OFFICIAL STATEMENT
Dated October 3, 2024

Ratings: Fitch: "AA"
Moody's: "Aa1"
S&P: "AA+"
(See "RATINGS" herein.)

NEW ISSUE – Book-Entry-Only

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

$265,075,000
CITY OF SAN ANTONIO, TEXAS
(A political subdivision of the State of Texas located primarily in Bexar County)
WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2024B (NO RESERVE FUND)

Dated Date: October 1, 2024 **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 $265,075,000 Water System Junior Lien Revenue Bonds, Series 2024B (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 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 March 21, 2024. As permitted by Chapter 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 October 3, 2024.

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), and (ii) 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 May 15, 2025, 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., Austin, 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 Kassahn & Ortiz, P.C., San Antonio, Texas, Co-Bond Counsel (see "APPENDIX E – FORM OF CO-BOND COUNSEL'S OPINION" herein). Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriters by their counsel, 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 October 29, 2024 (the "Date of Delivery").

J.P. MORGAN

CABRERA CAPITAL MARKETS LLC **MESIROW FINANCIAL, INC.**

PNC CAPITAL MARKETS LLC **TD SECURITIES**

MATURITY SCHEDULE **CUSIP NO.[1] PREFIX: 79642G**

$265,075,000
City of San Antonio, Texas
Water System Junior Lien Revenue Bonds, Series 2024B (No Reserve Fund)

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
2026	6,780,000	5.000	2.430	QT2	2037	11,755,000	5.000	2.990[2]	RE4
2027	7,130,000	5.000	2.330	QU9	2038	12,355,000	5.000	3.040[2]	RF1
2028	7,495,000	5.000	2.340	QV7	2039	12,990,000	5.000	3.080[2]	RG9
2029	7,880,000	5.000	2.360	QW5	2040	13,655,000	5.000	3.150[2]	RH7
2030	8,280,000	5.000	2.410	QX3	2041	14,355,000	5.000	3.230[2]	RJ3
2031	8,705,000	5.000	2.510	QY1	2042	15,090,000	5.000	3.300[2]	RK0
2032	9,155,000	5.000	2.590	QZ8	2043	15,865,000	5.000	3.370[2]	RL8
2033	9,625,000	5.000	2.690	RA2	2044	16,680,000	5.000	3.440[2]	RM6
2034	10,115,000	5.000	2.750	RB0	2045	17,535,000	5.000	3.500[2]	RN4
2035	10,635,000	5.000	2.840[2]	RC8	2046	18,435,000	5.000	3.580[2]	RP9
2036	11,180,000	5.000	2.890[2]	RD6	2047	19,380,000	5.000	3.640[2]	RQ7

(Interest accrues from the Date of Delivery)

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 November 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Redemption" herein.

(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.

(2) Yield is calculated based on the assumption the Bonds denoted and sold at a premium will be redeemed on November 15, 2034, the first optional call date for such Bonds, at a price of par plus accrued interest to the date of redemption.

USE OF INFORMATION

This Official Statement, which includes the cover page 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, SAWS, 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 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	11 Years, 3 Months	May 31, 2025	Broadcast General Manager
Dr. Sukh Kaur, District 1	1 Year, 3 Months	May 31, 2025	Education Consultant
Jalen McKee-Rodriguez, District 2	3 Years, 3 Months	May 31, 2025	Teacher
Phyllis Viagran, District 3	3 Years, 3 Months	May 31, 2025	Training Specialist
Dr. Adriana Rocha Garcia, District 4	5 Years, 3 Months	May 31, 2025	Assistant Professor
Teri Castillo, District 5	3 Years, 3 Months	May 31, 2025	Housing Organizer
Melissa Cabello Havrda, District 6	5 Years, 3 Months	May 31, 2025	Attorney at Law
Marina Alderete Gavito, District 7	1 Year, 3 Months	May 31, 2025	Nonprofit Executive
Manny Peláez, District 8	7 Years, 3 Months	May 31, 2025	Attorney at Law
John Courage, District 9	7 Years, 3 Months	May 31, 2025	Retired Teacher
Marc Whyte, District 10	1 Year, 3 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	4 Years, 2 Months	May 31, 2026	President and CEO The Center for Health Care Services
David McGee Vice Chair	10 Years	May 31, 2025	President/CEO of San Antonio Region Amegy Bank of Texas
Eduardo Parra Secretary	6 Years, 7 Months	May 31, 2025	CEO – Principal Engineer Parra & Co., LLC.
Amy Hardberger Assistant Secretary	6 Years, 7 Months	May 31, 2025	McCleskey Professor of Law and Director of the Texas Tech Center for Water Law and Policy at Texas Tech School of Law
Ed Belmares Trustee	4 Years, 1 Month	May 31, 2028	Owner IConnect, LLC
Marilu Reyna Trustee	2 Years, 11 Months	May 31, 2026	Communications Executive BCFS
Ron Nirenberg, Mayor and Ex-Officio Member	7 Years, 3 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	16 Years, 5 Months	33 Years, 7 Months
Douglas P. Evanson	Executive Vice President/Chief Financial Officer	19 Years, 5 Months	19 Years, 5 Months
Nancy Belinsky[(1)]	Executive Vice President/Chief Legal & Ethics Officer	21 Years, 4 Months	21 Years, 4 Months
Andrea Beymer	Executive Vice President/Chief Operating Officer	26 Years, 5 Months	26 Years, 5 Months
Sharon De La Garza	Senior Vice President – Human Resources & Risk Management	12 Years, 4 Months	28 Years, 4 Months
Donovan Burton	Senior Vice President – Water Resources & Governmental Relations	17 Years, 9 Months	32 Years, 1 Month
Gavino Ramos	Senior Vice President – Communications & External Affairs	9 Years, 6 Months	9 Years, 6 Months
Jaime Castillo	Senior Vice President of Operations Support & Innovation/Chief of Staff	6 Years, 11 Months	14 Years, 7 Months
Cecilia Velasquez	Vice President – Customer Experience & Strategic Initiatives	14 Years, 2 Months	19 Years, 6 Months

(1) Ms. Belinsky has announced her retirement, effective December 31, 2024. Effective September 16, 2024, Mr. Edward Guzman assumed the role of Senior Vice President/Chief Legal & Ethics Officer.

SELECTED ADMINISTRATIVE STAFF – CITY OF SAN ANTONIO

Name	Position	Tenure with City of San Antonio	Tenure in Current Position
Erik J. Walsh[(1)]	City Manager	30 Years, 4 Months	5 Years, 7 Months
María Villagómez	Deputy City Manager	27 Years	5 Years, 7 Months
Lori Houston	Assistant City Manager	22 Years, 4 Months	9 years, 2 Months
David McCary	Assistant City Manager	17 Years, 1 Month	4 Years, 7 Months
Jeff Coyle	Assistant City Manager	11 Years, 8 Months	3 Years, 6 Months
Alejandra Lopez	Assistant City Manager	7 Years, 3 Months	3 Years, 6 Months
Andrew Segovia	City Attorney	8 Years, 1 Month	8 Years, 1 Month
Debbie Racca-Sittre	City Clerk	22 Years, 9 Months	2 Years, 4 Months
Ben Gorzell, Jr.	Chief Financial Officer	33 Years, 10 Months	14 Years, 2 Months
Troy Elliott	Deputy Chief Financial Officer	28 Years, 1 Month	8 Years, 2 Months
Justina Tate	Director of Management and Budget	14 Years, 8 Months	2 Years, 10 Months

(1) Mr. Walsh was appointed City Manager on January 31, 2019, effective March 1, 2019. Prior to his appointment, Mr. Walsh served as Deputy City Manager from 2011-2019.

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CONSULTANTS AND ADVISORS

Auditors	Baker Tilly Virchow Krause, LLP San Antonio, Texas
Co-Bond Counsel	McCall, Parkhurst & Horton L.L.P. San Antonio, Texas and Kassahn & Ortiz, P.C. San Antonio, Texas
Co-Financial Advisors	PFM Financial Advisors LLC Arlington, Virginia and Estrada Hinojosa San Antonio, Texas

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

Mr. Douglas P. Evanson Executive Vice President/Chief Financial Officer San Antonio Water System 2800 U.S. Highway 281 North P.O. Box 2449 San Antonio, Texas 78298-2449 Telephone: (210) 233-3803 doug.evanson@saws.org	or	Mr. Eric Brown PFM Financial Advisors LLC 4350 North Fairfax Drive, Suite 590 Arlington, Virginia 22203 Telephone: (703) 741-0175 browne@pfm.com
Ms. Phyllis Garcia Senior Director/Treasurer San Antonio Water System 2800 U.S. Highway 281 North P.O. Box 2449 San Antonio, Texas 78298-2449 Telephone: (210) 233-3813 phyllis.garcia@saws.org		Mr. Donald J. Gonzales Estrada Hinojosa 14414 Blanco Road, Suite 320 San Antonio, Texas 78216 Telephone: (210) 223-4888 don@ehmuni.com

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OFFICIAL STATEMENT

RELATING TO

$265,075,000
CITY OF SAN ANTONIO, TEXAS
(A political subdivision of the State of Texas located primarily in Bexar County)
WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2024B (NO RESERVE FUND)

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $265,075,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2024B (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, 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.

In close proximity to the sale and delivery by the City of the Bonds, but independently and under a separate plan of finance, the City sold its $165,310,000 Water System Subordinate Lien Revenue Refunding Bonds, Series 2024A (the "Series 2024A Bonds"), which closed on September 11, 2024. This Official Statement relates only to the sale of the Bonds and not the sale of the Series 2024A Bonds.

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 1,468,165 in 2023. The City covers approximately 511 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, and (ii) paying the costs of issuance of the Bonds.

Sources and Uses of Bonds Proceeds

Proceeds from the sale of the Bonds are expected to be expended as follows:

Sources of Funds	
Par Amount of the Bonds	$265,075,000.00
Reoffering Premium	37,577,411.05
Total Sources of Funds	$302,652,411.05
Uses of Funds	
Construction Fund Deposit	$301,000,000.00
Underwriters' Discount	940,404.59
Costs of Issuance	712,006.46
Total Uses of Funds	$302,652,411.05

THE BONDS

Description of the Bonds

The Bonds are dated October 1, 2024 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 May 15, 2025. 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 1371, Texas Government Code, as amended ("Chapter 1371"), Chapter 1502, Texas Government Code, as amended ("Chapter 1502" and, together with Chapter 1371, the "Act"), 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 March 21, 2024. As permitted by Chapter 1371, 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 October 3, 2024.

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

Dated Date	Outstanding Debt ($)[1]	Issue Description
August 1, 2012	$12,540,000	Water System Junior Lien Revenue Bonds, Series 2012 (TWDB CWSRF Tier III)
April 1, 2013	23,520,000	Water System Junior Lien Revenue Bonds, Series 2013A
October 1, 2013	12,855,000	Water System Junior Lien Revenue Bonds, Series 2013C
October 1, 2013	42,680,000	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	99,590,000	Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund)
May 15, 2014	27,450,000	Water System Junior Lien Revenue Bonds, Series 2014C
June 1, 2014	11,795,000	Water System Junior Lien Revenue Bonds, Series 2014D
January 1, 2015	56,130,000	Water System Junior Lien Revenue Bonds, Series 2015A
February 1, 2015	268,460,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund)
January 1, 2016	111,875,000	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	279,275,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund)
December 1, 2016	9,630,000	Water System Junior Lien Revenue Bonds, Series 2016D
December 1, 2016	11,080,000	Water System Junior Lien Revenue Bonds, Series 2016E
January 1, 2017	60,655,000	Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund)
May 1, 2018	193,695,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund)
April 1, 2018	8,725,000	Water System Junior Lien Revenue Bonds, Series 2018B
September 1, 2019	25,780,000	Water System Junior Lien Revenue Bonds, Series 2019B
September 1, 2019	71,850,000	Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund)
January 1, 2020	245,775,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund)
February 1, 2020	22,005,000	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	10,225,000	Water System Junior Lien Revenue Bonds, Series 2020D
July 1, 2021	259,825,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund)
February 1, 2022	77,785,000	Water System Junior Lien Revenue Bonds, Series 2022A (No Reserve Fund)
October 1, 2022	250,910,000	Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund)
August 1, 2023	280,375,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund)
October 1, 2024	265,075,000	The Bonds
Total	$3,004,140,000	

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

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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:

Dated Date	Amount Outstanding*	Issue Description
September 11, 2024	$165,310,000	Water System Subordinate Lien Revenue Refunding Bonds, Series 2024A(3)
	$165,310,000	

Authorized Amount	Amount Outstanding*	Issue Description
$400,000,000	$171,375,000	Water System Commercial Paper Notes, Subseries A-1(1)
100,000,000	-	Water System Commercial Paper Notes, Series B(2)
$500,000,000(4)	$171,375,000	

* Data is unaudited.
(1) JPMorgan (defined herein) supports the Series A Notes in the total amount of $400,000,000. See "COMMERCIAL PAPER NOTE PROGRAM".
(2) Represents the liquidity support in the total combined amount of $100,000,000 currently available from Truist Bank (defined herein) for the Series B Notes. See "COMMERCIAL PAPER NOTE PROGRAM" herein.
(3) Truist Securities, Inc. provides liquidity support pursuant to a standby bond purchase agreement for these obligations.
(4) Represents the combined authorization of the Series A Notes (including Subseries A-1 and Subseries A-2), and the Series B 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 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 **(but only to refund any currently outstanding Senior Lien Obligations for debt service savings and for no other purpose)**, (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.

The City's issuance of Additional Subordinate Lien Obligations, payable from and equally and ratably secured by a lien on and pledge of the New Revenues that is subordinate and inferior to the liens thereon and pledges thereof made to secure payment of the Senior Lien Obligations and Junior Lien Obligations, is subject to complying with certain conditions precedent: (i) the execution of a no-default certificate by a Designated Financial Officer providing that (a) the City is not in default as to any covenant, obligation, or agreement contained in any ordinance relating to any obligations payable and secured by a lien on and pledge of Net Revenues of the system, and (b) all payments into special funds have been duly made and the amounts on deposit are the amounts required therein; (ii) the execution of a certificate by a Designated Financial Officer certifying that the Net Revenues of the System for the most recent fiscal year are at least equal to 100% of the average annual debt service requirements for all Senior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations in any future fiscal year while the proposed Additional Subordinate Lien Obligations are outstanding; and (iii) the ordinance authorizing the issuance of the Additional Subordinate Lien Obligations provides for monthly deposits to be made in a debt service fund in sufficient amounts.

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 November 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

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., Austin, 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 Austin, 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.

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) Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund), (iii) Water System Junior Lien Revenue and Refunding Bonds, Series 2014A (No Reserve Fund), (iv) Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund), (v) Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund), (vi) Water System Junior Lien Revenue Refunding Bonds, Series 2016A (No Reserve Fund), (vii) Water System Junior Lien Revenue Refunding Bonds, Taxable Series 2016B (No Reserve Fund), (viii) Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund), (ix) Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund), (x) Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund), (xi) Water System Variable Rate Junior Lien Revenue Bonds, Series 2019A (No Reserve Fund), (xii) Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund), (xiii) Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund), (xiv) Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund), (xv) Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund), (xvi) Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund), (xvii) Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund), (xiii) Water System Junior Lien Revenue and Refunding Bonds, Series 2023A, (xiv) 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. 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 $34,460,000 to the City in SAWS' Fiscal Year 2023.

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 Truist Bank. ("Truist"), which expires in accordance with its terms on October 31, 2028 (the "Truist Credit Agreement"). 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 Truist 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, $171,375,000 in Commercial Paper Notes are outstanding of $171,375,000 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 City obligations under the Commercial Paper Program are secured by a lien on and pledge of Net Revenues on parity with the lien thereon and pledge thereof that secures the Series 2024A Bonds and any other Subordinate Lien Obligations.

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, 2023, the System employed 1,934 personnel and maintained over 13,770 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, 2023 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, 2024. See "APPENDIX C – UNAUDITED FINANCIAL STATEMENTS (THROUGH JUNE 30, 2024)".

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The present members of the Board are:

Board	Length of Service	Term Expires	Occupation
Jelynne LeBlanc Jamison Chairwoman	4 Years, 2 Months	May 31, 2026	President and CEO The Center for Health Care Services
David McGee Vice Chair	10 Years	May 31, 2025	President/CEO of San Antonio Region Amegy Bank of Texas
Eduardo Parra Secretary	6 Years, 7 Months	May 31, 2025	CEO – Principal Engineer Parra & Co., LLC.
Amy Hardberger Assistant Secretary	6 Years, 7 Months	May 31, 2025	McCleskey Professor of Law and Director of the Texas Tech Center for Water Law and Policy at Texas Tech School of Law
Ed Belmares Trustee	4 Years, 1 Month	May 31, 2028	Owner IConnect, LLC
Marilu Reyna Trustee	2 Years, 11 Months	May 31, 2026	Communications Executive BCFS
Ron Nirenberg, Mayor and Ex-Officio Member	7 Years, 3 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.

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, 2024. (See "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION – Impact Fees" herein.)

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 Executive Vice President/Chief Operating Officer is Andrea Beymer. Ms. Beymer joined SAWS in 1997 as a graduate engineer and served in various roles during her tenure with the organization. Most recently, she led the Engineering and Construction department at SAWS since 2017.

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 Vice President of Operations Support & Innovation/Chief of Staff is Jaime Castillo. 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 Cecilia Velasquez. Ms. Velasquez joined SAWS internal audit department in 2010. Before her promotion to her current role, Ms. Velasquez serviced as Vice President – Financial Services and Controller for the System. Prior to joining SAWS, Ms. Velasquez served in various roles within the internal audit department at the University of Texas.

Name	Position	Length of Service with System	Total Government Service
Robert R. Puente	President/Chief Executive Officer	16 Years, 5 Months	33 Years, 7 Months
Douglas P. Evanson	Executive Vice President/Chief Financial Officer	19 Years, 5 Months	19 Years, 5 Months
Nancy Belinsky(1)	Executive Vice President/Chief Legal & Ethics Officer	21 Years, 4 Months	21 Years, 4 Months
Andrea Beymer	Executive Vice President/Chief Operating Officer	26 Years, 5 Months	26 Years, 5 Months
Sharon De La Garza	Senior Vice President – Human Resources & Risk Management	12 Years, 4 Months	28 Years, 4 Months
Donovan Burton	Senior Vice President – Water Resources & Governmental Relations	17 Years, 9 Months	32 Years, 1 Month
Gavino Ramos	Senior Vice President – Communications & External Affairs	9 Years, 6 Months	9 Years, 6 Months
Jaime Castillo	Senior Vice President of Operations Support & Innovation/Chief of Staff	6 Years, 11 Months	14 Years, 7 Months
Cecilia Velasquez	Vice President – Customer Experience & Strategic Initiatives	14 Years, 2 Months	19 Years, 6 Months

(1) Ms. Belinsky has announced her retirement, effective December 31, 2024. Effective September 16, 2024, Mr. Edward Guzman assumed the role of Senior Vice President/Chief Legal & Ethics Officer.

SYSTEM STRUCTURE

The System is structured to strategically position functions to maximize efficiencies and responsiveness to System customers. Eight 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, Executive Vice President/Chief Operating 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, and Vice President – Customer Experience & Strategic Initiatives.

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 SAWS information technology services. The group consists of the following departments:

- Enterprise Architecture: Responsible for developing and maintaining the organization's information system architectural vision and strategy. Oversees the implementation of architectural standards and best practices to achieve seamless integration and efficiency across different departments and information technology systems; and
- Security Operations: Responsible for monitoring and defending SAWS information technology infrastructure and assets cybersecurity threats. Activity monitors security alerts and incidents, investigates potential security breaches, and responds to mitigate and remediate any security issues.

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 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 Business Opportunities 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.

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

PRODUCTION

The Production group is responsible for the production and distribution of potable water and the distribution of recycled water for reuse purposes. 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_2Oaks Facility operations, including the Aquifer Storage and Recovery ("ASR") operations; and
- Production Mechanical Maintenance, Electrical Maintenance, and Instrumentation and Controls units which support the production facilities.

TREATMENT

The Treatment group is responsible for 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:

- 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 treatment, and lift station facilities. 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 Treatment group, as well as performs analysis to reduce critical infrastructure failures and ultimately improve systems.

