal Year to make up any shortfall as required by Section 15, or (7) for any other lawful purpose in support of the System. The Renewal and Replacement Fund shall be maintained at the Depository.

Deposits to the Renewal and Replacement Fund shall be *pari passu* with the gross amount payable to the City pursuant to Section 15 (prior to the deduction of any charges for utility services provided pursuant to Section 25) until the full amount payable to the City under such Section has been paid. That is, such deposits to the Renewal and Replacement Fund shall be made equally and ratably, without preference, and on a dollar-for-dollar basis with the gross amount payable to the City pursuant to Section 15, prior to the deduction of any charges for services, until the full amount to be paid to the City in a Fiscal Year under Section 15 has been transferred to the City's General Fund. Thereafter, all surplus Net Revenues shall be deposited to the Renewal and Replacement Fund.

SECTION 17: Deficiencies - Excess Net Revenues.

A. If on any occasion there shall not be sufficient Net Revenues of the System (after making all payments pertaining to the currently outstanding Senior Lien Obligations or any Additional Senior Lien Obligations hereafter issued by the City) to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues of the System, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months.

B. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by this Ordinance, or any ordinance authorizing the issuance of any Additional Junior Lien Obligations (as applicable), or the payments required by the provisions of the ordinances authorizing the issuance of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City and any Inferior Lien Obligations hereafter issued by the City, the excess Net Revenues of the System may be used by the City for any lawful purpose in accordance with the provisions of the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations.

SECTION 18: Payment of Bonds. While any of the Bonds are outstanding, any Designated Financial Officer or Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date a debt service payment is due on the Bonds.

SECTION 21: Issuance of Additional Senior Lien Obligations, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, and Inferior Lien Obligations. The City hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

A. Additional Senior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the System upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations;

B. Additional Junior Lien Obligations (except for Additional Junior Lien Obligations that are insured by a municipal bond insurance policy, which need not satisfy the provisions of paragraph B(2) or B(3) hereof), payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, upon satisfying each of the following conditions precedent:

(1) the Chief Financial Officer of the City (or other official of the City having primary responsibility for the fiscal affairs of the City) shall have executed a certificate stating that (i) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Junior Lien Obligations to satisfy the City's obligations under this Ordinance, the City is not then in default as to any covenant, obligation, or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the System and

(ii) all payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein;

(2) with respect to Additional Junior Lien Obligations sold to the Texas Water Development Board (the *TWDB*) that are not insured by a municipal bond insurance policy, the City has secured from a Certified Public Accountant a certificate or opinion to the effect that, according to the books and records of the City, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted, are at least equal to one and one-fourth (1-1/4) 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. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Revenues are to be determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion;

(3) with respect to Additional Junior Lien Obligations sold to any other entity other than the TWDB and that are not insured by a municipal bond insurance policy, the City has secured from a Certified Public Accountant a certificate or opinion to the effect that, according to the books and records of the City, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted, are at least equal to 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. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Revenues are to be determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion;

(4) the ordinance authorizing the issuance of the Additional Junior Lien Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Junior Lien Obligations as the same mature; and

(5) the ordinance authorizing the issuance of the Additional Junior Lien Obligations that are Reserved Fund–Secured Junior Lien Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal

to not less than the Average Annual Debt Service Requirements for the payment of the Junior Lien Obligations then outstanding, inclusive of the changes in the amount resulting from the issuance of the proposed Additional Junior Lien Obligations that are Reserved Fund–Secured Junior Lien Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Junior Lien Obligations that are Reserved Fund–Secured Junior Lien Obligations are delivered; provided, however, that no such requirement as it relates to additional amounts to be deposited to the Reserve Fund shall be applicable to, or serve as a condition to the issuance of, Additional Junior Lien Obligations that are or will be Junior Lien Obligations–No Reserve Fund.

C. Additional Subordinate Lien Obligations secured by a subordinate and inferior lien on and pledge of the Net Revenues upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, outstanding Subordinate Lien Obligations, or this Ordinance, as appropriate.

D. Inferior Lien Obligations secured by an inferior lien on and pledge of the Net Revenues of the System upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations or this Ordinance.

SECTION 22: Issuance of Special Project Obligations. Nothing in this Ordinance shall be construed to deny the City the right and it shall retain the right to issue Special Project obligations, provided, however, the City will not issue Special Project obligations unless the City concludes, upon recommendation of the Board, that (i) the plan for developing the Special Project is consistent with sound planning, (ii) the Special Project would not materially and adversely interfere with the operation of the System, (iii) the Special Project can be economically and efficiently operated and maintained, and (iv) the Special Project can be economically and efficiently utilized by the Board to meet water, wastewater, water reuse, or stormwater drainage requirements and the cost of such will be reasonable.

SECTION 23: Maintenance of System – Insurance. The City covenants and agrees that while the Junior Lien Obligations remain outstanding the Board will maintain and operate the System in accordance with Prudent Utility Practice and will maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Holders of the Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City or the

Board to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City or the Board from doing so.

SECTION 24: Records and Accounts – Annual Audit. The City covenants, agrees, and affirms its covenants that so long as any of the Bonds remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, as amended, Texas Government Code, or other applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that following (and in no event later than 120 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 25: Special Covenants. The City hereby further covenants that:

A. The City has secured from the Board a resolution acknowledging its duties, responsibilities, and obligations under this Ordinance and agreeing to comply with all its terms and provisions, including the administration and operation of the System and the disposition of the revenues of the System. Prospective compliance with the foregoing represents a material inducement to a Holder's investment decision relative to any Bond.

B. It has the lawful power to pledge the Net Revenues supporting the Bonds and has lawfully exercised this power under the laws of the State of Texas, including the power existing under Chapters 1207, 1371, and 1502, as amended, Texas Government Code, and the City's Home Rule Charter;

C. The Bonds shall be equally and ratably secured by a junior lien on and pledge of the Net Revenues of the System in a manner that one Bond shall have no preference over any other Bond;

D. Other than for the payment of the currently outstanding Senior Lien Obligations, Junior Lien Obligations, and the Subordinate Lien Obligations, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

E. As long as any Bonds, or any interest thereon, remain Outstanding, the City will not sell, lease, or encumber the System or any substantial part thereof (except as provided in Section 21 of this Ordinance) provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

F. No free service (except water provided to the City for municipal fire-fighting purposes and certain stormwater utility service) of the System shall be allowed, and, should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made, if necessary, by the City pursuant to Section 15; and

G. To the extent that it legally may, the City further covenants and agrees that, so long as any of the Bonds, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited.

SECTION 26: Limited Obligations of the City. The Bonds are limited, special obligations of the City payable from and equally and ratably secured solely by a junior lien on and pledge of the Net Revenues of the System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds from any funds raised or to be raised through taxation by the City.

SECTION 27: Security of Funds. All money on deposit in the Funds or accounts for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Ordinance.

SECTION 28: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Bond Fund or Reserve Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 40: Ordinance a Contract; Amendments – Outstanding Bonds. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Bonds. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. An actual or constructive amendment of any term, provision, or covenant of this Ordinance that is not compliant with the amendment process specified in this Section 40 shall result in an impairment of the contract between the City and the Bondholders hereby evidenced. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

SECTION 41: Management of System.

A. Pursuant to the authority contained in Chapter 1502, as amended, Texas Government Code and Chapter 552, Texas Local Government Code (formerly Texas Revised Civil Statutes Annotated Article 1115b, as amended), except as otherwise specifically provided in this Ordinance, the complete management and control of the System during such time as any Debt is outstanding shall be vested in a seven-member board of trustees to be known as the "San Antonio Water System Board of Trustees". Such board is referred to in this Ordinance as the "Board." The Mayor of the City from time to time shall ex-officio be one of the members of the Board, and the other current members of the Board as of the date of passage of this Ordinance are Jelynne LeBlanc Jamison, currently serving a term ending on May 31, 2026, Ed Belmares, currently serving a term ending on May 31, 2024, and Amy Hardberger, Eduardo Parra, and David McGee, each serving terms ending on May 31, 2025. Notwithstanding the foregoing, the Members of the Board may be increased to a number greater than seven (7), to include the Mayor of the City as an ex-officio member, as otherwise appointed by the City.

B. Members of the Board must be citizens of the United States and must either reside inside the corporate limits of the City or inside the area served by the System. No person who is related within the second degree of consanguinity or affinity (or as further restricted by the City's Home Rule Charter) to any Member of the Board or any member of the City Council shall be eligible for appointment as a Member of the Board. The term of office of each Member of the Board shall be four (4) years. All terms shall commence on a June 1 and shall terminate on May 31 four years later; provided, however, in the event a replacement for a Member has not been named by the City Council prior to the expiration of such Member's term, such Member shall serve until such Member's successor shall be appointed, and such successor's term shall terminate on May 31st of the year in which such term normally would have terminated if the City Council had appointed such successor prior to the termination of such Member's term. No person who has served as a Member of the Board for a total of two (2) terms shall be eligible for appointment as a Member of the Board. Any Member who is appointed to the Board to serve out an unexpired portion of another Member's term shall not be considered to have served a term unless the unexpired portion of the term so served is two (2) years or more.