DISTRIBUTION AND COLLECTION

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 – Installs, rehabilitates, and replaces water and sewer infrastructure including restoration of concrete and asphalt work. Manages construction and inspection contracts for resource augmentation;
- Operations Support – Provides administrative support to departments within the group, including data analytics, reporting, maintenance planning, CPMS user support and training, invoice processing procurement, and data management;
- Operation Centers – SAWS' utility crews are mobilized from four strategically located operations centers throughout the City: Northeast, East Side, North Side, and West 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. Heavy Equipment Services provides tools, heavy equipment operator services, equipment repairs and materials; and
- Pipeline Support – Investigates water and sewer leaks, utility locates and customer complaints. Proactively maintains the wastewater collection system by cleaning and televising lines to verify condition and pinpoint defects. Manages programs for valve, fire hydrant, manhole and dead-end main inspections.

ENGINEERING AND CONSTRUCTION

The Engineering & Construction group 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 Capital Improvements Plan ("CIP") and supports Engineering and Construction 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;
- Plants and Major Projects – Plans and coordinates design activities water distribution projects, potable and recycled water production facilities, and wastewater treatment plants; and
- Asset Management – Oversees risk and condition tracking activities in order to maximize usage of SAWS' assets and infrastructure and operational support.

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;
- 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 Fleet, Security, Facilities, Energy Management and District 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 electrification initiative, and vehicle replacement and disposal;
- Security – Manages a proactive security program and associated support contract for all SAWS facilities;
- Facilities – Provides building maintenance and management services at SAWS facilities;
- Chilled Water Operations manages District cooling service to customers in downtown San Antonio and at Port San Antonio, as well as marketing to new customers and services;
- Office of Energy Management optimizes energy demand management and efficiency rebates, electric/gas services metering, bill review and payment for SAWS' activities; and
- 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.

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; and
- Emergency Operations Center – Manages 24-hour emergency center and reports/dispatches crews for water leaks, main breaks, and overall tactical response to problems with the System.

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.

In addition, on July 19, 2024, three applications were submitted to the PUC to amend the System's CCN. The purpose of these amendments is to 1) fill gaps within the System's current water CCN to reflect areas that have been historically provided water and sewer service by the System and for which no additional construction of facilities is anticipated; 2) add rapidly developing areas to the System's sewer CCN in Southeast Bexar County, which area was included in the most recent impact fee land use study and capital improvements plan; and 3) remove sensitive property from the System's sewer CCN in far Northeast Bexar and Comal Counties. On August 19, 2024, the System received notice of various technical deficiencies from the PUC that are currently being addressed by the System. Once the applications are determined to be administratively complete, notices will be mailed and any required consents will be sought. The anticipated completion date is around six months to one year; however final completion will be clearer once the applications are determined to be administratively complete.

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, 2023, the System provided potable water service to approximately 565,600 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, 2023, the Waterworks System maintained 7,776 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. In 2023, SAWS began installing meter and endpoints in-house. In December 2023, the Board awarded two meter and endpoint installation contracts to an external vendor to augment internal installation efforts. As of June 30, 2024, more than 208,900 AMI meters have been installed. Installations are currently anticipated to be completed by the end of 2025.

Customers receiving AMI meters have access to their hourly water usage information online. In addition, these customers are alerted 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, 2023, the System provided wastewater services to approximately 505,850 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 6,000 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 mentioned above, capital requirements could range in total from $1.2 billion to $1.3 billion. Through December 31, 2023, capital expenditures related to the Consent Decree totaled approximately $1.2 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 146 SSOs in 2023. From January 2024 through June 2024, 65 SSOs have been recorded.

MITCHELL 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 (the "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 108 acres of this 285-acre tract as surplus to the needs of the System, disposition of which occurred August 1, 2024. In 2021, engineering design commenced for the dam modification, new spillway, and constructed wetlands. 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.

On January 30, 2024, the EPA provided notice that it was withdrawing the Administrative Order, effective immediately. The EPA also advised that with the withdrawal of the Administrative Order, oversight of the wetlands project would transition to the TCEQ pursuant to its authority under the MS4 permit issued in 2021. Withdrawal of the Administrative Order removes the EPA's enforcement authority, ability to assess penalties, and SAWS' potential liability associated with the Administrative Order. SAWS provided notice to TCEQ of the withdrawal of the Administrative Order, consistent with permit requirements, and will work with the EPA and the TCEQ to develop an appropriate schedule of activities for the project going forward.

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 $12.1 million in Fiscal Year 2023.

Prior to 2022, there had been no increase in the demand charge rate for downtown customers since 1999 and Port San Antonio customers since 2005. The lack of rate relief over this extended period resulted in an unsustainable financial position. As part of the newly approved business plan for Chilled Water, SAWS had approved a new five-year rate plan which included a 12% demand charge rate adjustment that was implemented on January 1, 2023, with subsequent adjustments up to 12%, 10%, 8% and 8% each year from 2024 to 2027 subject to the review and consultation with the City's Public Utilities Office prior to implementation. The 2024 rate adjustment of 12% went into effect on January 1, 2024. These rate adjustments support needed capital improvements of almost $50 million and along with other planned marketing, operational, and financial changes to be implemented are designed to return Chilled Water to a self-sustaining business unit. 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 Rate Advisory Committee 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. The 2024 rate adjustment of 10% went into effect on January 1, 2024.

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 2024 was approximately $4.8 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 Draft 2024 Water Management Plan was made available for public comment in June 2024 and is anticipated to be submitted for Board consideration in December 2024. The Draft 2024 Water Management Plan provides a diversified foundation for the System's water supply. While the Edwards Aquifer will always be the cornerstone of the System's water supply, the System has already successfully developed several additional groundwater water resources from the Trinity Aquifer, the Carrizo Aquifer, the Simsboro Aquifer and the Wilcox Aquifer as well as surface water resources from Canyon Lake. 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 store unused Edwards Aquifer permitted water supplies for 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 robust 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.

Included in the Draft 2024 Management Plan is an initiative to reduce nonrevenue water. SAWS has developed a cross functional team of experts to perform an assessment of its distribution system and develop solutions to address water leaks and prioritize water main replacements SAWS included approximately $99 million in its 2024 Capital Improvement Program to address water main repairs and replacements and anticipates including an additional $550 million in capital spending dedicated to water main replacements over the next five years.

As of December 31, 2023, the System's annual unrestricted, permitted contractual water supply includes the following:

Water Source	Acre-Feet	Percentage of Permitted Supply
Edwards Aquifer	266,631	43%
H_2Oaks Center Aquifer Storage and Recovery (underground storage)	166,336	26%
Vista Ridge	50,000	8%
Recycled Water to CPS Energy	50,000	8%
Recycled Water to Other Customers	25,000	4%
Trinity Aquifer	22,000	3%
Regional Carrizo	11,500	2%
H_2Oaks Center Brackish Groundwater Desalination	11,200	2%
Local Carrizo	9,900	2%
Western Canyon (Canyon Lake)	8,100	1%
Canyon Regional Water Authority	6,300	1%
Total	626,967	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 2023, the Edwards Aquifer directly supplied approximately 58% 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, 2023, through permitting, purchases, and leases, the System will have access to 266,631 acre-feet per year of Edwards Aquifer groundwater withdrawal rights, which is approximately 47% of the regional pumping cap. See "THE SAN ANTONIO WATER SYSTEM – Edwards Aquifer Recovery Implementation Program and the Edwards Aquifer Habitat Conservation Plan" herein. The System owns approximately 256,396 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.

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 Drought Management Plan to manage the region's water resources during periods of drought. Established by City ordinance and System Utility Service Regulations, the Drought Management Plan also restricts outdoor water use based on specific levels of the Edwards Aquifer. The City first approved the Edwards Aquifer level triggers in 2009 with the more recent updates occurring in 2024.

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 in a thirteen-hour window before 10:00 a.m. or after 9:00 p.m. Hand watering with a hand-held hose 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 landscape watering with an irrigation system or sprinkler based on the last number of the customer's street address one-day-per week in a in a thirteen-hour window before 10:00 a.m. or after 9:00 p.m. Drip irrigation may run up to three days per week. Watering with a hand-held hose is permitted any time of 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 landscape watering with an irrigation system or sprinkler based on the last number of the customer's street address one-day-per week in an eight-hour window between 5:00 a.m. to 10:00 a.m. and 9:00 p.m. to midnight. Drip irrigation may run up to two days per week. Watering with a hand-held hose is permitted any time of day.

Stage Three – Stage Three restrictions 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). SAWS' customers are limited to the same landscape irrigation requirements as Stage 2 (irrigation system or sprinkler one-day-per week in an eight-hour window between 5:00 a.m. to 10:00 a.m. and 9:00 p.m. to midnight; drip irrigation up to two days per week; and hand watering any time of day); however, a high use surcharge is implemented on the highest using customers: residential users using 20,000 gallons or more and billed commercial irrigation beginning at 12,000 gallons and scaled up depending on the size of the meter. The surcharge rate is assessed in addition to the regular water and wastewater rates.

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 in consultation with the SAWS President/CEO. SAWS' customers are limited 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 one day every other week in an eight-hour window between 5:00 a.m. to 10:00 a.m. and 9:00 p.m. to midnight. Drip irrigation and hand-held hose watering is the same as stages two and three (drip two days per week; hand-held hose any time of day); however, the high use surcharge from Stage 3 is implemented on residential users using 12,000 gallons or more and billed commercial irrigation beginning at 7,200 gallons and scaled up depending on the size of the meter. The surcharge rate is assessed in addition to the regular water and wastewater rates.

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 Authority; 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 Draft 2024 Water Management Plan accounts for and addresses 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.

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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)	2019	2020	2021	2022	2023
Edwards Aquifer	191,941	171,955	146,974	177,624	162,959
Vista Ridge	-	26,392	50,939	50,778	51,527
Aquifer Storage and Recovery Production	3,930	12,184	5,215	14,876	28,285
Trinity Aquifer	17,141	6,601	9,685	5,780	3,421
Regional Carrizo Aquifer	11,404	11,347	10,749	10,496	9,266
Brackish Groundwater Desalination	4,593	6,706	6,089	4,337	5,674
Local Carrizo Aquifer	6,504	6,149	6,009	4,156	7,693
Western Canyon	8,038	8,072	7,968	6,670	5,704
Canyon Regional Water Authority	7,793	6,288	6,361	4,659	5,711
Total Distribution	**251,344**	**255,694**	**249,989**	**279,376**	**280,239**

H_2OAKS CENTER

SAWS' H_2Oaks Center, located in the far southern portion of the County, is home to three water supplies, all operated from the H_2Oaks control room. These include the ASR, Local Carrizo 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	-	28,286	166,336
2024**	-	-	13,727	152,609

** Includes operational authorized water use not put in distribution.*
*** As of June 30, 2024.*

LOCAL CARRIZO 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 providing increased operational flexibility of recovering ASR water and further supply diversification.

In order to meet System demand projections, phases 1 and 2 of the Expanded Local Carrizo Project are projected to provide an additional 14,000 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. Phase 1 and 2 of the Expanded Local Carrizo Project are included in the Draft 2024 Water Management Plan as near-term projects to be completed around the 2032 timeframe. The timing of phase 3 of this project will be based upon System demand projections and will provide an additional 7,000 acre-feet per year.

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 Draft 2024 Water Management Plan determines additional phases may not be required until the 2040 decade.

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. 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.

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.

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 $90 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 System has contracts with CRWA to provide 6,800 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 and includes a ten-year extension option to 2057.

500 acre-feet of the Wells Ranch groundwater is sub-leased to Springs Hill Special Utility District through 2028.

SAWS received 4,000 acre-feet per year of Lake Dunlap surface water through 2023, with the contractual volume transferring to the Wells Ranch Project in 2024. SAWS has an unconditional obligation to continue 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 an operating and maintenance 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, LLC ("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. As with all GMA planning across the State, this planning process could result in a regulatory permit reduction through POSGCD rules at some future date. To ensure that future supplies are firm, the Vista Ridge interests intend to submit a new permit application to the POSGCD to provide for additional use of Simsboro Aquifer water to reduce Carrizo Aquifer production firming up supplies for local users.

Primary Project Participants. With a majority equity interest therein, Vista Ridge is currently owned and controlled by Ridgewood Infrastructure ("Ridgewood"). Ridgewood solicited offers for its majority interest in Vista Ridge. The System retains approval rights over a transfer of a majority interest in Vista Ridge. 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. Upon Ridgewood's solicitation of offers, Ullico Infrastructure Vista Ridge Holdco, LLC ("Ullico"), has been identified as the selected party to purchase the majority interest in Vista Ridge. The Board approved Ullico's prospective purchase on October 1, 2024. This transaction closed on October 3, 2024.

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 June 30, 2024, SAWS has paid for approximately 11,670 acre-feet of Project Water that it was unable to receive. As such, SAWS has recorded a prepaid asset totaling approximately $4.4 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. As of early April 2024, Vista Ridge has completed delivery of all supply shortfalls accrued as a result of the weather shutdown. 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, 2023, Vista Ridge made available to SAWS, and SAWS accepted 51,527 acre-feet of Project Water.

Groundwater Lease Litigation. On November 22, 2021, Metropolitan Water Company, LP ("Met Water"), the entity that originally signed the groundwater leases, that were then assigned to Blue Water, filed for Chapter 11 (business reorganization) bankruptcy protection. Additionally, there is ongoing litigation between Met Water and Blue Water concerning, primarily, the distribution of Project royalties between the two parties. 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, and the Bankruptcy Court, on motion of the Trustee, has approved a settlement of substantial quanta of the litigation between Met Water and Blue Water (occurring in other venues, but part of bankruptcy estate).

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, BMA should issue a credit for the undelivered water, which can be used to offset payments due to BMA during the next calendar year. During Fiscal Years 2023 and 2022, SAWS paid approximately $3 million and $3.4 million, respectively, under this agreement. The most current version of this contract was executed in 2007 and runs through 2049. 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. SAWS subsequently filed a First Amended Petition and Application for Deposit of Contract Funds into the Registry of the Court on February 13, 2024. 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 was recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position in 2022.

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 Phase II is complete with the project becoming operational in June 2024.

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 154 gallons per capita per day ("GPCD") in 1992 to 120 GPCD in 2023, which has resulted in approximately 2.5 million acre-feet of cumulative savings. Using today's larger population, a total per capita of 154 GPCD would require an additional 79,000 acre-feet of water per year. SAWS has successfully cultivated an ethic of conservation, invested in infrastructure over the past 30+ years and effectively reduced GPCD by approximately 30 percent, all while SAWS' service area population has grown by approximately 200%.

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 approximately 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 reached over 18,000 households since 2017, providing over 35 million gallons of savings each 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 stored excess Edwards Aquifer water since 2004 and is relied upon to provide potable water to customers during periods of drought.
- 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 draft 2024 Water Management Plan strives for a reduction of residential consumption to 42 GPCD by 2075 and a total consumption (to include commercial, industrial, and non-revenue water) to 87 GPCD by 2075.

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 throughout the year and reflect seasonal plant offerings available in locally owned plant nurseries. Recently, the Outdoor Living Rebate program was developed to help customers replace grass with a beautiful, functional outdoor living space.

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 a popular incentive program in recent 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 2023, the popular site had approximately 1.5 million visits by over 267,000 unique users.

GardenStyleSA e-Newsletter is a weekly free newsletter provided to over 35,000 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 region. Incentive programs and local educational events are promoted.

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 replace conventional irrigation heads with pressure-reducing heads, cap areas that do not require irrigation, and install a master valve if one is not already present.

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 an initial project review to determine certainty of savings and may also require an onsite pre-inspection, as well as on-going verification of water savings. 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. This program is mutually beneficial between commercial customers and SAWS because 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.

Central Control Rebates incentivize the upgrade of an irrigation controller to be connected to the internet and, in some cases, include a flow sensor that communicates when leaks occur. This provides properties the ability to manage their irrigation remotely and avoid wasting water when components are broken. For many large corporations that manage multiple properties across the system, this can result in more active management of their properties and irrigation systems.

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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DEBT AND OTHER FINANCIAL INFORMATION

COMBINED SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

FYE (Dec. 31)	SAWS Current Debt Service			The Bonds		Total Projected Debt Service			
	Senior Lien Bonds[1]	Junior Lien Bonds[2]	Subordinate Lien Bonds[3][4]	Principal	Interest	Senior Lien Bonds[1]	Junior Lien Bonds[2]	Subordinate Lien Bonds[3][4]	Total
2024	$3,871,816	$188,833,473	$1,203,692	-	-	$3,871,816	$188,833,473	$1,203,692	$193,908,981
2025	7,454,546	186,900,531	5,355,322	-	$13,842,806	7,454,546	200,743,336	5,355,322	213,553,204
2026	8,640,216	188,272,000	5,372,575	$6,780,000	13,084,250	8,640,216	208,136,250	5,372,575	222,149,041
2027	7,445,080	185,801,657	5,372,575	7,130,000	12,736,500	7,445,080	205,668,157	5,372,575	218,485,812
2028	6,646,184	184,158,819	5,375,068	7,495,000	12,370,875	6,646,184	204,024,694	5,375,068	216,045,946
2029	7,437,403	203,373,959	5,399,520	7,880,000	11,986,500	7,437,403	223,240,459	5,399,520	236,077,383
2030	7,432,157	207,631,755	5,357,856	8,280,000	11,582,500	7,432,157	227,494,255	5,357,856	240,284,267
2031	7,429,489	208,197,071	5,357,856	8,705,000	11,157,875	7,429,489	228,059,946	5,357,856	240,847,291
2032	7,420,629	208,170,658	5,375,109	9,155,000	10,711,375	7,420,629	228,037,033	5,375,109	240,832,770
2033	7,415,388	207,825,198	5,370,082	9,625,000	10,241,875	7,415,388	227,692,073	5,370,082	240,477,542
2034	7,413,392	214,664,143	5,372,575	10,115,000	9,748,375	7,413,392	234,527,518	5,372,575	247,313,485
2035	11,810,314	209,924,562	5,402,014	10,635,000	9,229,625	11,810,314	229,789,187	5,402,014	247,001,515
2036	11,797,497	206,355,955	5,345,630	11,180,000	8,684,250	11,797,497	226,220,205	5,345,630	243,363,331
2037	11,790,035	206,315,324	5,370,041	11,755,000	8,110,875	11,790,035	226,181,199	5,370,041	243,341,276
2038	11,777,349	195,596,324	5,372,575	12,355,000	7,508,125	11,777,349	215,459,449	5,372,575	232,609,373
2039	11,759,053	193,055,307	5,372,575	12,990,000	6,874,500	11,759,053	212,919,807	5,372,575	230,051,435
2040	5,552,977	178,278,609	5,404,427	13,655,000	6,208,375	5,552,977	198,141,984	5,404,427	209,099,388
2041	-	135,644,823	5,355,443	14,355,000	5,508,125	-	155,507,948	5,355,443	160,863,391
2042	-	134,820,266	5,357,856	15,090,000	4,772,000	-	154,682,266	5,357,856	160,040,122
2043	-	126,336,687	5,372,575	15,865,000	3,998,125	-	146,199,812	5,372,575	151,572,387
2044	-	114,037,238	5,375,068	16,680,000	3,184,500	-	133,901,738	5,375,068	139,276,806
2045	-	104,524,943	5,370,082	17,535,000	2,329,125	-	124,389,068	5,370,082	129,759,149
2046	-	97,004,940	5,402,014	18,435,000	1,429,875	-	116,869,815	5,402,014	122,271,828
2047	-	86,824,072	5,357,856	19,380,000	484,500	-	106,688,572	5,357,856	112,046,427
2048	-	86,833,808	26,324,341	-	-	-	86,833,808	26,324,341	113,158,149
2049	-	73,726,893	26,339,081	-	-	-	73,726,893	26,339,081	100,065,974
2050	-	72,616,125	26,337,841	-	-	-	72,616,125	26,337,841	98,953,966
2051	-	49,983,744	26,335,099	-	-	-	49,983,744	26,335,099	76,318,843
2052	-	33,811,538	26,341,321	-	-	-	33,811,538	26,341,321	60,152,858
2053	-	16,579,922	26,332,389	-	-	-	16,579,922	26,332,389	42,912,311
2054	-	-	26,334,374	-	-	-	-	26,334,374	26,334,374
	$143,093,525	$4,506,100,341	$309,114,829	$265,075,000	$185,784,931	$143,093,525	$4,956,960,271	$309,114,829	$5,409,168,625

FY2024 represents full year of debt service, despite payments that have been made to date.