C. Removal of residence from the area served by the System by any Member of the Board shall cause such person to vacate office as a Member of the Board, and any Member of the Board (other than the Mayor of the City) who shall be continuously absent from all meetings of the Board for a period of four (4) consecutive months shall, unless such person has requested and been granted leave of absence by the unanimous vote of the remaining Members of the Board, be considered to have vacated such person's office as a Member of the Board.

D. All vacancies in membership on the Board, whether occasioned by failure or refusal of any person to accept appointment or by resignation, failure to continue to qualify to serve, expiration of term of office, or otherwise, shall be filled by majority vote of all members of the

City Council then holding office. Any Member of the Board other than the Mayor of the City may, by a two-thirds (2/3) vote of all members of the City Council then holding office, be removed from office, with or without cause. For purposes of this Section 41, the term *members of the City Council then holding office* shall be the number of persons authorized from time to time by the City's Home Rule Charter to be members of the City Council, whether or not all such positions are filled at any particular time.

E. The operation and management of the System requires specialized knowledge and experience. Accordingly, except as otherwise specifically provided in this Ordinance, the Board shall have absolute and complete authority and power to control, manage, and operate the System and shall control the expenditure and application of the Gross Revenues of the System pursuant to this Ordinance. In connection with the control, management, and operation of the System and the expenditure and application of the Gross Revenues therefrom, the Board shall be vested with all of the powers of the City with respect thereto, including all powers necessary or appropriate for the performance of all the covenants, undertakings, and agreements of the City contained in this Ordinance, and, with the exception of fixing rates and charges for service rendered by the System, shall have full power and authority to make rules and regulations governing the furnishing of services of the System to customers and for the payment of the same, and for the discontinuance of such services upon failure of customers to pay therefor and, to the extent authorized by law and by this Ordinance, shall have authority to make extensions, improvements, and additions to the System and to acquire by purchase or otherwise properties of every kind in connection therewith. Compliance with the foregoing represents a material inducement to a Bondholder's investment decision relative to any Bonds. The operational policies of the Board shall parallel those of the City Council insofar as practicable. The delegation of authority and power herein represents a legislative act of the City Council declaring policy regarding management and operation of the System; the Board exercise of such delegated authority and power puts into execution such declared policies and is, therefore, administrative in nature.

F. The Board shall determine the rates, fees, and charges for services rendered and to be rendered by the System, with due consideration being accorded to the terms, covenants, and conditions contained in this Ordinance and the ordinances authorizing the issuance of any Additional Senior Lien Obligations. In the event any such determination reflects a necessity for the adjustment either by an increase or a reduction of such rates, fees, and charges, then the Board shall submit to the City Council a full report of the basis upon which such proposed adjustment is predicated, accompanied by a formal request from the Board for approval and adoption of the rates, fees, and charges recommended by the Board. If the City Council approves the adjustment thus recommended by the Board, it shall pass an appropriate ordinance placing such adjusted rates, fees, and charges in effect; provided, however, that the rates, fees, and charges for services rendered by the System shall never be reduced in such amounts as will impair the performance of any of the covenants contained in this Ordinance or in any ordinance authorizing the issuance of any Additional Senior Lien Obligations.

G. The Mayor, with the concurrence of the City Council, annually shall appoint one of the other Members of the Board as the Chairwoman of the Board. The Board annually shall elect one of its Members as Vice-Chair of the Board and shall appoint a Secretary and an Assistant Secretary, either or both of whom may, but need not be, a Member or Members of the Board. If a Member of the Board is not appointed as Secretary or Assistant Secretary, then an employee or employees of the Board may be so appointed. The Board may adopt rules for the orderly conduct of its meetings. The Board shall manage and conduct the affairs of the System in a manner consistent with practices ordinarily employed by the boards of directors of private utility corporations operating properties of a similar nature and with the same degree of prudence. The Board shall have at least one meeting monthly. All meetings of the Board shall be open to the public in accordance with the requirements of Chapter 551, as amended, Texas Government Code. The Board is authorized to adopt rules of procedure and standards of conduct for persons attending and participating in its meetings and any public hearings conducted by or on behalf of the Board.

H. The Board shall appoint and employ all officers, employees, and professional consultants which it may deem desirable, including, without limitation, a chief executive officer of the System, attorneys, auditors, engineers, architects, and other advisers; provided, however, that the City Attorney shall be the chief legal adviser of the Board. The selection of additional attorneys shall be made in consultation with the City Attorney, but the decision of the Board shall be final. The Board may delegate administrative duties and authority to its employees and consultants. No officer or employee of the Board may be employed who shall be related within the second degree of consanguinity or affinity (or as further restricted by the City's Home Rule Charter) to any Member of the Board or any member of the City Council.

I. The Board shall obtain and keep continually in force an employees' fidelity and indemnity bond ("blanket" form), or its equivalent, written by a solvent and recognized insurer and covering losses to the amount of not less than One Hundred Thousand Dollars ($100,000.00).

J. The Board shall make such provision for an employee retirement plan or pensions for employees of the Board as it may in its discretion determine. The Board may continue in existence the retirement plans in effect on the date of adoption of the ordinance authorizing the issuance of the Series 1992 Bonds for the Waterworks System, the Wastewater Department of the City, and the Water Reuse Department of the City and may change the same from time to time as it may determine. The title to and ownership of funds set aside in accordance with an employee retirement plan shall be held in trust for the benefit of the members of such pension plan.

K. The Members of the Board, other than the Mayor of the City, shall each receive annual compensation in the amount of $2,500.00 or such additional amount as may be determined from time to time by the City Council. The Members of the Board shall be entitled to payment by the Board of their reasonable and necessary expenses for the discharge of their duties.

L. The Members of the Board shall not be personally liable, either individually or collectively, for any act or omission in the performance of their duties as Members of the Board not willfully fraudulent or in bad faith. The Board may authorize the use of Board funds to provide defense for its Members or its employees for civil actions brought against them for any such acts and may hold such Members and employees harmless from any damages awarded against them in any civil action.

M. The City Manager, or the City Manager's designee, shall be authorized to attend meetings of the Board, and the Board shall provide the City Manager with notice of such meetings in the same manner that such notice is given by the Board to its Members.

N. The Board when expending funds for improvements and materials and supplies shall be governed by the then current provisions of applicable City policy and the laws of the State of Texas relating to notices to bidders, advertisement thereof, requirements as to the taking of sealed bids based upon specifications for such improvements or purchase, the furnishing of surety bonds by contractors, and the manner of letting contracts.

O. The City Council reserves the right to require the Board, at the System's expense and payable from the Renewal and Replacement Fund, to conform its installations in the streets, alleys, and public ways of the City to any changes created by City construction projects; provided, however, such City-ordered relocation of System facilities at the System's expense shall be limited, in any Fiscal Year, to an amount not to exceed 5% of the Board's annual budget for Maintenance and Operating Expenses in such Fiscal Year. Relocation costs exceeding such 5% limitation shall be funded through direct payment of such excess costs by the City, through payment to the Board of such excess cost by the City, or through the issuance of Debt.

P. No Member of the Board, or any officer, agent, or employee of the Board shall have a financial interest, direct or indirect, in any contract with the Board or shall be financially interested, directly or indirectly, in the sale to the Board of any land, materials, supplies, or services except on behalf of the Board as an officer or employee or as permitted by the provisions of Chapter 171, as amended, Texas Local Government Code, or any other similar general Texas law in effect from time to time, or the City's Home Rule Charter, whichever is most restrictive.

Q. The Board shall prepare an annual budget to serve as a tool in controlling and administering the management and operation of the System. The annual budget shall reflect an estimate of Gross Revenues and an estimate of the disposition of these revenues in accordance with the flow of funds requirements of this Ordinance. The annual budget shall be presented and approved by the Board at least sixty (60) days prior to the beginning of the Board's Fiscal Year. Immediately following approval of the annual budget by the Board, it shall be submitted to the City Council for review and consultation. The Board may subsequently modify its approved budget by giving notice thereof to the City.

R. The Board shall prepare and administer, and may amend from time to time, a master plan for the System (the *Master Plan*), addressing the water resource and capital improvement projects required to accommodate the projected growth and development of the service area of the System. The Master Plan (and any amendment thereof) shall be approved by the Board and submitted for consideration and approval by the City Council in accordance with applicable provisions of the City's Home Rule Charter then in effect.

S. The Board shall provide the City Council with a complete briefing on any matter of litigation which is being contemplated involving the Board against the City (or any of its agencies) as opposing parties and adversaries in such litigation, and City Council approval shall be obtained by the Board prior to the formal initiation of any such matter of litigation where the Board and the City are opposing parties. Unless the City Attorney recommends City Council approval with respect to a particular matter of litigation proposed to be initiated by the Board, all other matters of litigation initiated by the Board may be approved by the Board without approval of the City Council.