(1) 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, will not have a material impact on the financial condition of the System or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing. See "SECURITY FOR THE BONDS – Refundable Tax Credit Bonds" herein. Subsidy payments reduced by 5.7% per annum through final maturity of the related Senior Lien Obligations to account for Sequestration. See "SECURITY FOR THE BONDS – Refundable Tax Credit Bonds" and "EFFECT OF SEQUESTRATION AND IRS OPERATIONS DURING THE PANDEMIC" herein for a discussion related to the current status of Sequestration and its limited effect on the City's outstanding obligations payable from SAWS' revenues since certain actions have been effectuated.

(2) 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. While such obligations accrue interest at a variable rate, actual interest paid will vary dependent on market conditions.

(3) For purposes of illustration, interest on the City of San Antonio, Texas Water System Subordinate Lien Revenue Refunding Bonds, Series 2024A is calculated at a rate of 3.25% through maturity of the bonds. While such obligations accrue interest at a variable rate, actual interest paid will vary dependent on market conditions.

(4) Excludes debt service related to outstanding Subordinate Lien Commercial Paper.

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, 2024, the termination payment that the City would be liable for, if the swap agreement were terminated on such date, would be $2.6 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 $1.1 million and the cumulative net pension liability for SAWSRP and TMRS was $60.4 million as of the valuations dated either December 31, 2022 or January 1,

2023. This represents a cumulative funded ratio of 89.6%. 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, 2023. (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, 2023, the net OPEB asset for this plan was $55.7 million, and there was no annual required contribution for 2023. This represents a total funded ratio of 180.6%. 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 2023, the System made contributions to the OPEB Trust of $850,000 in addition to funding the pay-as-you-go costs of $4.3 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, 2023. (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 2024:

- $9.8 million is budgeted for the wastewater treatment program to repair/replace/upgrade treatment facilities and provide capacity for future growth;
- $204.3 million is budgeted to replace sewer and water mains;
- $63.8 million is budgeted for new sewer and water mains;
- $63.0 million is budgeted for the governmental replacement and relocation programs;
- $138.3 million is budgeted to construct new or fix deteriorated components of the production facilities; and
- $13.2 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,

	2024	2025	2026	2027	2028	Total
Water Supply	$ 17,501,750	$ 35,045,976	$ 16,400,187	$ 40,416,691	$ 46,710,754	$156,075,358
Water Delivery	299,524,876	314,294,552	245,042,288	246,332,608	207,869,766	1,313,064,090
Wastewater	237,461,024	296,052,732	298,426,839	202,021,813	287,451,274	1,321,413,682
Chilled Water	13,156,569	6,426,847	4,491,636	4,616,096	533,729	29,224,877
Total Annual Requirements	$567,644,219	$651,820,107	$564,360,950	$493,387,208	$542,565,523	$2,819,778,007

* 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,					
	2024	2025	2026	2027	2028	Total
Revenues	$124,292,078	$92,506,371	$98,512,927	$118,538,413	$136,802,216	$570,652,005
Impact Fees	79,000,000	91,000,000	74,000,000	97,758,274	100,000,000	441,758,274
Debt Proceeds	364,352,141	468,313,736	391,848,023	277,090,521	305,763,307	1,807,367,728
Total	$567,644,219	$651,820,107	$ 564,360,950	$493,387,208	$542,565,523	$2,819,778,007

* 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 5, 2023. The System's investments are managed by its Executive Vice President/Chief Financial Officer, Senior Director/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 June 30, 2024 (unaudited), investable System funds were 44.13% invested in obligations of the United States, or its agencies and instrumentalities, 1.60% invested in money market funds, 41.42% invested in investment pools, and 12.85% 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 98.72% of their book value, with 61.29% 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 June 30, 2024, the System funds were invested in the following categories (data presented is unaudited):

	Percentages	Carrying Amount[1]	Market Value
Money Market Deposits	1.60%	$ 20,018,470	$ 20,018,470
U.S. Treasury Notes	7.18%	89,947,262	88,055,895
U.S. Agency Notes	28.90%	362,214,489	351,896,333
Investment Pools	24.75%	310,153,821	310,153,821
Texas Term	16.67%	209,000,000	209,000,000
Municipal Bonds	12.85%	160,990,838	156,938,959
Collateralized Mortgage Obligations	8.05%	100,934,193	101,097,134
Total	100.00%	$ 1,253,259,073	$ 1,237,160,612

(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, 2023, 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, 2023. 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.

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

	2023	2022*	2021*	2020	2019	2018	2017	2016	2015[(a)]	2014
Net Position:										
Net investment in capital assets	$3,915,779	$3,521,956	$3,182,415	$2,966,647	$2,758,354	$2,353,841	$2,217,283	$2,106,957	$1,939,292	$1,730,265
Restricted for operating reserve	83,839	78,553	75,675	72,664	58,408	56,642	54,143	52,279	45,801	43,385
Restricted for debt service	57,209	63,465	66,283	74,095	67,380	64,086	59,719	60,396	56,775	47,123
Restricted for debt service reserve	12,887	12,275	16,984	17,938	23,122	54,702	56,364	56,016	62,716	66,665
Restricted for construction	149,299	192,883	243,927	211,917	163,313	209,204	188,227	150,198	168,968	140,937
Restricted for pension benefits	44,640	61,460	3,568	503	-	-	-	-	-	-
Unrestricted	664,651	548,913	473,874	419,457	359,938	367,220	278,542	187,503	126,352	137,207
Total Net Position	$4,928,304	$4,479,505	$4,062,726	$3,763,221	$3,430,515	$3,105,695	$2,854,278	$2,613,349	$2,399,904	$2,165,582

* 2022 and 2021 were restated in 2023 due to the implementation of GASB Statement No. 96. See Note O for more information.
(a) Increase in amounts from 2014 to 2015 was 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)

	2023	2022*(a)	2021*	2020(b)	2019	2018	2017	2016	2015(c)	2014
Operating Revenues:										
Water delivery	$229,736	$244,748	$215,484	$223,076	$229,203	$218,399	$202,264	$190,913	$168,338	$127,708
Water Supply	321,506	325,485	273,008	295,682	218,842	202,674	202,143	185,037	163,759	150,079
Wastewater	299,438	295,162	280,014	266,265	274,519	259,124	250,977	234,966	213,833	210,704
Chilled water & steam	12,090	11,712	10,826	9,894	10,615	10,849	11,368	11,541	11,102	11,152
	862,770	877,107	779,332	794,917	733,179	691,046	666,752	622,457	557,032	499,643
Operating expenses before depreciation:										
Salaries and fringe benefits	198,619	149,045	154,788	163,910	162,445	149,970	148,058	142,315	133,681	115,049
Contractual services	223,188	216,121	203,552	184,517	173,187	171,032	168,350	170,845	163,768	127,685
Materials and supplies	43,446	34,638	27,707	25,836	26,469	23,485	23,159	21,959	23,490	20,930
Other charges	(3,496)	(41,371)	(5,714)	(2,402)	6,726	11,718	11,150	12,702	8,129	12,355
Less: Costs capitalized to Construction in Progress	(39,118)	(30,647)	(31,244)	(29,921)	(30,743)	(31,612)	(32,275)	(32,426)	(37,822)	(30,964)
Operating expense before depreciation	422,639	327,786	349,089	341,940	338,084	324,593	318,442	315,395	291,246	245,055
Depreciation	222,464	208,891	199,396	188,872	157,225	155,549	152,072	142,856	141,259	123,111
Total operating expenses	645,103	536,677	548,485	530,812	495,309	480,142	470,514	458,251	432,505	368,166
Operating Income	217,667	340,430	230,847	264,105	237,870	210,904	196,238	164,206	124,527	131,477
Non-operating revenues/(expenses):										
Interest and miscellaneous	72,055	(24,053)	(1,654)	17,974	32,583	22,488	10,407	8,146	6,079	5,792
Interest expense on revenue bonds and CP	(107,112)	(92,590)	(92,318)	(90,874)	(96,420)	(88,542)	(86,615)	(86,566)	(89,971)	(78,049)
Interest expense on contract payable	(44,496)	(45,116)	(45,930)	(32,947)	-	-	-	-	-	-
Amortization of debt insurance costs	(1,876)	(2,857)	(2,293)	(3,667)	(2,627)	(1,711)	(1,385)	(4,716)	(3,831)	(2,914)
Other finance charges	(2,280)	(2,089)	(1,319)	(1,814)	(2,066)	(1,957)	(2,697)	(2,121)	(2,041)	(2,726)
Gain/(loss) on defeased debt	3,367	2,462	326	1,556	(664)	-	-	-	-	-
Gain on sale of capital assets	1,001	308	2,376	777	886	924	951	3,087	4,674	23
Payments to City of San Antonio	(34,460)	(34,262)	(30,162)	(31,043)	(21,917)	(18,287)	(17,276)	(14,228)	(12,683)	(13,089)
Payments to other entities	-	-	(23)	(93)	(99)	(101)	(108)	(109)	(106)	(114)
Total non-operating expense	(113,801)	(198,197)	(170,997)	(140,131)	(90,324)	(87,186)	(96,723)	(96,507)	(97,879)	(91,077)
Special Items	103,866	(7,200)	-	-	-	-	-	-	-	-
Increases (decreases) in net position, before capital contributions	207,732	135,033	59,850	123,974	147,546	123,718	99,515	67,699	26,648	40,400
Capital contributions:										
Plant Contributions	217,694	139,211	101,251	85,955	73,375	59,761	60,643	73,889	71,967	49,081
Capital Recovery Fees	115,747	129,788	136,963	119,571	94,641	79,794	72,846	67,991	64,056	51,973
Grant Revenue	11,492	12,747	1,441	3,206	9,258	6,435	7,925	3,866	-	61
Total contributions	344,933	281,746	239,655	208,732	177,274	145,990	141,414	145,746	136,023	101,115
Change in net position	$552,665	$416,779	$299,505	$332,706	$324,820	$269,708	$240,929	$213,445	$162,671	$141,515

* 2022 and 2021 were restated in 2023 due to the implementation of GASB Statement No. 96. See Note O for more information.
(a) Based on the permanent impairment of the Medina Treatment Plant in December 2022, the write-off of the carrying value was recorded as a Special Item.
(b) 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.
(c) Increase in amounts from 2014 to 2015 was 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)

	2023	2022*	2021*	2020[(a)]	2019	2018	2017	2016	2015[(b)]	2014
Assets:										
Capital Assets,										
net of accumulated depreciation	$8,000,711	$7,485,969	$7,118,529	$6,840,293	$5,649,427	$5,266,084	$5,051,777	$4,886,091	$4,647,786	$4,089,478
Cash and Investments	1,467,913	1,452,772	1,380,260	1,216,526	949,290	1,025,791	924,958	928,593	853,417	819,232
Other Assets	158,018	172,077	110,071	102,945	89,317	83,770	87,530	80,976	81,889	79,478
Total Assets	9,626,642	9,110,818	8,608,860	8,159,764	6,688,034	6,375,645	6,064,265	5,895,660	5,583,092	4,988,188
Deferred Outflows of Resources										
Deferred Charge on Bond Refunding	17,886	21,332	22,005	26,681	35,076	42,048	48,055	54,317	30,103	29,086
Deferred outflows-pension	77,911	25,482	26,490	35,302	60,446	33,411	33,428	28,115	16,083	-
Deferred Outflows-asset retirement	44,314	35,462	32,108	32,299	32,354	32,511	-	-	-	-
Accumulated Decrease in Fair Value of Hedging Derivatives	2,396	1,553	10,357	15,014	12,256	9,332	11,857	12,965	16,394	15,520
Total Deferred Outflows of Resources	142,507	83,829	90,960	109,296	140,342	117,302	93,340	95,397	62,580	44,606
Liabilities:										
Revenue Bonds Payable (net)	3,370,392	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
Contract and Leases Payable	868,941	887,832	904,000	918,958	-	-	-	-	-	-
Commercial Paper Notes	224,945	229,585	234,020	218,260	281,815	215,695	278,060	241,610	224,005	138,550
Other Liabilities	333,287	212,312	221,530	281,833	367,967	313,140	287,200	293,023	284,617	221,243
Total Liabilities	4,797,565	4,622,309	4,566,551	4,453,096	3,384,857	3,363,405	3,300,999	3,374,915	3,238,985	2,867,212
Deferred Inflows of Resources										
Deferred inflows - pension	30,598	80,014	65,991	52,743	12,794	23,847	2,328	2,793	6,783	-
Deferred inflows – gain on bond refunding	8,723	8,555								
Deferred inflows – leases	3,959	4,264	4,552							
Net Position in System	$4,928,304	$4,479,505	$4,062,726	$3,763,221	$3,430,515	$3,105,695	$2,854,278	$2,613,349	$2,399,904	$2,165,582
Percentage Net Position in System	50.4%	48.7%	46.7%	45.5%	50.2%	47.8%	46.4%	43.6%	42.5%	43.0%

* 2022 and 2021 were restated in 2023 due to the implementation of GASB Statement No. 96. See Note O for more information.
[(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 was 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)]
2023	91,962	69,299	22,663	24.64%	54,474	$11.21	$23.72	$10.06	$15.65
2022	91,035	71,194	19,841	21.79%	54,474	13.03	24.83	14.59	14.24
2021	81,460	64,020	17,440	21.41%	52,435	13.03	24.88	14.59	14.24
2020	83,321	67,193	16,128	19.36%	49,891	13.03	24.88	14.59	14.24
2019	80,271	65,655	14,616	18.21%	50,142	13.02	19.63	14.59	14.24
2018	78,665	63,660	15,005	19.07%	50,775	12.97	19.16	13.51	13.18
2017	79,256	65,318	13,938	17.59%	50,945	11.82	18.15	13.04	12.72
2016	76,857	63,934	12,923	16.81%	49,282	10.90	17.44	12.35	12.05
2015[(g)]	76,227	62,896	13,331	17.49%	48,563	7.75	16.75	12.75	11.97
2014	68,265	57,261	11,004	16.12%	50,689	7.49	16.12	11.99	11.25

(a) Pumpage is total potable water production less Aquifer Storage and Recovery recharge.
(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 and assumes monthly usage of 6,275 gallons. See Schedule 8 for the rates of other meter sizes. Includes the State-Imposed TCEQ fee. See Schedule 13 for additional information.
(d) Represents standard (non-seasonal) usage charge for monthly residential water usage of 6,275 gallons per month. Includes water supply, Uplift Assistance Program, and EAA fees.
(e) Minimum service availability charge (prior to 2023 included 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 5,052 gallons per month.
(g) Amounts reflect the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

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San Antonio Water System
Schedule 5 – Sales by Source[1]
(accrual basis of accounting)
(amounts in thousands)
Unaudited

	2023	2022	2021	2020	2019	2018	2017	2016	2015[a]	2014
Water Sales:										
Residential Class	$116,184	$138,707	$126,128	$133,959	$127,488	$123,006	$113,070	$100,982	$95,068	$74,062
Residential Uplift Class	3,219	-	-	-	-	-	-	-	-	-
General Class	71,363	73,888	68,747	65,955	69,326	67,412	60,977	63,781	56,041	37,878
Wholesale Class	815	934	993	804	808	744	801	767	432	3,233
Irrigation Class	27,675	26,705	23,012	26,153	26,631	21,304	21,915	20,239	13,113	11,011
Total Water	219,256	240,234	218,880	226,871	224,253	212,466	196,763	185,769	164,654	126,184
Water Supply Fees										
Residential Class	136,153	149,458	125,007	147,131	92,932	86,003	85,809	73,518	60,067	48,270
Residential Uplift Class	4,155	-	-	-	-	-	-	-	-	-
General Class	95,056	89,304	81,099	76,189	53,620	50,086	47,129	42,748	44,746	39,355
Wholesale Class	1,038	1,549	1,681	1,407	887	790	874	865	588	7,196
Irrigation Class	27,474	29,970	24,821	28,356	19,475	15,122	16,571	15,437	14,491	12,551
Total Water Supply Fees	263,876	270,281	232,608	253,083	166,914	152,001	150,383	132,568	119,892	107,372
EAA Pass-through fees[b]										
Residential Class	10,826	13,209	12,128	13,429	12,996	12,526	13,108	14,110	10,915	9,654
Residential Uplift Class	680	-	-	-	-	-	-	-	-	-
General Class	8,138	8,969	8,518	8,177	9,013	8,687	8,865	9,606	7,380	6,874
Wholesale Class	86	109	132	120	124	119	123	157	114	1,271
Irrigation Class	1,190	1,435	1,249	1,441	1,288	1,241	1,434	1,639	1,136	1,061
Total Pass-through fees	20,920	23,722	22,027	23,167	23,421	22,573	23,530	25,512	19,545	18,860
Conservation Fees:										
Residential Class	8,135	3,281	2,244	3,047	2,747	2,644	2,727	2,189	2,246	1,956
General Class	3,320	5,564	4,885	4,628	4,570	4,871	5,071	5,078	3,941	3,760
Irrigation Class	1,353	4,207	4,398	4,859	4,827	4,119	3,274	3,375	3,063	2,738
Total Conservation	12,808	13,052	11,527	12,534	12,144	11,634	11,072	10,642	9,250	8,454
Wastewater Sales:										
Residential Class	146,702	165,356	164,498	158,460	153,273	146,684	142,530	134,860	124,992	125,051
Residential Uplift Class	3,417	-	-	-	-	-	-	-	-	-
General Class	121,042	108,508	101,013	96,816	101,247	92,427	88,551	80,696	71,267	68,371
Wholesale Class	12,019	13,814	14,260	11,829	11,706	10,659	9,936	8,729	8,064	7,848
Surcharge	5,194	5,290	5,741	5,626	6,370	6,245	6,056	6,292	5,401	5,450
Total Wastewater	288,374	292,968	285,512	272,731	272,596	256,015	247,073	230,577	209,724	206,720
TCEQ Pass-through fees[c]										
Water customers	2,031	1,994	1,937	1,882	1,743	1,683	1,420	1,460	1,412	1,169
Wastewater customers	533	523	509	495	481	465	435	448	429	433
	2,564	2,517	2,446	2,377	2,224	2,148	1,855	1,908	1,841	1,602
Uplift Recovery Fee[d]										
Water Customers	5,080	-	-	-	-	-	-	-	-	-
Water Supply Customers	4,714	-	-	-	-	-	-	-	-	-
Wastewater Customers	7,473	-	-	-	-	-	-	-	-	-
	17,267									
Recycled Water Sales	8,481	7,520	6,351	6,694	6,094	5,568	5,651	5,691	5,097	5,086
Stormwater Fees	5,465	5,745	5,252	5,037	5,223	5,221	5,209	4,967	4,797	4,420
Chilled Water & Steam[e]	12,879	11,712	10,826	9,894	10,615	10,849	11,368	11,548	11,184	11,251
Miscellaneous Fees and Charges	19,333	13,838	7,899	6,225	15,545	17,415	17,709	17,634	16,769	13,860
Provision for Uncollectible Accounts	(8,453)	(4,482)	(23,996)	(23,696)	(5,849)	(4,844)	(3,860)	(4,359)	(5,721)	(4,166)
Total Operating Revenue	$862,770	$877,107	$779,332	$794,917	$733,179	$691,046	$666,752	$622,457	$557,032	$499,643

[1] Numbers may not total due to rounding.
[a] Amounts reflect 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] An uplift affordability program was added in 2023 with the new rate structure. The fee funds the Uplift program and is charged to all SAWS non-wholesale potable water customers who do not participate in the Uplift program. The fee is not tiered and is directly proportional to the billed usage.
[e] Steam service was discontinued in June 2014.

San Antonio Water System
Schedule 6 – Sales in Gallons[1]
(gallons billed, in millions)
Unaudited

	2023	2022	2021[e]	2020	2019	2018	2017	2016	2015[a]	2014
Water Sales:[b]										
Residential Class	35,866	39,641	35,246	38,947	36,084	35,325	36,566	35,360	35,769	29,310
Residential Uplift Class	2,251	-	-	-	-	-	-	-	-	-
General Class	26,958	26,917	24,756	23,719	25,011	24,498	24,731	24,074	23,212	20,870
Wholesale Class	282	326	386	347	352	337	344	393	354	3,861
Irrigation Class	3,942	4,311	3,632	4,179	4,208	3,500	4,000	4,107	3,561	3,220
Total Water	69,299	71,195	64,020	67,193	65,655	63,660	65,641	63,934	62,896	57,261
Wastewater Sales:										
Residential Class	26,372	27,426	26,908	26,062	25,263	26,318	26,809	26,462	26,048	27,896
Residential Uplift Class	1,920									
General Class	24,219	23,928	22,328	21,213	22,393	21,873	21,654	20,503	20,281	20,502
Wholesale Class	2,868	3,120	3,199	2,616	2,486	2,584	2,482	2,317	2,234	2,291
Total Wastewater	55,379	54,474	52,435	49,891	50,142	50,775	50,945	49,282	48,563	50,689
Conservation - Residential Class[b][c][d]	10,049	10,808	7,969	10,358	9,189	8,658	9,572	6,611	2,284	2,296
Recycled Water Sales	20,276	19,127	17,919	18,172	18,208	18,346	18,949	18,436	18,421	18,323

(1) Numbers may not total due to rounding.
(a) Amounts reflect the merger of SAWS and SAWS' District Special Project effective January 1, 2015.
(b) Gallons billed for conservation are included in the gallons billed for water sales.
(c) As part of a rate restructuring which took place on January 1, 2023, a portion of all monthly residential water sales in excess of 7,001 gallons is allocated to fund conservation related programs. Prior to 2016 through 2022, this allocation was limited to monthly sales in excess of 7,482 gallons, while prior to 2016 it was limited to monthly sales in excess of 17,205 gallons.
(d) Effective January 1, 2017, 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 revenues allocated to conservation. The increase in the gallons subject to the conservation allocation from 2016 to 2017 reflects the change.
(e) The February Winter Storm Uri 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015[a]	2014
Water Sales:										
Residential Class	496,237	521,750	507,794	492,922	481,994	473,333	465,241	457,485	450,725	347,789
Residential Uplift Class[b]	34,559	-	-	-	-	-	-	-	-	-
General Class	30,485	30,246	30,010	29,584	29,358	28,682	28,518	29,155	28,366	23,777
Wholesale Class	10	9	9	9	9	9	9	9	9	7
Total Water	561,290	552,005	537,813	522,515	511,361	502,024	493,768	486,649	479,100	371,573
Irrigation Class[c]	11,692	11,428	11,170	10,883	10,676	10,465	10,260	9,291	9,829	8,966
Wastewater Sales:										
Residential Class	442,743	466,999	454,494	441,356	431,695	424,127	416,996	409,988	402,409	395,574
Residential Uplift Class	32,338	-	-	-	-	-	-	-	-	-
General Class	26,814	26,638	26,453	26,093	25,911	25,754	25,544	25,352	25,175	25,079
Wholesale Class	12	12	12	12	12	12	12	12	12	12
Total Wastewater	501,907	493,649	480,959	467,462	457,618	449,893	442,552	435,352	427,596	420,665
Conservation - Residential Class[d][e]	130,998	130,443	108,618	132,154	113,152	149,940	159,994	83,991	18,539	20,716
Recycled Water Sales	140	140	133	127	123	116	112	107	109	102

(a) Amounts reflect the merger of SAWS and SAWS' District Special Project effective January 1, 2015.
(b) As part of the rate restructuring, which took place in January 1, 2023, a new residential rate class for customers qualifying for SAWS Uplift program was created.
(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, 2023, a portion of all monthly residential water sales in excess of 7,001 gallons is allocated to fund conservation related programs. Prior to 2016 through 2022, this allocation was limited to monthly sales in excess of 7,482 gallons, while prior to 2016 it was limited to monthly sales in excess of 17,205 gallons.
(e) Effective January 1, 2017, 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 connections from the conservation allocation from 2016 to 2017 reflects the change.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water										
Service Availability Charge by meter size:										
5/8”	$9.00	$12.82	$12.82	$12.82	$12.82	$12.77	$11.64	$10.72	$7.57	$7.31
3/4”	11.93	16.97	16.97	16.97	16.97	16.90	15.41	14.19	10.63	10.26
1”	17.79	25.22	25.22	25.22	25.22	25.12	22.90	21.09	16.72	16.14
1-1/2”	32.44	45.85	45.85	45.85	45.85	45.67	41.63	38.33	31.94	30.83
2”	50.02	70.58	70.58	70.58	70.58	70.30	64.08	59.01	50.18	48.44
3”	96.90	128.34	128.34	128.34	128.34	127.83	116.53	107.30	92.80	89.58
4”	149.64	210.83	210.83	210.83	210.83	209.99	191.42	176.26	153.67	148.33
6”	296.14	417.07	417.07	417.07	417.07	415.41	378.67	348.68	305.86	295.23
8”	471.94	664.55	664.55	664.55	664.55	661.90	603.37	555.59	488.47	471.50
10”	589.14	953.27	953.27	953.27	953.27	949.47	865.51	796.97	701.52	677.14
12”	823.54	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
Reduction applied if usage is less than 2,993 gallons:	-	(2.57)	(2.57)	(2.57)	(2.57)	(2.55)	(2.32)	(2.14)		
Increase applied if usage exceeds 4,000 gallons	$2.00									
Usage (*per 1,000 gallons*)										
4,000 Gallons	0.907									
7,000 Gallons	1.678									
12,000 Gallons	3.039									
20,000 Gallons	3.991									
Over 20,000 Gallons	5.669									
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
Next 6,732 gallons									0.1457	0.1406
Next 4,488 gallons									0.2053	0.1982
Over 17,205 gallons									0.3596	0.3471
Seasonal:[a]										
First 5,985 gallons									0.1006	0.0971
Next 6,732 gallons									0.1584	0.1529
Next 4,488 gallons									0.2355	0.2273
Over 17,205 gallons									0.4880	0.4710
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	0.159									
Water – Uplift Assistance Program										
Service Availability Charge										
Tier 1	-									
Tiers 2-5	$3.00									
Usage (per 1,000 gallons)										
2,000 Gallons	-									
6,000 Gallons	$1.00									
10,000 Gallons	1.50									
15,000 Gallons	2.50									
Over 15,000 Gallons	3.50									
Sewer										
Service Availability Charge by meter size[b]										
5/8”	$10.00	$14.53	$14.53	$14.53	$14.53	$13.45	$12.98	$12.29	$12.69	$11.93
3/4”	13.89	15.97	15.97	15.97	15.97	14.79	14.28	13.52	12.69	11.93
1”	21.66	18.14	18.14	18.14	18.14	16.80	16.22	15.36	12.69	11.93
1-1/2”	41.08	25.41	25.41	25.41	25.41	23.53	22.71	21.51	12.69	11.93
2”	64.39	36.31	36.31	36.31	36.31	33.62	32.45	30.73	12.69	11.93
3”	126.55	72.61	72.61	72.61	72.61	67.23	64.89	61.45	12.69	11.93
4”	196.48	108.91	108.91	108.91	108.91	100.84	97.34	92.18	12.69	11.93
6”	390.73	181.52	181.52	181.52	181.52	168.07	162.23	153.63	12.69	11.93
8”	623.83	290.41	290.41	290.41	290.41	268.90	259.56	245.80	12.69	11.93
10”	779.23	435.65	435.65	435.65	435.65	403.38	389.36	368.71	12.69	11.93
12”	1,090.03	580.86	580.86	580.86	580.86	537.83	519.14	491.61	12.69	11.93
Usage per 1,000 gallons[c]										
4,000 Gallons	$2.54									
Over 4,000 Gallons	4.44									
1,497 gallons – 2,992 gallons		$0.3104	$0.3104	$0.3104	$0.3104	$0.2874	$0.2774	$0.2627		
Over 2,992 gallons		$0.4657	$0.4657	$0.4657	$0.4657	$0.4312	$0.4162	$0.3941		
All gallons in excess of 1,496									$0.3365	$0.3163
Uplift Assistance Program Fee										
Usage per 1,000 Gallons	$0.16									
Sewer – Uplift Assistance Programs										
Usage (*per 1,000 gallons*)										
2,000 Gallons	-									
Over 2,000 Gallons	$2.70									

[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 prior to 2023.
[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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water										
Service Availability Charge by meter size:										
5/8”	$11.70	$16.67	$16.67	$16.67	$16.67	$16.60	$15.14	$13.94	$9.86	$9.52
3/4”	15.51	22.06	22.06	22.06	22.06	21.97	20.03	18.44	13.82	13.34
1”	23.13	32.97	32.97	32.97	32.97	32.66	29.78	27.42	21.72	20.97
1-1/2”	42.18	59.61	59.61	59.61	59.61	59.37	54.12	49.83	41.52	40.08
2”	65.03	91.75	91.75	91.75	91.75	91.38	83.30	76.70	65.26	62.99
3”	125.97	166.84	166.84	166.84	166.84	166.18	151.49	139.49	120.66	116.47
4”	194.54	274.06	274.06	274.06	274.06	272.97	248.84	229.13	199.78	192.84
6”	384.99	542.18	542.18	542.18	542.18	540.02	492.27	453.29	397.62	383.80
8”	613.53	863.89	863.89	863.89	863.89	860.45	784.37	722.26	635.03	612.96
10”	765.89	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
12”	1,070.61	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
Reduction applied if usage is less than 2,993 gallons:	(3.34)	(3.34)	(3.34)	(3.34)	(3.34)	(3.32)	(3.03)	(2.79)		
Usage (*per 1,000 gallons*)										
4,000 Gallons	$1.18									
7,000 Gallons	$2.182									
12,000 Gallons	$3.951									
20,000 Gallons	$5.189									
Over 20,000 Gallons	$7.37									
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
Next 6,732 gallons									0.1894	0.1828
Next 4,488 gallons									0.2671	0.2578
Over 17,205 gallons									0.4675	0.4513
Seasonal:[a]										
First 5,985 gallons									0.1310	0.1264
Next 6,732 gallons									0.2060	0.1988
Next 4,488 gallons									0.3062	0.2956
Over 17,205 gallons									0.6341	0.6121
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.16									
Water – Uplift Assistance Program										
Service Availability Charge:										
Tier 1	-									
Tiers 2-5	$3.90									
Usage (*per 1,000 gallons*)										
2,000 Gallons	-									
6,000 Gallons	$1.30									
10,000 Gallons	$1.95									
15,000 Gallons	$2.35									
Over 15,000 Gallons	$4.55									
Sewer										
Service Availability Charge by meter size[b]										
5/8”	$12.00	$17.43	$17.43	$17.43	$17.43	$16.14	$15.58	$14.75	$15.25	$14.33
3/4”	16.67	19.18	19.18	19.18	19.18	17.76	17.14	16.23	15.25	14.33
1”	26.00	21.78	21.78	21.78	21.78	20.17	19.47	18.44	15.25	14.33
1-1/2”	49.30	30.50	30.50	30.50	30.50	28.24	27.26	25.81	15.25	14.33
2”	77.27	43.58	43.58	43.58	43.58	40.35	38.95	36.88	15.25	14.33
3”	151.86	87.12	87.12	87.12	87.12	80.67	77.87	73.74	15.25	14.33
4”	235.78	130.70	130.70	130.70	130.70	121.02	116.81	110.62	15.25	14.33
6”	468.88	217.83	217.83	217.83	217.83	201.69	194.68	184.36	15.25	14.33
8”	748.60	348.52	348.52	348.52	348.52	322.70	311.49	294.97	15.25	14.33
10”	935.08	522.77	522.77	522.77	522.77	484.05	467.23	442.45	15.25	14.33
12”	1,308.04	697.03	697.03	697.03	697.03	645.40	622.97	589.93	15.25	14.33
Usage per 1,000 gallons[c]										
4,000 Gallons	$3.05									
Over 4,000 Gallons	$5.33									
1,497 gallons - 2,992 gallons		0.3726	0.3726	0.3726	0.3726	0.3450	0.3330	0.3153	0.4038	0.3795
Over 2,992 Gallons		0.5588	0.5588	0.5588	0.5588	0.5174	0.4994	0.4729	0.4038	0.3795
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.16									
Sewer – Uplift Assistance Program										
Usage (*per 1,000 gallons*)										
2,000 Gallons	-									
Over 2,000 Gallons	$3.24									

[a] Prior to 2016, Seasonal rates were 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 prior to 2023.
[c] Residential sewer 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water										
Service Availability Charge by meter size:										
5/8”	$12.70	$13.86	$13.86	$13.86	$13.86	$13.80	$12.58	$11.58	$10.53	$10.16
3/4”	16.48	19.79	19.79	19.79	19.79	19.71	17.97	16.55	15.05	14.53
1”	24.04	31.66	31.66	31.66	31.66	31.53	28.74	26.46	24.08	23.24
1-1/2”	42.94	61.29	61.29	61.29	61.29	61.05	55.65	51.24	46.65	45.03
2”	65.62	96.79	96.79	96.79	96.79	96.40	87.88	80.92	73.74	71.18
3”	126.10	179.74	179.74	179.74	179.74	179.02	163.19	150.27	136.96	132.20
4”	194.14	298.19	298.19	298.19	298.19	297.00	270.74	249.30	227.28	219.38
6”	383.14	594.32	594.32	594.32	594.32	591.95	539.61	496.88	453.06	437.32
8”	609.94	949.73	949.73	949.73	949.73	945.95	862.31	794.02	723.99	698.83
10”	761.14	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
12”	1,063.54	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
Usage *(per 1,000 gallons)*										
Base[(a)]	1.9580	1.8100	1.8100	1.8100	1.8100	1.8030	1.6440	1.5140	1.2180	1.1760
100-125% of base	2.2520	2.0840	2.0840	2.0840	2.0840	2.0760	1.8920	1.7420	1.4570	1.4060
125-150% of base	2.9370	2.7170	2.7170	2.7170	2.7170	2.7060	2.4670	2.2720	2.0420	1.9710
Over 175% of base	3.4270	3.1710	3.1710	3.1710	3.1710	3.1580	2.8790	2.6510	2.9910	2.8870
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.1590									
Sewer										
Service Availability Charge by Meter Size[(b)]										
5/8”	$10.00	$14.53	$14.53	$14.53	$14.53	$13.45	$12.98	$12.29	$12.69	$11.93
3/4”	13.89	15.97	15.97	15.97	15.97	14.79	14.28	13.52	12.69	11.93
1”	21.66	18.14	18.14	18.14	18.14	16.80	16.22	15.36	12.69	11.93
1-1/2”	41.08	25.41	25.41	25.41	25.41	23.53	22.71	21.51	12.69	11.93
2”	64.39	36.31	36.31	36.31	36.31	33.62	32.45	30.73	12.69	11.93
3”	126.55	72.61	72.61	72.61	72.61	67.23	64.89	61.45	12.69	11.93
4”	196.48	108.91	108.91	108.91	108.91	100.84	97.34	92.18	12.69	11.93
6”	390.73	181.52	181.52	181.52	181.52	168.07	162.23	153.63	12.69	11.93
8”	623.83	290.41	290.41	290.41	290.41	268.90	259.56	245.80	12.69	11.93
10”	779.23	435.65	435.65	435.65	435.65	403.38	389.36	368.71	12.69	11.93
12”	1,090.03	580.86	580.86	580.86	580.86	537.83	519.14	491.61	12.69	11.93
Usage *(per 1,000 gallons)*										
All gallons in excess of 1,496	4.3680	4.1590	4.1590	4.1590	4.1590	3.8510	3.7170	3.5200	3.3650	3.1630
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.1610									

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water										
Service Availability Charge by meter size:										
5/8”	$16.00	$16.94	$16.94	$16.94	$16.94	$16.87	$15.38	$14.16	$13.69	$13.21
3/4”	20.66	24.12	24.12	24.12	24.12	24.02	21.90	20.17	19.56	18.88
1”	29.98	38.45	38.45	38.45	38.45	38.30	34.91	32.15	31.29	30.20
1-1/2”	53.28	74.27	74.27	74.27	74.27	73.97	67.43	62.09	60.65	58.54
2”	81.23	117.20	117.20	117.20	117.20	116.73	106.41	97.98	95.87	92.54
3”	155.77	217.47	217.47	217.47	217.47	216.60	197.45	181.81	178.06	171.87
4”	239.64	360.65	360.65	360.65	360.65	359.21	327.45	301.52	295.46	285.19
6”	472.59	718.67	718.67	718.67	718.67	715.81	652.52	600.85	588.98	568.51
8”	752.13	1,148.31	1,148.31	1,148.31	1,148.31	1,143.74	1,042.61	960.05	941.20	908.49
10”	938.49	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
12”	1,311.21	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
Usage *(per 1,000 gallons)*										
Base[(a)]	2.5460	2.3540	2.3540	2.3540	2.3540	2.3450	2.1380	1.9690	1.5840	1.5290
100-125% of base	2.9280	2.7100	2.7100	2.7100	2.7100	2.6990	2.4600	2.2650	1.8930	1.8270
125-150% of base	3.8190	3.5330	3.5330	3.5330	3.5330	3.5190	3.2080	2.9540	2.6540	2.5620
Over 175% of base	4.4560	4.1210	4.1210	4.1210	4.1210	4.1050	3.7420	3.4460	3.8870	3.7520
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.1590									
Sewer										
Service Availability Charge by Meter Size[(b)]										
5/8”	$12.00	$17.43	$17.43	$17.43	$17.43	$16.14	$15.58	$14.75	$15.25	$14.33
3/4”	16.67	19.18	19.18	19.18	19.18	17.76	17.14	16.23	15.25	14.33
1”	26.00	21.78	21.78	21.78	21.78	20.17	19.47	18.44	15.25	14.33
1-1/2”	49.30	30.50	30.50	30.50	30.50	28.24	27.26	25.81	15.25	14.33
2”	77.27	43.58	43.58	43.58	43.58	40.35	38.95	36.88	15.25	14.33
3”	151.86	87.12	87.12	87.12	87.12	80.67	77.87	73.74	15.25	14.33
4”	235.78	130.70	130.70	130.70	130.70	121.02	116.81	110.62	15.25	14.33
6”	468.88	217.83	217.83	217.83	217.83	201.69	194.68	184.36	15.25	14.33
8”	748.60	348.52	348.52	348.52	348.52	322.70	311.49	294.97	15.25	14.33
10”	935.08	522.77	522.77	522.77	522.77	484.05	467.23	442.45	15.25	14.33
12”	1,308.04	697.03	697.03	697.03	697.03	645.40	622.97	589.93	15.25	14.33
Usage *(per 1,000 gallons)*										
All gallons in excess of 1,496	5.2420	4.9920	4.9920	4.9920	4.9920	4.6220	4.4610	4.2240	4.0380	3.7950
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.1610									

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

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San Antonio Water System
Schedule 12 – Wholesale Class Rates

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water										
Service Availability										
Charge by meter size:										
6”	$298.14	$538.85	$538.85	$538.85	$538.85	$536.70	$489.24	$450.50	$397.62	$383.80
8”	473.94	860.58	860.58	860.58	860.58	857.15	781.36	719.48	635.03	612.96
10”	591.14	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
12”	825.54	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
Usage *(per 1,000 gallons)*										
Base[(a)]	2.7230	2.0990	2.0990	2.0990	2.0990	2.0910	1.9060	1.7550		
Over base	5.4460	6.2990	6.2990	6.2990	6.2990	6.2740	5.7190	5.2660		
Usage *(per 1,000 gallons)*										
Base[(a)]									1.0980	1.0600
100-125% of base									1.6500	1.5930
125-175% of base									2.3830	2.3000
Over 175% of base									3.3690	3.2520
Sewer										
Service Availability Charge	$340.07	$340.07	$340.07	$340.07	$340.07	$314.88	$303.94	$287.82	$149.02	$140.06
Usage *(per 1,000 gallons)*	4.2560	4.4380	4.4380	4.4380	4.4380	4.1090	3.9660	3.7560	3.6410	3.4220