T. The Board shall establish an appeals process for disciplinary actions involving its employees. An appeals committee, composed of at least three (3) persons who are neither employees nor Members of the Board, shall be appointed by the Board, and such committee shall operate under rules established by the Board from time to time. Such committee shall make recommendations to the Chief Executive Officer of the System, with the final determination concerning disposition of a disciplinary action being made by the Chief Executive Officer of the System. The Board shall further establish Equal Employment Opportunity and Affirmative Action programs in compliance with applicable federal and State of Texas guidelines. All personnel policies established by the Board shall parallel those of the City in effect from time to time insofar as practicable.

U. During each Fiscal Year, the Board shall prepare and formally present to the City Council a minimum of two (2) reports regarding the status of water resource planning and development, other water related issues being undertaken or contemplated by the Board, and other matters previously requested by the City Council.

V. The City Council reserves the right, by ordinance, to abolish the Board and thereafter transfer control, maintenance, and operation of the System to a department of the City in accordance with the provisions of the laws of the State of Texas and the City's Home Rule Charter. The City Council may so abolish the Board at any regular or special meeting of the City Council upon the affirmative vote of 3/4 of the members of the City Council then holding office. Such vote must be preceded by at least two (2) public hearings conducted by the City Council at least 30 days apart. Notice of such public hearings and the subject matter to be discussed shall be published at least one (1) time prior to each such hearing in a newspaper of general circulation within the City at least 15 days prior to the hearing. Such hearings may be conducted at a regular or special meeting of the City Council at its regular meeting place, via electronic means or in some other location or forum designated by the City Council, and the calling of such hearings and the authorization of the publication of such notices may be by majority vote of all members of the City Council then holding office at any regular or special meeting of the City Council. The ordinance abolishing the Board shall name the effective date of the abolition of the Board and the transfer of maintenance, control, and operation of the System to the City. By the same procedure, the City Council may subsequently reconstitute the Board and thereafter transfer control, maintenance, and operation of the System to such Board as otherwise set forth in this Ordinance.

* * * *

APPENDIX E

FORM OF CO-BOND COUNSEL'S OPINION

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IN REGARD to the authorization and issuance of the "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund)" (the *Bonds*), dated August 1, 2023 in the aggregate principal amount of $289,165,000, we have reviewed the legality and validity of the issuance thereof by the City of San Antonio, Texas (the *City*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof, and have Stated Maturities of May 15 in each of the years 2024 through 2043, May 15, 2048, May 15, 2052, and May 15, 2053, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meaning ascribed thereto in the Ordinance.

WE HAVE SERVED AS CO-BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the City's obligations being refunded by certain proceeds of the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City or the City's utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds is as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the City in connection with the issuance of the Bonds, including the Ordinance, the Paying Agent/Registrar Agreement between the City and UMB Bank, N.A., Dallas, Texas, and the Escrow Agreement (the *Escrow Agreement*) between the City and UMB Bank, N.A., Dallas, Texas, as escrow agent (the *Escrow Agent*), and the special report (the *Report*) of Robert Thomas CPA, LLC, Overland Park, Kansas (the *Verification Agent*), of the sufficiency of cash deposited with the Escrow Agent, and a resolution adopted by the Board of Trustees (the *Board*) of the San Antonio Water System (*SAWS*); (2) customary certifications and opinions of officials of the City and SAWS; (3) certificates executed by officers of the City and SAWS relating to the expected use and investment of proceeds of the Bonds and certain other funds of the City and SAWS, and to certain other facts within the knowledge and control of the City and SAWS; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the City, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the City and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded and to be discharged, paid, and retired with certain proceeds of the Bonds are regarded as being outstanding for purposes of the ordinance authorizing their issuance only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Report by the Verification Agent as to the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding special obligations of the City enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from and equally and ratably secured, together with the currently outstanding Junior Lien Obligations, solely by a lien on and pledge of the Net Revenues, derived from the operation of the System that is junior and inferior to the lien thereon and pledge thereof securing the payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, but prior and superior to the lien thereon and pledge thereof securing the payment of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations or Inferior Lien Obligations hereafter issued by the City. The Bonds are issued as Junior Lien Obligations-No Reserve Fund and, as such, are not additionally secured by a lien on and pledge of the Reserve Fund. In the Ordinance, the City retains the right to issue Additional Senior Lien Obligations, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, and Inferior Lien Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the City or SAWS, except with respect to the Net Revenues. The holders of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the City and the Board with the provisions of the Ordinance and in reliance upon the Report by the Verification Agent as to the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the City and the Board made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and

(2) interest on the Bonds will not be included, except as described below, in computing the alternative minimum taxable income of the owners thereof.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

McCall, Parkhurst and Horton L.L.P.   Escamilla & Poneck, LLP

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