(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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Inside City Limits										
Service Availability										
Charge by meter size:										
5/8”	$12.70	$13.86	$13.86	$13.86	$13.86	$13.80	$12.58	$11.58	$10.53	$10.16
3/4”	16.48	19.79	19.79	19.79	19.79	19.71	17.97	16.55	15.05	14.53
1”	24.04	31.66	31.66	31.66	31.66	31.53	28.74	26.46	24.08	23.24
1-1/2”	42.94	61.29	61.29	61.29	61.29	61.05	55.65	51.24	46.65	45.03
2”	65.62	96.79	96.79	96.79	96.79	96.40	87.88	80.92	73.74	71.18
3”	126.10	179.74	179.74	179.74	179.74	179.02	163.19	150.27	136.96	132.20
4”	194.14	298.19	298.19	298.19	298.19	297.00	270.74	249.30	227.28	219.38
6”	383.14	594.32	594.32	594.32	594.32	591.95	539.61	496.88	453.06	437.32
8”	609.94	949.73	949.73	949.73	949.73	945.95	862.31	794.02	723.99	698.83
10”	761.14	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
12”	1,063.54	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
Usage (*per 1,000 gallons*)										
8,000 Gallons	$3.4750									
18,000 Gallons	4.8650									
160,000 Gallons	6.2550									
Over 160,000 Gallons	7.9930									
First 8,229 gallons		3.2920	3.2920	3.2920	3.2920	3.2790	2.9890	2.7520		
Next 9,725 gallons		4.6070	4.6070	4.6070	4.6070	4.5890	4.1830	3.8520		
Next 144,362 gallons		5.9250	5.9250	5.9250	5.9250	5.9010	5.3790	4.9530		
Over 163,316 gallons		7.5700	7.5700	7.5700	7.5700	7.5400	6.8730	6.3290		
Standard:										
First 6,732 gallons									1.7130	1.6530
Next 10,473 gallons									2.0530	1.9820
Over 17,205 gallons									3.5960	3.4710
Seasonal:[(a)]										
First 6,732 gallons									1.7130	1.6530
Next 10,473 gallons									2.3840	2.3010
Over 17,205 gallons									4.9360	4.7640
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.1590									
Outside City Limits										
Service Availability										
Charge by meter size:										
5/8”	$16.00	$16.94	$16.94	$16.94	$16.94	$16.87	$15.38	$14.16	$13.69	$13.21
3/4”	20.66	24.12	24.12	24.12	24.12	24.02	21.90	20.17	19.56	18.88
1”	29.98	38.45	38.45	38.45	38.45	38.30	34.91	32.15	31.29	30.20
1-1/2”	53.28	74.27	74.27	74.27	74.27	73.97	67.43	62.09	60.65	58.54
2”	81.23	117.20	117.20	117.20	117.20	116.73	106.41	97.98	95.87	92.54
3”	155.77	217.47	217.47	217.47	217.47	216.60	197.45	181.81	178.06	171.87
4”	239.64	360.65	360.65	360.65	360.65	359.21	327.45	301.52	295.46	285.19
6”	472.59	718.67	718.67	718.67	718.67	715.81	652.52	600.85	588.98	568.51
8”	752.13	1,148.31	1,148.31	1,148.31	1,148.31	1,143.74	1,042.61	960.05	941.20	908.49
10”	938.49	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
12”	1,311.21	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
Usage (per 1,000 gallons)										
8,000 Gallons	$4.518									
18,000 Gallons	6.325									
160,000 Gallons	8.132									
Over 160,000 Gallons	10.391									
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
Next 10,473 gallons									0.2670	0.2577
Over 17,205 gallons									0.4675	0.4513
Seasonal:[(a)]										
First 6,732 gallons									0.2225	0.2148
Next 10,473 gallons									0.3100	0.2992
Over 17,205 gallons									0.6416	0.6193
Uplift Assistance Program Fee										
Usage Per 1,000 Gallons	$0.1590									

[(a)] Seasonal rates were 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.

San Antonio Water System
Schedule 14 – Other Fees

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water Supply Fees:[a]										
Usage (*per 1,000 gallons*)										
Residential Class										
4,000 Gallons	$1.6310									
7,000 Gallons	3.0180									
12,000 Gallons	5.4640									
20,000 Gallons	7.1770									
Over 20,000 Gallons	10.1940									
First 2,992 gallons		$1.5850	$1.5850	$1.5850	$1.0400	$0.9970	$0.9540	$0.8920		
Next 1,497 gallons		2.7720	2.7720	2.7720	1.8190	1.7440	1.6690	1.5610		
Next 1,496 gallons		3.5630	3.5630	3.5630	2.3380	2.2420	2.1450	2.0070		
Next 1,496 gallons		4.3570	4.3570	4.3570	2.8590	2.7410	2.6230	2.4540		
Next 2,992 gallons		5.1500	5.1500	5.1500	3.3790	3.2400	3.1000	2.9000		
Next 4,489 gallons		5.9420	5.9420	5.9420	3.8990	3.7380	3.5770	3.3460		
Next 5,237 gallons		7.1290	7.1290	7.1290	4.6780	4.4850	4.2920	4.0150		
Over 20,199 gallons		10.2960	10.2960	10.2960	6.7560	6.4770	6.1980	5.7980		
First 5,985 gallons									$1.2850	$1.2230
Next 6,732 gallons									1.8580	1.7680
Next 4,488 gallons									2.6220	2.4950
Over 17,205 gallons									4.5890	4.3660
General Class										
Base[b]	3.0790	2.9890	2.9890	2.9890	1.9610	1.8800	1.7990	1.6830	1.9760	1.8800
100-125% of base	3.5410	3.4380	3.4380	3.4380	2.2560	2.1630	2.0700	1.9360	1.9760	1.8800
125-175% of base	4.6190	4.4820	4.4820	4.4820	2.9410	2.8200	2.6990	2.5250	1.9760	1.8800
Over 175% of base	5.3890	5.2320	5.2320	5.2320	3.4330	3.2910	3.1490	2.9460	1.9760	1.8800
Wholesale Class										
Base[c]	3.5670	3.8920	3.8920	3.8920	2.5540	2.4490	2.3440	2.1930	1.9760	1.8800
Over base	7.1340	11.6810	11.6810	11.6810	7.6650	7.3490	7.0330	6.5790	1.9760	1.8800
Irrigation Class										
8,000 Gallons	3.8130									
18,000 Gallons	5.3390									
160,000 Gallons	6.8640									
Over 160,000 Gallons	8.7700									
First 8,229 gallons		3.9110	3.9110	3.9110	2.5660	2.4600	2.3540	2.2020		
Next 9,725 gallons		5.4740	5.4740	5.4740	3.5920	3.4440	3.2960	3.0830		
Next 144,362 gallons		7.0390	7.0390	7.0390	4.6190	4.4290	4.2380	3.9640		
Over 162,316 gallons		8.9960	8.9960	8.9960	5.9030	5.6600	5.4160	5.0660		
First 6,732 gallons									1.9760	1.8800
Next 10,473 gallons									2.6220	2.4950
Over 17,205 gallons									4.9760	4.7350
Uplift Assistance Program – Residential										
2,000 Gallons	-									
6,000 Gallons	1.6500									
10,000 Gallons	2.4750									
15,000 Gallons	4.1250									
Over 15,000 Gallons	5.7750									
EAA Fee[d]	0.29920	0.33850	0.34520	0.34520	0.35610	0.35330	0.36120	0.42590	0.33110	0.32950
State-Imposed TCEQ Fees[e]										
Water Connection Fee	0.21	0.21	0.21	0.21	0.20	0.20	0.18	0.18	0.18	0.18
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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Edwards Exchange Customers[(a)]										
Service Availability Charge by meter size:										
5/8"	$16.92	$14.71	$14.71	$14.71	$12.34	$12.12	$11.24	$10.42	$9.51	$9.26
3/4"	22.00	19.13	19.13	19.13	16.05	15.77	14.63	13.56	12.37	12.05
1"	28.69	24.94	24.94	24.94	20.92	20.55	19.06	17.66	16.11	15.69
1-1/2"	45.57	39.62	39.62	39.62	33.24	32.65	30.29	28.07	25.61	24.95
2"	66.62	57.93	57.93	57.93	48.60	47.74	44.29	41.05	37.45	36.48
3"	177.21	154.09	154.09	154.09	129.27	126.98	117.79	109.17	99.61	97.03
4"	263.40	229.04	229.04	229.04	192.15	188.75	175.09	162.27	148.06	144.22
6"	502.44	436.90	436.90	436.90	366.53	360.05	334.00	309.55	282.44	275.12
8"	757.37	658.58	658.58	658.58	552.50	542.73	503.46	466.60	425.73	414.70
10"	1,038.52	903.06	903.06	903.06	757.60	744.20	690.35	639.81	583.77	568.64
12"	1,281.36	1,114.22	1,114.22	1,114.22	934.75	918.22	851.78	789.42	720.77	701.61
Usage *(per 1,000 gallons)*										
Standard:										
Transferred amount	0.4460	0.3870	0.3870	0.3870	0.3250	0.3190	0.2960	0.2740	0.2500	0.2440
In excess of transferred amount	1.6700	1.4520	1.4520	1.4520	1.2180	1.1960	1.1090	1.0280	0.9380	0.9140
Seasonal:[(b)]										
Transferred amount	0.4460	0.3870	0.3870	0.3870	0.3250	0.3190	0.2960	0.2740	0.2500	0.2440
In excess of transferred amount	1.7740	1.5420	1.5420	1.5420	1.2940	1.2710	1.1790	1.0930	0.9970	0.9710
Non-exchange Customers										
Service Availability Charge by meter size:										
5/8"	$16.92	$14.71	$14.71	$14.71	$12.34	$12.12	$11.24	$10.42	$9.51	$9.26
3/4"	22.00	19.13	19.13	19.13	16.05	15.77	14.63	13.56	12.37	12.05
1"	28.69	24.94	24.94	24.94	20.92	20.55	19.06	17.66	16.11	15.69
1-1/2"	45.57	39.62	39.62	39.62	33.24	32.65	30.29	28.07	25.61	24.95
2"	66.62	57.93	57.93	57.93	48.60	47.74	44.29	41.05	37.45	36.48
3"	177.21	154.09	154.09	154.09	129.27	126.98	117.79	109.17	99.61	97.03
4"	263.40	229.04	229.04	229.04	192.15	188.75	175.09	162.27	148.06	144.22
6"	502.44	436.90	436.90	436.90	366.53	360.05	334.00	309.55	282.44	275.12
8"	757.37	658.58	658.58	658.58	552.50	542.73	503.46	466.60	425.73	414.70
10"	1,038.52	903.06	903.06	903.06	757.60	744.20	690.35	639.81	583.77	568.64
12"	1,281.36	1,114.22	1,114.22	1,114.22	934.75	918.22	851.78	789.42	720.27	701.61
Usage *(per 1,000 gallons)*										
Standard:										
First 748,000 gallons	1.7860	1.5530	1.5530	1.5530	1.3030	1.2800	1.1870	1.1000	1.0040	0.9780
Over 748,000 gallons	1.8270	1.5880	1.5880	1.5880	1.3320	1.3080	1.2130	1.1240	1.0260	0.9990
Seasonal:[(b)]										
First 748,000 gallons	1.9210	1.6700	1.6700	1.6700	1.4010	1.3760	1.2760	1.1830	1.0790	1.0510
Over 748,000 gallons	1.9370	1.6840	1.6840	1.6840	1.4130	1.3880	1.2880	1.1940	1.0890	1.0610

(a) Customers that have transferred Edwards Aquifer water rights to the System in exchange for recycled water.
(b) Prior to 2012, Seasonal rates were 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water										
Flow – All Areas	$1,188.00	$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
System Development:										
Low Elevation Service Area	855.00	855.00	855.00	855.00	855.00	619.00	619.00	619.00	619.00	619.00
Middle Elevation Service Area	1,014.00	1,014.00	1,014.00	1,014.00	1,014.00	799.00	799.00	799.00	799.00	799.00
High Elevation Service Area	1,203.00	1,203.00	1,203.00	1,203.00	1,203.00	883.00	883.00	883.00	883.00	883.00
Wastewater										
Treatment:										
Dos Rios/Leon Creek Service Area	651.00	651.00	651.00	651.00	651.00	786.00	786.00	786.00	786.00	786.00
Medio Creek	1,222.00	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
Upper and Lower Service Area										
Far West-Medio Service Areas										
Collection:										
Medio Creek	861.00	861.00	861.00	861.00	861.00	838.00	838.00	838.00	838.00	838.00
Upper Medina	1,422.00	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
Lower Medina	520.00	520.00	520.00	520.00	520.00	475.00	475.00	475.00	475.00	475.00
Upper Collection	2,800.00	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
Middle Collection	2,013.00	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
Lower Collection	902.00	902.00	902.00	902.00	902.00	719.00	719.00	719.00	719.00	719.00
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	2,706.00	2,796.00	2,796.00	2,796.00	2,796.00	1,590.00

[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[1]

Customer	Principal Business	Usage[a] *(million gallons)*	%	Total Revenue[b] *(in thousands)*	%
Fiscal Year Ended December 31, 2023:					
CITY OF SAN ANTONIO	Municipal Entity	561	0.8	$4,530	0.9
HEB GROCERY	Grocery	668	1.0	4,445	0.9
SAN ANTONIO HOUSING AUTHORITY	Public Housing	526	0.8	3,360	0.6
UNIVERSITY OF TEXAS AT SAN ANTONIO	Public University	334	0.5	3,109	0.6
BEXAR COUNTY	County Government	489	0.7	3,099	0.6
METHODIST HEALTH CARE SYSTEM	Hospital System	380	0.5	2,651	0.5
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	308	0.4	2,576	0.5
MARRIOTT HOTELS	Hotels	187	0.3	2,050	0.4
TOWER JAZZ TEXAS, INC.	Semiconductors	279	0.4	1,774	0.3
CPS ENERGY	Public Power Utility	281	0.4	1,586	0.3
Subtotal (10 largest)		4,013	5.8	29,180	5.6
Balance from Other Customers		65,286	94.2	489,711	94.4
Total		69,299	100.0	$518,891	100.0
Fiscal Year Ended December 31, 2014:					
SAN ANTONIO WATER SYSTEM DISTRICT SPECIAL PROJECT[c]	Public Water Utility	3,684	6.4	$11,146	4.3
CITY OF SAN ANTONIO	Municipal Entity	509	0.9	2,667	1.0
HEB GROCERY	Grocery	486	0.8	2,001	0.8
SAN ANTONIO HOUSING AUTHORITY	Public Housing	457	0.8	1,887	0.7
BEXAR COUNTY	County Government	368	0.6	1,428	0.5
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	262	0.5	1,263	0.5
CPS ENERGY	Public Power Utility	291	0.5	1,123	0.4
MAXIM INTEGRATED PRODUCT, INC.	Electronics	274	0.5	963	0.4
NORTH EAST INDEPENDENT SCHOOL DISTRICT	School System	185	0.3	903	0.3
SAN ANTONIO INDEPENDENT SCHOOL DISTRICT	School System	164	0.3	885	0.3
Subtotal (10 largest)		6,681	11.7	24,265	9.3
Balance from Other Customers		50,580	88.3	237,774	90.7
Total		57,261	100.00	$262,039	100.00

(1) Numbers may not total due to rounding.
(a) Potable water only.
(b) Includes Water Delivery, Water Supply, EAA fees, Conservation fees, and TCEQ water fees.
(c) Refer to Note C to the financial statements in the 2014 SAWS Annual Comprehensive Financial Report for more information regarding transactions between the San Antonio Water System District Special Project and the San Antonio Water System.

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San Antonio Water System
Schedule 18 – Ten Largest Customers – Wastewater*
Current Year and Nine Years Ago[(1)]

Customer	Principal Business	Usage *(million gallons)*	%	Total Revenue *(in thousands)*	%
Fiscal Year Ended December 31, 2023:					
HEB GROCERY	Grocery	601	1.1	$3,243	1.2
SAN ANTONIO HOUSING AUTHORITY	Public Housing	517	1.0	2,518	0.9
BEXAR COUNTY	County Government	448	0.9	2,181	0.8
CITY OF SAN ANTONIO	Municipal Entity	281	0.5	1,654	0.6
METHODIST HEALTH CARE SYSTEM	Hospital System	321	0.6	1,525	0.6
UNIVERSITY OF TEXAS AT SAN ANTONIO	Public University	257	0.5	1,197	0.4
TOWERJAZZ TEXAS, INC.	Electronics	260	0.5	1,184	0.4
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	175	0.3	1,090	0.4
TOYOTA	Automobile Manufacturer	194	0.4	885	0.3
NORTHEAST INDEPENDENT SCHOOL DISTRICT	School System	122	0.2	728	0.3
Subtotal (10 largest)		3,176	6.0	16,205	5.9
Balance from Other Customers		49,335	94.0	260,683	94.1
Total		52,511	100.00	$276,888	100.00
Fiscal Year Ended December 31, 2014:					
HEB GROCERY	Grocery	437	0.9	$2,066	1.0
SAN ANTONIO HOUSING AUTHORITY	Public Housing	462	1.0	1,470	0.7
BEXAR COUNTY	County Government	301	0.6	1,019	0.5
L & H PACKING COMPANY	Beef Processor	117	0.2	741	0.4
TOYOTA	Automobile Manufacturer	198	0.4	715	0.4
MAXIM INTEGRATED PRODUCT, INC.	Electronics	204	0.4	644	0.3
CITY OF SAN ANTONIO	Municipal Entity	185	0.4	631	0.3
FRITO LAY, INC.	Food Manufacturer	69	0.1	547	0.3
TEXAS DEPARTMENT OF CRIMINAL JUSTICE	State Correctional Facility	131	0.3	494	0.2
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	148	0.3	491	0.2
Subtotal (10 largest)		2,254	4.7	8,818	4.4
Balance from Other Customers		46,144	95.3	190,487	95.6
Total		48,398	100.00	$199,305	100.00

(1) Numbers may not total due to rounding.
* 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[(1)]
Unaudited

Customer	Principal Business	Total Revenue (*in thousands*)	%
Fiscal Year Ended December 31, 2023:			
LACKLAND AIR FORCE BASE	Military	$3,208	26.7
JOINT BASE SAN ANTONIO - FORT SAM HOUSTON	Military	2,523	21.0
LEON VALLEY	Municipal Government	1,580	13.1
ALAMO HEIGHTS	Municipal Government	1,428	11.9
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	826	6.9
KIRBY	Municipal Government	688	5.7
BALCONES HEIGHTS	Municipal Government	611	5.1
OLMOS PARK	Municipal Government	497	4.1
LACKLAND ANNEX	Military	352	2.9
AIR FORCE VILLAGE II	Municipal Government	129	1.1
Subtotal (10 largest)		11,842	98.5
Balance from Other Customers		178	1.5
Total		$12,019	100.00
Fiscal Year Ended December 31, 2014:			
JOINT BASE SAN ANTONIO - FORT SAM HOUSTON	Military	$1,612	20.5
LEON VALLEY	Municipal Government	1,318	16.8
LACKLAND AIR FORCE BASE	Military	1,200	15.3
ALAMO HEIGHTS	Municipal Government	1,135	14.5
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	689	8.8
BALCONES HEIGHTS	Municipal Government	506	6.5
KIRBY	Municipal Government	482	6.1
OLMOS PARK	Municipal Government	430	5.5
LACKLAND AIR FORCE BASE/ANNEX @ MEDINA	Military	235	3.0
HOLLYWOOD PARK	Municipal Government	100	1.3
Subtotal (10 largest)		7,709	98.2
Balance from Other Customers		139	1.8
		$7,848	100.00

(1) Numbers may not total due to rounding.

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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[a]									
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**
2023	$3,077,600	$292,792	$3,370,392	$224,945		$3,595,337	$888,546	4.05	1,071,441	$3,356
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

(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

				Revenue Bond Debt Service[c]				Maximum Annual Debt Service Requirements			
Year	Gross Revenues[a]	Operating Expenses[b]	Net Available Revenue	Principal	Interest[d]	Total	Coverage	Total Debt[e]	Coverage	Senior Lien Debt[e]	Coverage[f]
2023	$888,546	$492,841	$395,705	$73,745	$124,708	$198,453	1.99	$232,362	1.70	$11,749	33.68
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

* 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 ordinance requires 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[e]
2023	1,495,312	35.4	49,059,691	32,809	382,884	16,001	1,189,000	3.1%
2022	1,472,904	34.1	$45,350,714	$30,790	380,736	24,303	1,152,300	3.2%
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%

[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). There are no 1 year data estimates for 2020 from the American Community Survey.
[c] Equals (Population * Per Capital Income)/1,000. Calculation for 2023 will not be available until population and per capita income data for 2023 are available in April 2024.
[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.
2023 data is as of November 2023

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

	2023			2014		
Employer	**Employees[(a)]**	**Rank**	**Percentage of Total City Employment[(b)]**	**Employees[(c)]**	**Rank**	**Percentage of Total City Employment[(d)]**
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph[(c)]	82,639	1	6.95%	80,165	1	8.21%
HEB Grocery	20,000	2	1.68%	20,000	2	2.05%
USAA	18,100	3	1.52%	16,000	3	1.64%
City of San Antonio	14,500	4	1.22%	11,326	5	1.16%
Northside Independent School District	12,900	5	1.08%	13,000	4	1.33%
Methodist Health Care System	12,000	6	1.01%	8,118	7	0.83%
North East Independent School District	8,208	7	0.69%	9,141	6	0.94%
University of Texas Health Science Center	7,930	8	0.67%			0.00%
San Antonio Independent School District	7,500	9	0.63%	7,425	8	0.76%
Baptist Health Systems	7,291	10	0.61%	7,205	9	0.74%
Wells Fargo				6,500	10	0.67%
Total	191,068		16.06%	172,380		17.66%

(a) Economic Development Division, City of San Antonio, Texas, Book of Lists 2023, and Department of Defense personnel statistics.
(b) Percent based on an Employment Estimate of 1,184,300 of Non-Farm jobs in the San Antonio – New Braunfels Metropolitan Statistical Area from the Bureau of Labor Statistics as of November 2023.
(c) 2014 employment data from City of San Antonio's 2014 Annual Comprehensive Financial Report.
(d) Percent based on an Employment Estimate of 976,100 of Non-Farm jobs in the San Antonio – New Braunfels Metropolitan Statistical Area from Bureau of Labor Statistics for 2014.

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

	Fiscal Year									
	2023[(a)]	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Functional Group										
President/CEO	14	13	13	13	9	9	8	7	10	13
Communications and External Affairs	63	58	51	52	51	57	51	24	28	26
Customer Experience and Strategic Initiatives	368	309	282	310	238	230	231	229	233	235
Distribution & Collections	542	433	428	487	515	552	594	573	516	477
Engineering & Construction	176	182	181	174	180	177	177	166	191	221
Financial Services	62	61	62	57	63	60	64	65	67	62
Human Resources and Risk Management	54	52	48	50	50	42	42	45	42	35
Information Security[(b)]	6	-	-	-	-	-	-	-	-	-
Information Systems	97	94	88	93	92	91	89	92	72	65
Legal	35	36	34	35	36	36	37	37	39	39
Operations	2	3	4	6	7	24	112	112	346	257
Operations Support	116	109	101	105	-	-	-	-	-	-
Production & Treatment	285	268	256	267	373	358	299	302	138	131
Water Resources & Governmental Relations	114	111	121	117	120	97	19	40	42	138
Total Employees	1,934	1,729	1,669	1,766	1,734	1,733	1,723	1,692	1,724	1,699

(a) The 2023 employee figure reflect the filling of a number of vacancies as well as concentrated hiring in both Distribution & Collection and Customer Experience and Strategic Initiatives to accommodate the increased workload associated with the record setting level of water main breaks and SAWS ConnectH20 automated metering initiative, respectively.

(b) During 2023 the Information Security team was split out from the Information Systems group as a separate department to focus exclusively on information security.

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

	2023	2022[c]	2021[c]	2020	2019	2018	2017	2016	2015	2014
Water Delivery[a]	$3,494,788	$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
Water Supply:										
Water Resources[b]	2,229,540	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
Recycle	177,900	177,875	178,058	178,260	178,213	177,846	181,281	178,219	177,487	159,171
Conservation	747	466	466	471	556	563	561	559	558	511
Stormwater	309	247	247	247	247	310	314	321	354	302
Wastewater	4,081,196	3,685,014	3,447,384	3,229,184	2,997,086	2,813,016	2,796,525	2,702,938	2,551,584	2,390,077
Chilled Water and Steam	56,898	56,780	56,780	68,590	66,710	65,553	61,280	62,800	61,162	51,117
Construction in Progress	830,450	775,306	603,821	521,627	673,633	506,810	332,635	228,595	485,962	368,688
Total assets before accumulated depreciation	10,871,828	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
Accumulated Depreciation	2,871,117	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
Net Capital Assets	$8,000,711	$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

[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.
[c] Assets and accumulated depreciation restated for the implementation of GASB 96 – *Subscription-based Information Technology Agreements*.

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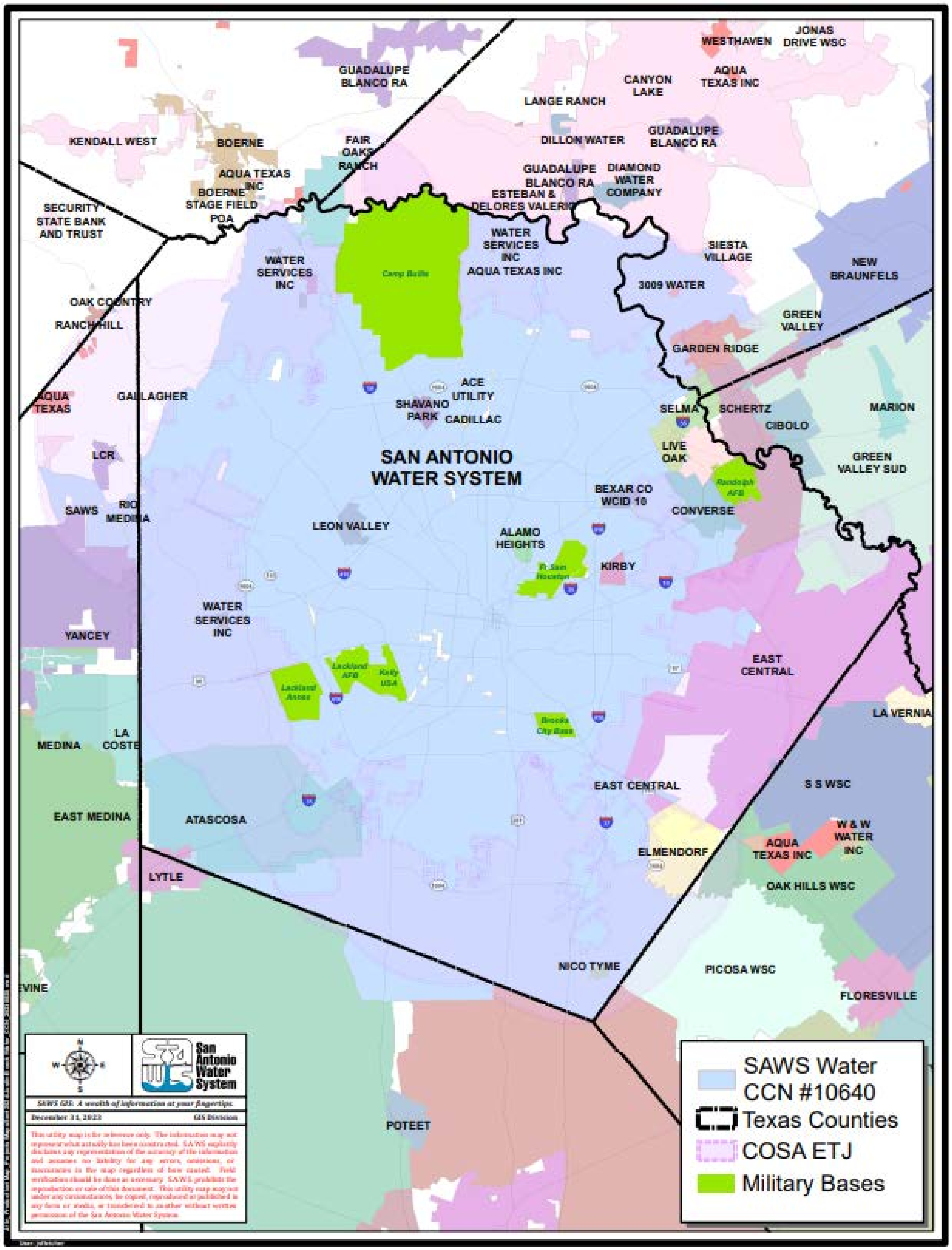
San Antonio Water System
Map 1 – Map of Water Service Area



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

	2023	2022	2021[f]	2020[g]	2019	2018	2017	2016	2015[h]	2014
Rainfall (Inches)	20.01	11.51	34.61	20.7	22.02	41.20	27.33	43.92	44.22	27.63
Customers/Connections[a]	565,595	556,151	544,991	529,392	515,981	505,627	496,543	488,705	482,821	373,920
Water Pumpage (Million Gallons)										
Annual Water Pumped	93,794	94,801	89,281	85,547	84,702	85,092	89,843	88,016	83,138	69,834
ASR Recharge[b]	1,832	3,766	7,822	2,226	4,430	6,427	11,198	11,159	6,911	1,569
ASR Production[b]	9,217	4,847	1,699	3,970	1,281	1,453	462	697	1,903	6,374
Annual Pumped for Usage	91,962	91,035	81,460	83,321	80,271	78,665	78,645	76,857	76,227	68,265
Average Daily	252.0	249.4	223.2	234.0	232.1	233.1	245.6	240.5	227.8	191.3
Maximum Daily	351.9	336.1	442.4	315.0	328.6	301.0	302.8	359.9	335.0	261.0
Metered Usage (Million Gallons)	69,299	71,194	64,020	67,193	65,655	63,660	65,641	63,934	62,896	57,261
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights[c]	86,954	87,124	87,871	88,353	88,753	89,989	92,632	93,289	94,144	83,126
Non-Edwards supply[d]	35,565	39,638	39,507	35,664	23,543	25,905	24,634	27,710	23,233	12,931
Stored in ASR[e]	54,201	61,586	62,667	56,544	58,288	55,138	50,165	39,429	28,967	23,959
Total water available for production	176,719	188,347	190,045	180,562	170,584	171,032	167,431	160,428	146,344	121,086
Number of Wells in Service	176	180	180	180	181	182	191	191	182	147
Overhead Storage Capacity (Million Gallons)	115.1	124.1	124.1	124.1	120.1	120.1	117.1	119.9	119.9	101.8
Total Storage Capacity (Million Gallons)	307.2	308.4	308.4	308.4	287.6	287.6	277.2	269.2	261.7	220.6
Miles of Water Main in Place	7,776	7,649	7,511	7,391	7,260	7,144	7,060	6,961	6,831	5,259
Water Main Breaks	3,228	3,148	1,599	2,494	2,357	2,329	1,843	1,194	2,363	2,018
Fire Hydrants in Place	46,436	45,446	44,305	43,345	42,513	41,553	40,872	39,988	38,460	28,753

(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, and Canyon Lake, 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. Prior to 2023, included water available from Medina Lake.
(e) Represents cumulative net amount stored in ASR (Recharge - Net production).
(f) Increase in Maximum Daily Pumpage is primarily due to the February Winter Strom Uri event's impact to the System.
(g) Storage Capacity includes 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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Arlington										
6000 Gallons	$27.32	$26.78	$25.50	$25.50	$25.50	$25.50	$24.20	$24.20	$22.40	$21.12
9000 Gallons	$36.29	$35.57	$33.87	$33.87	$33.87	$33.87	$32.57	$32.57	$29.78	$27.96
Austin										
6000 Gallons	$38.16	$37.02	$37.02	$37.02	$37.02	$37.02	$38.35	$38.35	$37.37	$37.21
9000 Gallons	$70.41	$68.34	$68.34	$68.34	$68.34	$68.34	$70.30	$70.30	$66.88	$62.60
Corpus Christi[(a)]										
6000 Gallons	$39.06	$39.06	$45.65	$45.18	$44.05	$44.05	$42.37	$42.37	$34.76	$34.76
9000 Gallons	$59.46	$59.46	$71.35	$70.65	$68.93	$68.93	$66.29	$66.29	$55.78	$55.78
Dallas										
6000 Gallons	$22.79	$22.27	$21.00	$21.00	$20.77	$20.77	$21.69	$21.35	$20.86	$19.87
9000 Gallons	$36.11	$35.26	$33.15	$33.15	$32.77	$32.77	$34.71	$34.10	$33.25	$31.60
El Paso[(b)]										
6000 Gallons	$34.12	$33.45	$30.78	$30.10	$28.27	$27.19	$25.23	$23.82	$21.62	$17.84
9000 Gallons	$46.43	$43.96	$40.40	$39.52	$37.25	$35.82	$37.40	$31.28	$28.42	$24.10
Fort Worth										
6000 Gallons	$31.44	$31.44	$31.44	$31.44	$30.82	$30.82	$29.39	$28.60	$26.62	$24.82
9000 Gallons	$43.75	$43.75	$43.75	$43.75	$42.73	$42.73	$41.14	$40.77	$38.49	$36.05
Houston										
6000 Gallons	$52.81	$45.80	$39.46	$36.37	$35.43	$34.46	$33.52	$32.42	$31.97	$30.62
9000 Gallons	$80.20	$73.19	$63.46	$53.65	$52.84	$50.42	$49.03	$47.42	$46.76	$44.78
Lubbock										
6000 Gallons	$41.59	$41.59	$41.09	$41.09	$42.09	$41.09	$44.56	$44.56	$45.18	$43.86
9000 Gallons	$62.50	$62.50	$62.00	$62.00	$62.00	$62.00	$58.84	$58.84	$63.72	$56.79
Plano										
6000 Gallons	$36.82	$34.73	$31.86	$31.86	$31.22	$29.48	$29.48	$25.98	$25.98	$25.41
9000 Gallons	$49.93	$47.09	$43.20	$43.20	$42.35	$40.07	$40.07	$35.28	$35.28	$33.72
San Antonio (Standard)[(b)]										
6000 Gallons	$33.51	$36.02	$36.06	$36.06	$31.20	$30.72	$28.65	$27.09	$23.50	$22.65
9000 Gallons	$56.57	$57.97	$58.03	$58.03	$48.29	$47.40	$44.37	$41.96	$34.43	$33.16

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 $1.148 per 1,000 gallons.
[(b)] Assumes Standard rates for all periods in 2015 and prior and includes Water Supply Fee in all periods.

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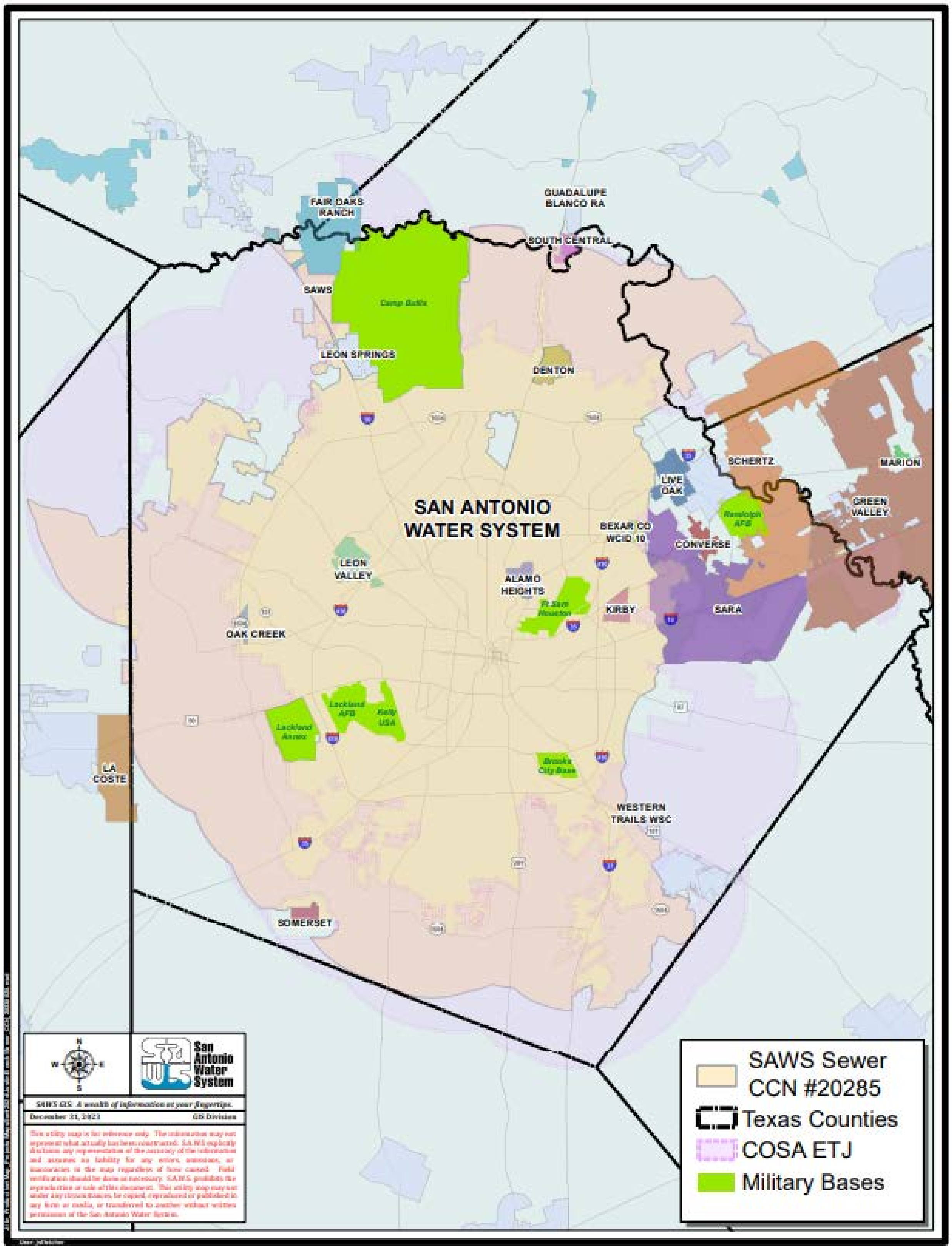
San Antonio Water System
Map 2 – Map of Wastewater Service Area



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

	Fiscal Year									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Customers/Connections[(a)]	505,846	497,331	487,364	473,478	461,555	453,066	445,023	437,460	429,609	424,257
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	95.06	89.94	94.81	86.77	94.34	94.70	94.46	98.26	93.84	85.20
Maximum Monthly Average Flow	105.31	95.31	108.12	92.01	105.39	114.90	106.44	117.01	112.44	91.19
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)	36.76	32.61	31.03	29.11	29.88	35.91	35.52	38.59	35.04	28.98
Maximum Monthly Average Flow (two outfalls)	42.00	35.06	35.07	30.53	32.67	46.36	38.61	45.06	44.26	39.03
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	7.68	9.49	10.37	10.04	10.05	6.84	6.43	7.73	6.92	7.08
Maximum Monthly Average Flow	9.58	10.91	11.57	10.72	10.92	8.75	7.08	9.73	8.24	7.49
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	139.50	132.04	136.22	125.92	134.27	137.45	136.41	144.58	135.79	121.26
Maximum Monthly Average Flow	152.27	139.00	154.75	132.24	148.80	170.01	152.13	171.48	162.94	128.96
Amount Treated Annually (millions of gallons)[(c)]	50,919	48,195	49,719	46,085	49,009	50,170	49,790	52,916	49,565	44,261
Amount Treated Peak Day (millions of gallons)	201	191	213	198	187	235	245	311	286	196
Miles of Sewer Main in Place	5,997	5,894	5,795	5,699	5,629	5,535	5,482	5,375	5,322	5,247
Number of Manholes in Place	119,816	117,429	115,012	112,767	110,836	108,580	107,247	105,346	103,874	100,017
Number of Lift Stations	154	152	149	146	146	154	151	155	153	156

(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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Arlington										
6000 Gallons	$48.68	$45.94	$43.72	$43.72	$41.44	$38.02	$34.98	$31.56	$31.10	$30.26
9000 Gallons	$65.81	$62.11	$59.11	$59.11	$55.69	$50.56	$47.52	$42.69	$42.20	$41.24
Austin										
6000 Gallons	$63.25	$60.66	$60.66	$60.66	$60.66	$60.66	$62.30	$62.30	$59.86	$55.84
9000 Gallons	$95.05	$90.93	$90.93	$90.93	$90.93	$90.93	$93.35	$93.95	$89.68	$83.23
Corpus Christi										
6000 Gallons	$61.66	$61.66	$59.36	$59.36	$45.60	$45.60	$60.79	$60.79	$52.23	$52.23
9000 Gallons	$82.72	$82.72	$79.43	$79.43	$60.15	$60.15	$80.86	$80.86	$69.48	$69.48
Dallas										
6000 Gallons	$40.07	$39.09	$37.29	$37.29	$36.94	$36.94	$37.06	$36.56	$35.78	$34.15
9000 Gallons	$57.50	$56.10	$53.52	$53.52	$53.02	$53.02	$53.20	$52.49	$51.38	$49.00
El Paso										
6000 Gallons	$36.09	$29.80	$26.36	$25.86	$24.63	$22.82	$21.14	$19.73	$17.79	$16.48
9000 Gallons	$49.74	$39.79	$35.18	$34.52	$32.89	$30.48	$28.23	$26.35	$23.77	$22.01
Fort Worth										
6000 Gallons	$40.29	$40.29	$40.29	$40.29	$38.10	$38.10	$35.53	$34.49	$30.60	$27.96
9000 Gallons	$57.02	$57.02	$57.02	$57.02	$53.90	$53.90	$50.05	$48.49	$43.16	$39.39
Houston										
6000 Gallons	$70.66	$62.03	$53.50	$45.10	$42.57	$42.39	$41.23	$39.87	$39.31	$37.65
9000 Gallons	$110.41	$97.67	$85.00	$71.83	$68.40	$67.53	$65.68	$63.51	$62.62	$59.97
Lubbock										
6000 Gallons	$38.81	$38.81	$38.76	$38.76	$38.76	$38.26	$35.02	$35.02	$28.70	$27.50
9000 Gallons	$49.94	$49.94	$49.89	$49.89	$49.89	$49.39	$44.53	$44.53	$36.05	$34.25
Plano										
6000 Gallons	$55.62	$53.98	$45.85	$43.67	$43.67	$41.57	$41.57	$39.23	$37.40	$34.40
9000 Gallons	$77.79	$75.49	$64.12	$61.07	$61.07	$58.13	$58.13	$54.86	$52.31	$47.51
San Antonio										
6000 Gallons	$30.08	$33.24	$33.24	$33.24	$33.24	$30.78	$29.71	$28.13	$27.91	$26.24
9000 Gallons	$43.89	$47.21	$47.21	$47.21	$47.21	$43.72	$42.20	$39.96	$38.00	$35.73

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

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MONTHLY WATER, SEWER, AND WATER SUPPLY FEE RATES

In November 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. The Uplift Assistance Program Fee is updated annually.

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

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	$ 0.13

* Water Service Availability Charge shall be increased by $2.00 Inside City Limits, if usage exceeds 4,000 gallons.
** Water Uplift Assistance Program Fee Rate as of January 1, 2024.

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

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	$ 0.13

* Water Service Availability Charge shall be reduced by $2.60 Outside City Limits, if usage exceeds 4,000 gallons.
** Water Uplift Assistance Program Fee Rate as of January 1, 2024.

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	$ 0.13

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

** Water Uplift Assistance Program Fee Rate as of January 1, 2024.

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	$ 0.13

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

** Water Uplift Assistance Program Fee Rate as of January 1, 2024.

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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	$ 0.13

* Water Uplift Assistance Program Fee Rate as of January 1, 2024.

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	$ 0.13

* Water Uplift Assistance Program Fee Rate as of January 1, 2024.

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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

	Rate Per 1,000 Gallons	
Usage Blocks	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

	Rate Per 1,000 Gallons	
Usage Blocks	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	$ 0.15

* 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 Uplift Assistance Program Fee Rate as of January 1, 2024.

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	$ 0.15

* 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.

** Sewer Uplift Assistance Program Fee Rate as of January 1, 2024.

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	$ 0.15

* Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 2” meter size.
** Sewer Uplift Assistance Program Fee Rate as of January 1, 2024.

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	$ 0.15

* Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 2” meter size.
** Sewer Uplift Assistance Program Fee Rate as of January 1, 2024.

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 JULY 1, 2024)

On May 16, 2024, 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 2024-2033. 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 2019.

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 2024-2033 projects 161,030 new water EDUs and 148,129 new wastewater EDUs. The pro-rata cost of existing and future capital improvements projects to serve the 2024-2033 growth is estimated to be $1.5 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	$ 2,592
Water Delivery	
Flow	$ 1,368
System Development	
High Elevation	$ 2,027
Middle Elevation	$ 1,744
Low Elevation	$ 1,510
Wastewater	
Treatment	
Medio Creek	$ 1,527
Dos Rios/Leon Creek	$ 1,105
Collection	
Medio Creek	$ 1,836
Upper Medina	$ 1,702
Lower Medina	$ 768
Upper Collection	$ 4,436
Middle Collection	$ 2,792
Lower Collection	$ 1,138

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 1,000 gallons) ($)*
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
2024	0.3294

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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
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
2024	0.20	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 presidential election and various Supreme Court decisions have the continued ability to affect environmental positions within U.S. government agencies. Since the inauguration of President Biden, administration officials have amended and enacted provisions promulgated through the EPA and other environmental agencies to increase regulation, including the establishment of the Office of Environmental Justice and External Civil Rights that was charged with advancing environmental justice and civil rights concerns. To date, this office has had little impact on the System.

The Supreme Court of the United States has issued three opinions in the last two years that have the potential to have significant impact on federal regulation. On June 30, 2022, in *West Virginia v. EPA,* the Supreme Court issued the 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. On June 28, 2024, the Supreme Court issued an opinion in *Loper Bright Enterprises v. Raimondo, Secretary of Commerce* that held that the Administrative Procedure Act requires courts to exercise their independent judgment in deciding whether an agency has acted within its statutory authority, and courts may not defer to an agency interpretation of the law simply because a statute is ambiguous. This opinion overruled the long-standing *Chevron* deference to agencies in establishing regulation. On July 1, 2024, the Supreme Court issued an opinion in *Corner Post, Inc. v. Board of Governors of the Federal Reserve System* that held that six-year limitation period to challenge a regulation does not begin upon the promulgation of the final rule, but instead is not triggered until the plaintiff is injured by final agency action. This opinion extends the ability for challenge to an indefinite period of time following the establishment of a final rule.

Each of these opinions affects the ability of federal agencies to set and establish regulations and makes it easier for individuals and entities to challenge them. It is unlikely that these decisions will have an immediate impact on federal regulation, but it is possible that multiple regulations could be challenged over the next few years. It will be important to monitor litigation filed against federal agencies going forward to stay informed of potential changes and impacts as they are determined by the courts.

SAFE DRINKING WATER ACT

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. At this time, no increased capital expenditures have been required or are anticipated to be required to maintain compliance with the foregoing rules.

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 were several phases in the EPA's regulatory timetables that were undertaken in the years following enactment. The impacts of these amendments to the System were not significant, as the System was able to materially comply with these regulations. The impact of ever evolving regulatory parameters 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.

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 an action level of 15 parts per billion (ppb) and a new trigger level for lead of 10 ppb. 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 committed to issuing guidance for the Lead Rule to include information related to developing lead service line inventories, best practices, case studies, and templates.

While awaiting EPA guidance, SAWS began 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 service lines to submit to the TCEQ by the October 16, 2024 deadline, which SAWS expects to meet. SAWS is working with the consultant to develop strategies on how best to determine service line material on the customer's side of the service lateral, including a pilot program to target specific areas of the city to identify service line material. SAWS received approval of a City Council ordinance in 2023 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.

On November 30, 2023, the EPA announced the proposed Lead and Copper Rule Improvements (the "LCRI"). The EPA published the final rule on October 8, 2024. The final version of the LCRI makes changes to the Lead Rule that was promulgated in December 2021. The most significant revisions are consistent with those changes first identified in the proposed LCRI and include eliminating the trigger level established by the Lead Rule; lowering the action level from 15 ppb to 10 ppb; and requiring replacement of all lead service lines within 10 years (with some exceptions for larger systems). SAWS will monitor any guidance developed by the EPA and TCEQ regarding the interpretation and implementation of the final LCRI.

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 ("NPDWR") 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. On April 10, 2024, the EPA announced the final NPDWR for six PFAS. The final PFAS Rule maintained the MCL for PFOA and PFOS at 4 ppt, and established an MCL of 10 ppt for PFNA, HFPO-DA, and PFHxS. PFBS will be measured and regulated in combination with these latter substances within a hazard index. The final PFAS rule establishes that public water systems have three years to complete initial monitoring for these PFAS substances by April 26, 2027, followed by ongoing compliance monitoring. Water systems must also provide the public with information on the levels of these PFAS in their drinking water by that same date. Beginning on April 26, 2029, public water systems that have PFAS in drinking water which violates one or more of these MCLs must take action to reduce levels of these PFAS in their drinking water and must provide notification to the public of the violation. At this time, the PFAS Rule only applies to drinking water and does not address wastewater or its treatment.

On June 7, 2024, the American Water Works Association ("AWWA") and Association of Metropolitan Water Agencies ("AMWA") filed a petition with the U.S. Court of Appeals for the District of Columbia Circuit to review U.S. EPA's Final PFAS Drinking Water Rule. The lawsuit alleges that the EPA did not rely on the best available science and the most recent occurrence data in establishing the MCLs, used novel approaches as the basis for a hazard index, and underestimated nationwide costs that will add to affordability challenges for drinking water. AWWA has stated that they would like to collaborate with the EPA to address the identified concerns. The lawsuit does have the potential to cause a stay or delay of the implementation or enforcement of the rule, as well as the modification of the rule in some manner. This case will be monitored going forward.

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. On April 19, 2024, the EPA announced that it was designating PFOA and PFOS, as CERCLA hazardous substances. The EPA issued a memorandum that also details that it does not intend to pursue entities where equitable factors do not support seeking response actions or costs under CERCLA, including farmers, municipal landfills, water utilities, municipal airports, and local fire departments. However, because this is not codified, this enforcement discretion is subject to change by future EPA directive. A proposed exemption for water systems has been filed in the U.S. Congress that would establish that passive recipients of PFAS contamination, like public water systems, are exempt from enforcement and liability under CERCLA. National organizations (AWWA, NACWA) are actively supporting this proposed legislation as it is considered.

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 and 2024 budgets includes a total of $2.0 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 May 9, 2024, the EPA announced that it is conducting a Publicly Owned Treatment Works ("POTW") Influent PFAS Study to collect and analyze nationwide data on industrial discharges of PFAS to POTWs, as well as PFAS in POTW influent, effluent, and sewage sludge. The EPA is seeking this data through an Information Collection Request, from a subset of large POTWs across the United States to complete a questionnaire and collect and analyze wastewater and sewage sludge samples. SAWS is one of the POTWs selected for this study. The EPA has stated that the information collection activities are being used to compile a data set that will enable the EPA to characterize the type and quantity of PFAS in wastewater discharges from industrial users to POTWs (including industrial categories that the EPA has determined historically or currently use PFAS, but for which insufficient PFAS monitoring data is available) as well as POTW influent, effluent, and sewage sludge. It is anticipated that this study is the first step in the EPA establishing PFAS regulations for the wastewater industry. This study and EPA activity arising from it will be closely monitored to assess any potential impacts to SAWS.

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 the 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 the 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 (the "January 2023 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 January 2023 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 January 2023 Rule is currently stayed in Texas, as well as in 26 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.

On August 29, 2023, the EPA and the Army issued a final rule (the "Conforming Rule") that amended the Revised Definition of Waters of the United States to conform to key aspects of the Supreme Court's May 25, 2023 decision in *Sackett*. The Conforming Rule became effective on September 8, 2023.

It should be noted that the January 2023 Rule still faces pending litigation, including the Sixth Circuit's May 2023 injunction against the use of the January 2023 Rule in 27 states, including Texas. As a result of this ongoing litigation, the Agencies will only implement the Conforming Rule in 23 states, the District of Columbia, and the U.S. Territories. The Agencies will therefore continue to interpret WOTUS in the 27 states subject to the Sixth Circuit's injunction under the pre-2015 regulations.

At this time, it is premature to speculate on the potential effects of the Supreme Court's decision on pending lawsuits challenging the January 2023 Rule, the split interpretation and enforcement of Clean Water Act standards by the Agencies, and any potential 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. Penalties are updated in the Federal Register via a Civil Monetary Penalty Inflation Adjustment each year. Effective January 6, 2023, the maximum amount of a civil penalty that may be assessed increased to $64,618 per violation. On December 27, 2023, the civil penalty was increased to $66,712 per violation. In addition, the EPA has the power to issue administrative orders compelling compliance with its regulations and the applicable permits. The EPA can also bring criminal actions for recovery of penalties of up to $50,000 per day for willful or negligent violations of permit conditions or discharge without a permit. Violations of permits or administrative orders may result in the disqualification of a municipality from eligibility for federal assistance to finance capital improvements pursuant to the Clean Water Act. Even though the System will be operating under TPDES permits, it still may be liable for penalties from the EPA under the Clean Water Act. Under State law, civil penalties for violation of State wastewater discharge permits or orders of the TCEQ can be a maximum of $25,000 per day per violation. The Executive Director of the TCEQ also has authority to levy administrative penalties of up to $25,000 per day for violations of rules, orders, or permits. Orders resulting from a civil action could require the imposition of additional user or service charges or the issuance of additional bonds to finance the improvements required to ameliorate a condition that may have caused the violation of a TCEQ permit.

See "THE SAN ANTONIO WATER SYSTEM – Mitchell Lake 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. On September 15, 2022, the EPA announced that the City and County are designated as "moderate" and it was published on November 7, 2022 in the Federal Register. The proposed rules address additional requirements for inspection and vehicle maintenance. Attainment for the County would be required by the end of 2023 ozone season to meet a September 24, 2027 attainment date. On December 15, 2023, the TCEQ published proposed rules for nonattainment areas classified as moderate and above are required to meet the mandates of the Clean Air Act, which requires the SIP incorporate all reasonably available control measures ("RACM"), including reasonably available control technology ("RACT"), as expeditiously as practicable. The TCEQ is required to implement RACT requirement rules for all categories of stationary sources classified as major stationary sources of NOx or volatile organic compounds. This proposed rulemaking would implement RACT requirements for major sources of nitrogen oxides ("NO_x") in the County. The TCEQ published the final rules on April 24, 2024.

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 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.

On March 15, 2023, the EPA issued its final Good Neighbor Plan, which imposed significant reductions in ozone-forming emissions of NO_X from power plants and industrial facilities. The Good Neighbor Plan applies to 23 states and imposes standards to meet the Clean Air Act's "Good Neighbor" requirements by reducing pollution that significantly contributes to problems attaining and maintaining the EPA's air quality standard for ground-level ozone (or "smog"), known as the 2015 Ozone NAAQS, in downwind states. A revised Good Neighbor Plan was published in the Federal Register on June 5, 2023. On June 7, 2023, the State of Texas along with the Public Utility Commission of Texas and the Railroad Commission of Texas filed a petition in the 5th U.S. Circuit Court of Appeals alleging that the EPA's federal implementation plan exceeds the agency's authority. The Court of Appeals issued a stay of the Good Neighbor Plan in 12 states. The EPA has stated that facilities in Texas subject to the stay order are not required to comply with the Good Neighbor Plan at this time.

On June 27, 2024, the U.S. Supreme Court issued an opinion in *Ohio v. EPA* that found that Ohio and 10 other challenging states not currently under the stay of the Good Neighbor Rule would likely prevail in their claim that the EPA's decision to enforce the Plan even though it was stayed in more than half of the affected states was arbitrary and capricious. The decision places a stay on the Plan until the case is decided at the appeals court level or makes its way back to the Supreme Court.

It remains to be seen exactly what steps will ultimately be required to meet federal air quality standards, how the EPA may respond to developments as they occur, and what impact such steps and any EPA action have upon the economy and the business and residential communities in the San Antonio Area.

CLEAN POWER PLAN/AFFORDABLE CLEAN ENERGY RULE

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

Lawsuits were filed challenging the new rules and consolidated into one case in the 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 the 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 extended the deadline for submission of plans to April 15, 2024.

The EPA published its Greenhouse Gas Standards and Guidelines for Fossil Fuel-Fired Power Plants on May 9, 2024 in the Federal Register. The final rule sets carbon dioxide ("CO_2") limits for new gas-fired combustion turbines and CO_2 emission guidelines for existing coal-, oil-, and gas-fired steam generating units. The rule mandates that many new gas and existing coal plants reduce their greenhouse gas emissions by 90% by 2032. On May 9, 2024, multiple lawsuits were filed in the U.S. Court of Appeals for the District of Columbia Circuit, including one by 25 states spearheaded by West Virginia and Indiana and another by Ohio and Kansas. Electric utility, mining and coal industry trade groups also filed lawsuits. On May 17, 2024, the Court of Appeals denied the 25 states' request for an administrative stay of the proposed rule. The legal challenges are pending and will be closely monitored as they move forward.

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.

ENDANGERED SPECIES ACT

On August 22, 2023, the U.S. Fish and Wildlife Service ("USFWS") published a proposed rule (the "Endangered Rule") to list the toothless blindcat and widemouth blindcat cavefish species as endangered species under the Endangered Species Act of 1973 (the "1973 Act"). These fish are generally assumed to live in a very deep inaccessible portion of the City's segment of the Edwards Aquifer. The proposed listing states that the toothless blindcat and widemouth blindcat are endangered (i.e. in danger of extinction throughout all or a significant portion of its range) due to the threat of mortality from groundwater well pumping in Bexar County. Specifically, it is alleged that the species are captured during pumping and killed during uptake and expulsion from the wells. USFWS relies on a Species Status Assessment for support of its conclusion and recommendation. Very limited data and no direct observation is provided to support the determination that these species should be listed. The Endangered Rule identifies that up to 82 wells are in the identified area of the Edwards Aquifer. To date, SAWS has identified roughly ten (10) SAWS wells in this area. Other wells (both public and private) in the area support agricultural and industrial use.

The public comment period for the proposed Rule was extended to October 23, 2023. SAWS submitted comments that identified significant concerns with the supporting documentation, assumptions made about the species, lack of understanding of the operation of SAWS groundwater wells and pumps, and potential impacts of a listing of these species on the System. SAWS worked with the Edwards Aquifer Authority, which manages the Edwards Aquifer Habitat Conservation Plan ("EA-HCP") that protects a number of species that reside within the Edwards Aquifer, to coordinate comments and responses to the proposed listing. In its comments, SAWS requested that the comment period be reopened or extended. USFWS reopened the comment period on December 7, 2023 for 30 days. SAWS submitted supplemental comments detailing other decisions by USFWS to not list species that exist under similar circumstances.

SAWS and EAA met with USFWS to discuss the potential listing in January 2024 and provided additional information requested by USFWS in March 2024. SAWS and EAA have also discussed the possibility of including these two species within the existing EA-HCP, which is currently in the renewal process.

On July 31, 2024, USFWS announced a six-month extension for its final determination based on substantial disagreement regarding the sufficiency and accuracy of the available data relevant to the proposed listing rule. USFWS also announced that it would reopen the comment period for this proposed listing for 30 days, to end September 3, 2024. SAWS expects to submit brief comments summarizing discussions and information provided to USFWS in response to its information request. The USFWS announcement also established February 22, 2025, as the new date for a final decision to be made.

It is expected that USFWS will review comments and additional information provided following the reopened comment period, and determine if these species should be listed as endangered, threatened, or do not merit listing by the February 2025 date. If the species are listed, USFWS will propose a recovery plan. It is too early in the process to determine what might be included in a potential recovery plan and what impact a recovery plan might have on the System.

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; 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. Therefore, as of the City's fiscal year ended September 30, 2023, the amount of $38,525,483 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") officers 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 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 (2) officers. Claims against the three remaining officers are pending trial. The case was bifurcated and trial on the issue of liability was held from April 8 through April 17, 2024 with a verdict in favor of one officer but finding liability by the remaining two (2) officers. A second trial to determine damages is currently set for October 28, 2024.

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 (1) 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 (1) 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, which was denied. Motions to reconsider have been filed and are pending.

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 Bexar County Sheriff's Office 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 U.S.C. § 1983, the Texas Tort Claims Act ("TTCA") and general negligence. Plaintiff's has 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 case is set for trial on April 7, 2025.

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 right of way and collided with her vehicle. Plaintiff suffered significant bodily injuries to her neck and back. Discovery is on-going. This case set for trial on February 3, 2025.

Maria Monsibais v. City of San Antonio. Plaintiff alleges that 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 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 that 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 has breached the terms of the contract and seeking damages in excess of $250,000. Discovery is ongoing. This case is set for trial on April 14, 2025.

Alexis Tovar, et al. v. City of San Antonio, et al. On June 23, 2023, officers responded to an apartment complex for a call that a woman cut a fire alarm wire. When confronted by the officers, the woman ran to her apartment. Three (3) officers climbed over the railing on her patio and saw her inside the apartment. The woman made a movement toward the patio window and the officers opened fire, killing her. Plaintiffs filed suit in Federal District Court against the City and the officers, alleging use of excessive force. The City will not be providing representation or indemnification for the officers. Discovery is on-going. This matter has not been set for trial.

Maria Tijerina, et al. v. City of San Antonio, et al. SAPD received a call that a woman and her children were being held at gunpoint in their apartment by her boyfriend. SWAT was dispatched to the scene. The boyfriend exited the apartment and while standing on the landing, raised his weapon. SWAT officers discharged their weapons, killing the boyfriend. A single bullet went through the apartment door, ricocheted off an air conditioning vent and struck the woman, killing her. Suit has been filed on behalf of the woman and her children in Federal District Court. Discovery is on-going. This matter has not been set for trial.

Mission Road Developmental Center v. Cal-Tex Interiors, et al. Mission Road, a non-profit agency, filed suit against the City and eleven other developers/property owners alleging development in the area of their facility has diverted the natural flow of water, causing flooding and damage on their property. With respect to the City, they allege that the City's construction activities in the area constitute inverse condemnation of their property. Discovery is on-going. No trial date has been set.

Maria Vitela, et al. v. City of San Antonio, et al. On September 18, 2022, SAPD officers were flagged down to find a suspect wanted on felony warrants. Family members provided a description of the individual. Alejandro Vitela was seen riding his bicycle in the area, against traffic, and matched the description. When stopped, he was not cooperative, said he had a gun and would shoot the officers and then made movements that appeared that he was pulling a weapon. Officers drew their weapon and fatally shot Mr. Vitela. Subsequently, it was determined that he did not have a weapon. Suit has been filed on behalf of Mr. Vitela's estate against the City and one officer. This suit was recently served. Discovery is on-going. No trial date has been set.

Erik Cantu, et al. v. City of San Antonio, et al. On October 20, 2022, SAPD Officer James Brennand was dispatched to a McDonald's for a disturbance. On his arrival, the disturbance had abated, but while in the parking lot, he observed a vehicle that had fled from him the night before. Officer Brennand called for back up but approached the vehicle before it arrived. He opened the door, startling the driver, Eric Cantu. Cantu immediately put the vehicle in reverse, causing the car door to strike the officer. Officer Brennand drew his weapon and shot at the vehicle as it drove away. Mr. Cantu was struck several times and was unable to continue driving within a block. Mr. Cantu was hospitalized for multiple gun shot wounds. Officer Brennand was terminated for failure to follow SAPD policies and procedures and was criminally indicted. The City will not be providing a defense for former officer Brennand. Answers have been filed on behalf of all parties.

Lynda Espinoza, et al. v. City of San Antonio, et al. On June 3, 2022, officers received a call for a vehicle stolen at gun point. Officers located the vehicle and attempted to make a stop. One officer blocked the stolen vehicle with his patrol car and began exiting his car, when the stolen vehicle began to drive straight at him. A second officer on the scene discharged his weapon at the driver, killing him. It was later discovered that the driver was a 13-year-old male. The decedent's family filed suit against the City and the officer in federal court. Discovery is ongoing and no trial date has been set.

Juana Morales v. City of San Antonio. On August 21, 2020, Plaintiff, Juana Morales, stopped at an intersection and then began to turn left. An SAPD officer driving on the cross street struck Plaintiff's car on the front driver's side. Plaintiff alleges she suffered significant personal injuries. The officer countersued for injuries she incurred. This case is set for trial on September 22, 2025.

Santander Consumer USA v. CoSA, et al. Plaintiff, an auto loan company, filed suit against the City and its contractor managing the City's impound lot. Plaintiff claims that the City's ordinance regarding sending notice on towed vehicles is unconstitutional and deprives them of their due process rights to recover vehicles before they are sold at auction. Plaintiff claims they have been damaged in an amount in excess of $250,000.00. Motions to dismiss are currently pending. This case is not set for trial.

Bravo Excavation and Construction, LLC v. Austin Bridge & Road, LP and City of San Antonio. This lawsuit concerns a storm water construction project. Austin Bridge & Road is the general contractor for the City's project; Bravo Excavation and Construction, LLC is a subcontractor hired by Austin Bridge & Road for trenching. After trenching issues occurred, Austin Bridge alleged that the soil was different than as described in the documents; the City believes Bravo lacked experience in trenching. Austin Bridge terminated Bravo for OSHA violations and site safety concerns. Bravo sued Austin Bridge and the City, alleging a $1.5 million breach of contract. Austin Bridge countersued Bravo and crossclaimed the City for breach of contract. Bravo added a third-party defendant, United Rentals, claiming the water bypass for trenching malfunctioned. Discovery is on-going. This case is set for trial on April 14, 2025.

The City of Houston et al. v. The State of Texas. In a lawsuit filed in July 2023 in state district court in Travis County, certain Texas home-rule cities including the City seek a court declaration that recent legislation in HB2127, effective September 1, 2023, is unconstitutionally vague. The Texas State Constitution affords Texas home-rule cities broad authority in enacting local laws unless the Texas Legislature specifically legislates a state law that preempts local law. Any statutory language preempting local law must do so with "unmistakable clarity". In HB2127, the Texas Legislature broadly enacted "field preemption" in eight state statutory codes without enacting any specific State law. This sort of "field preemption" does not exist between Texas state law and local law. HB2127 also provides for a private right of action for any person to sue a home-rule city to invalidate any local law with State field preemption under HB2127 after a 90-day notice period. In a suit under HB2127, a person suing the City may recover attorney's fees from the City. Given the ambiguity of HB2127, the City cannot begin to predict the outcome of this lawsuit or the scope of potential litigation it may face when HB2127 goes into effect. In late August 2023, a Travis County judge granted the Cities' motion for summary judgment, finding the statute was overly broad and staying its effective date. The State immediately filed an appeal. Briefing on the appeal is on-going.

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. The parties commenced negotiations in March 2024 and achieved a successor agreement effective October 1, 2024 through September 30, 2027.

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 has returned to the trial court to proceed with discovery on the merits.

CITY CHARTER

On November 14, 2023, the Mayor reconstituted the City's charter review commission (the "Charter Review Commission") to research and make recommendations for amendments to the City Charter related to the specific areas of ethics, City Council term length and compensation, City Manager tenure and compensation, the number of council districts and process for redistricting, and language modernization. The Charter Review Commission submitted its recommendations to City Council on June 5, 2024. On August 8, 2024, the City Council ordered a City Charter election to be held on November 5, 2024, whereby the following modifications will be submitted to the voters: A) Adding a definition of "conflicts of interest", requiring sufficient funding to the Ethics Review Board so it may perform all its assigned duties, and authorizing the ethics review board (the "Ethics Board") to accept or decline complaints that have been resolved by an entity other than the Ethics Board; B) revising the language of the City Charter to account for outdated and superseded provisions; C) granting City Council the authority to set the full terms of the City Manager's employment including tenure and compensation; D) allowing City employees to participate in local political activity consistent with State and federal law while protecting employees against political retribution and maintaining a general prohibition on participation in local political activity for the City leadership team; E) setting the compensation for City Council members and the Mayor at $70,200 and $87,800 annually with annual adjustments to correlate to the HUD income limits for the City; and F) extending the terms of all elected members of City Council, including the Mayor, from two years to four years and changing the term limits from two full terms to four full terms and keeping the terms concurrent.

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, but the court denied the objections and issued SAWS a Writ of Possession, allowing work to proceed pending final resolution of the case. Construction of the sewer line is now complete and the line is in service. In 2022, the court 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. The landowner continues to challenge whether a public necessity exists for SAWS' taking of the property, and its request for a permissive appeal with the Fourth Court was granted on November 29, 2023. Full briefing to the Fourth Court of Appeals was completed in June 2024. The parties are now awaiting the Fourth Court's decision. 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. 2020CI13949; Campbellton Road Ltd. v. City of San Antonio, by and through the San Antonio Water System, in the 150th Judicial District Court, 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. Campbellton then appealed to the Texas Supreme Court, which reversed the Fourth Court, found that the district court has jurisdiction in the case and remanded the case back to the district court for trial on its merits. SAWS will continue to vigorously defend this lawsuit; however, if a court were to ultimately decide that Campbellton 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. 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 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 2007 Amended and Restated Water Supply Agreement between BMA and Bexar Metropolitan Water District ("Bexar Met") (the "BMA Agreement"). On February 13, 2024, SAWS filed its First Amended Petition. SAWS is seeking a judicial declaration that the BMA Agreement is void as a violation of public policy and that the BMA board members have engaged in ultra vires acts by continuing to attempt to enforce 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. BMA has challenged the jurisdiction of the Court, alleging that jurisdiction should lie with the PUC instead. On August 9, 2024, BMA filed a Petition for Writ of Mandamus in the Fourth Court, with an expedited decision requested, challenging the district court's order allowing SAWS to obtain limited jurisdictional discovery from the BMA and the defendants before any hearing on BMA's jurisdictional challenges. The Petition remains pending at this time, and the trial court proceeding is stayed pending resolution.

TAX MATTERS

OPINION

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P. and Kassahn & Ortiz, P.C., Co-Bond Counsel to the City, will render 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 (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 Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's"), and S&P Global Ratings ("S&P") have rated the Bonds "AA", "Aa1", 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.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

On August 29, 2024, Moody's upgraded the long-term ratings for the Subordinate Lien Obligations from "Aa3" to "Aa2" and the Junior Lien Obligations from "Aa2" to "Aa1". A notice was timely filed to EMMA on August 30, 2024, related to the foregoing.

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 5, 2024), 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 2024.

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.

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 to comply with the requirements of SB3 enacted by the Texas Legislature in June 2021. Implementation of emergency preparedness plans must begin by the later of July 1, 2022, or upon final approval by the TCEQ. The TCEQ approved SAWS' EPP in July 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 (the "Resiliency Agreement"). Under the Resiliency Agreement, in addition to paying a portion of the operation and maintenance cost, SAWS will pay an estimated $155 million to acquire and install generators for CPS Energy operation. The implementation of the emergency preparedness plan across SAWS' facilities is expected to be completed prior to the deadline of July 2032, and the overall cost is anticipated to exceed $300 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.

Receipt of Notice of Internal Revenue Service Audit

The Board received a letter dated March 21, 2024, from the Internal Revenue Service ("Service") that the Service would be conducting a routine audit of the $75,920,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2015A (Drinking Water State Revolving Fund), dated November 15, 2014 (the "Obligations"). The Obligations are outstanding in the principal amount of $56,130,000 and mature on May 15 in each of the years 2025 through 2045. The City and the Board anticipate fully complying with the requests of the Service. The Board mailed its initial response to the Service on April 19, 2024. By mailing such information, the Board has complied with all written requests from the Service concerning this matter at this time.

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 Kassahn & Ortiz, P.C., 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 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, 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

J.P. Morgan Securities LLC ("JPMS"), 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 $940,404.59, 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.

JPMS, one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

TD Securities (USA) LLC ("TD Securities"), one of the Underwriters, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with InvestorLink Capital Markets, LLC ("ICM") for the retail distribution of certain securities offerings, including the Bonds at the original issue price. Pursuant to the TD Dealer Agreement, ICM may purchase the Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any of the Bonds TD Securities sells.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Services Group Inc. PNC Capital Markets LLC is not a bank, and is a distant legal entity from PNC Bank, National Association. PNC Bank, National Association may presently or in the future have other banking and financial relationships with the Issuer.

An affiliate of JPMS, J.P. Morgan, receives customary fees and expenses in connection with certain services it provides relating to the Water System Commercial Paper Notes, Series A. See "COMMERCIAL PAPER NOTE PROGRAM".

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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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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APPENDIX A

CITY OF SAN ANTONIO, TEXAS
GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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 1,468,165[2] for 2024. 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 2,061,971[2] and the San Antonio-New Braunfels Metropolitan Statistical Area ("MSA") population to be 2,655,725[2] in 2024. 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.

[1] Provided by the 2020 Decennial Census.

[2] Estimates are based on American Community Survey data in years when Decennial Census data are not available.

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 [1]
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 [2]
2010	1,326,539	1,714,773	2,142,508
2020	1,434,625	2,009,324	2,558,143 [3]

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

[2] 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.

[3] Provided by the 2020 Decennial Census.

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 contains approximately 511 square miles with a topography that 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 $155 billion in tax year 2023.

Changes to State annexation law in 2017 curtailed the annexation powers of Texas municipalities. The City's Annexation Policy (the "Policy) was recently updated to reflect these recent changes in the State law, and to provide the guidance necessary to evaluate requests for special districts and development agreements in its ETJ. This Policy update is 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 was considered and adopted as a component of the City's Comprehensive Master Plan by the City Council in August of 2023.

Annexations and Municipal Boundary Adjustments

The Planning Department currently is processing two Consent (Owner Initiated) Annexation requests, which should be effective by the end of 2024, for a total of 810.87 acres (1.27 square miles). On January 19, 2024, San Antonio annexed approximately 4,155.46 acres (6.49 square miles) of land because of expiring development agreements between numerous landowners and the City. As a result of that large annexation, San Antonio's corporate land rose to approximately 511 square miles.

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 (4) 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 offering document 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 20 non-nuclear electric generating units and 40% interest in STP's two (2) existing nuclear generating units. 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, 2023 were $ 453,476,849. (See "San Antonio Electric and Gas Systems" herein.)

Water services to most of the City are provided by the San Antonio Water System ("SAWS"), San Antonio's municipally-owned water supply, water delivery, and wastewater treatment utility. SAWS was founded in April 1992 as a separate, consolidated entity. SAWS' operating and debt service requirements for capital improvements are paid from revenues received from charges to its customers. SAWS is obligated to transfer a portion of its revenues to the City. SAWS revenue transfers to the City for the City's fiscal year ended September 30, 2023 were $34,168,940. (See "San Antonio Water System" herein.)

Economic Factors

The City of San Antonio facilitates a favorable business environment that supports economic diversification and growth. San Antonio's economic base is comprised of a variety of strategic industry clusters, including Mobility, IT Security and Infrastructure, Sustainable Energy, Bioscience, and Corporate 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.

Data from the U.S. Census Bureau's five-year American Community Survey Estimates shows that the San Antonio-New Braunfels Metropolitan Statistical Area's ("MSA") population grew by over 41,000 residents in the past year to over 2.57 million total residents. The MSA has an unemployment rate of 4.2%, slightly lower than the overall Texas rate of 4.5%. The area also experienced a 2.0% growth in nonfarm employment between June 2023 and June 2024, outpacing national trends. The MSA's total nonfarm employment is currently 1.19 million.

The City's Economic Development Department ("EDD") seeks to promote inclusive growth through strategic investments and public-private partnerships. San Antonio's City Council also accepted a five-year Strategic Framework (the "Framework") for EDD in October of 2022. The Framework serves to align the City's policy initiatives towards building a more resilient local economy and raising San Antonio's competitiveness for capital and investment. Over the next several years, EDD will work towards expanding business retention and attraction efforts, accelerating place-based real estate development, developing local talent and a strong workforce pipeline, and holistic coordination with economic development partners.

Additionally, the City's Incentive Guidelines adopted in December 2022 require that all full-time employees associated with a project receiving an economic development incentive from the city must earn at least $17.50 per hour. The guidelines also require that 90% of employees must be paid at least $20.54 per hour, equal to 80% of the area's household median wage. These wage standards are intended to drive an incremental increase in wages in San Antonio. Furthermore, EDD has committed $300,000 in fee waiver incentives for business retention and attraction in fiscal year 2023, with an additional $1.1 million in uncommitted funds that could be leveraged for this purpose with future projects.

The San Antonio Economic Development Corporation ("SAEDC") was established by the City as a 501(c)(3) B-Corporation to "promote, assist, and enhance economic development activities for the City." The SAEDC has worked to foster the commercialization of intellectual property in San Antonio through direct equity investment in later stage companies or proven entrepreneurs, supporting the creation of new jobs, investment, and entrepreneurship. In alignment with the Framework, the SAEDC recently amended its bylaws to also serve as a tool to support place-based real estate development that creates quality spaces for new jobs and investment in San Antonio's regional centers and neighborhood economic nodes.

Major Initiative – Local Business and Workforce Development

San Antonio received $326 million in American Rescue Plan Act ("ARPA") State and Local Fiscal Recovery Funds. On February 3, 2022, City Council approved several major spending pillars for these funds, including COVID-19 testing and vaccination, revenue replacement and operations support, housing assistance programs, digital connectivity, and local business support and development. A total of $33.9 million in ARPA funds, an increase from the original budget of $30.95 million, were allocated by the City Council under the Small Business Support pillar to be overseen by the Economic and Workforce Development Committee, to be used towards improving access to capital, building entrepreneurial capacity, ecosystem enhancements, a Buy Local program, geographic placemaking, as well as additional efforts.

Recognizing the continued impact of the COVID-19 pandemic on San Antonio's small businesses, City Council originally set aside $20.6 million of the ARPA funds, now increased to $23.58 million, to provide enhanced access to flexible capital that could support small business recovery and resilience. To support the distribution of $17 million of these funds, business development organization ("BDO") partners extended technical support to San Antonio's small business community by offering guidance in areas such as startup expansion needs and financial assistance. The efforts of these organizations resulted in more than 1,000 small businesses receiving support in the form of technical assistance. Partners were able to contact over 7,000 businesses and provide technical application assistance to 250. At the program's conclusion in January 2023, 523 grants were distributed with an average award of $29,942.

Furthermore, EDD signed five (5) agreements totaling $5.05 million with community development partners on April 6, 2023, to provide enhancements to San Antonio's small business ecosystem. These initiatives include the Maestro Entrepreneur Center's Second Stage Program, which will provide four (4) cohorts of business owners individualized training, peer support, and leadership development to help their second stage businesses expand. The program graduated one (1) cohort in December 2023 and began the second in April 2024.

The Façade Improvement Program, with $3 million in ARPA funding, supports improvements to commercial building facades visible from the public right-of-way in targeted areas of the city. Grants will range from $5,000 to $50,000, with a cost-sharing structure based on the Combined Equity Score of the project location. The program received 203 applications which are currently under review with awardees to be notified in Summer 2024.

The Outdoor Spaces Program, with $1.25 million in ARPA funding, will provide grants ranging from $2,000 to $10,000 to small, locally owned food and drinking establishments for the addition or improvement of outdoor spaces. The program includes a cost-sharing requirement based on the Combined Equity Score of the project location's Census Tract. The program had 42 awardees notified in March 2024.

The Digital Presence Program, launched in February 2024, provides free coaching and digital services to those with the greatest need. The first two (2) months of the program saw over 180 small businesses completing the program assessment and receiving a custom educational report.

San Antonio for Growth on the Eastside's Back Office Support program supported 40 Eastside businesses with health assessments, business planning support, and connection to funding resources in its first year.

Personalized outreach, technical assistance, and access to financial resources are the core of the Prosper West Companero Program for Westside small businesses. The program aims to conduct outreach to 250 businesses in the first year of the program.

Several efforts from Local Initiatives Support Corporation ("LISC") San Antonio include expanding access to zero (0) interest microloans, capacity strengthening for BDO Alliance members, and development of a professional service provider referral network to bolster the small business ecosystem.

RevitalizeSA: Corridor Leadership Program, a nine-month training program launched in January 2024 with a cohort of 20 participants to support community-based economic development along commercial corridors. Following training, cohort members receive grants up to $10,000 to execute revitalization projects. Applications for the second cohort open in fall 2024.

In 2023, the City signed a three-year agreement with Geekdom, LC, to oversee and manage operations at Launch SA, the City's entrepreneurship support center. Launch SA provides a variety of services such as business advising, mentorship, and connections to funding opportunities at no cost to business owners and other clients within San Antonio. Started in 2011, Geekdom, LC is a well-established ecosystem leader with the goal of helping launch 500 startups in the next 10 years with at least 75% of them remaining in San Antonio. The partnership will provide innovation-forward support for entrepreneurs at any stage of business from ideation to maturity, and act as a central hub for San Antonio's small businesses.

Additionally, to enhance Launch SA's capacity and to provide valuable market research, the City has signed contracts with EcoMap Technologies, Inc, and SizeUp. Working with EcoMap Technologies, Inc, the City will examine the ecosystem of small business and entrepreneurial support, and create an online platform that provides simplified, easy-to-understand information on the organizations and resources available to small businesses at any stage or within any industry. Additionally, working with SizeUp, the City will provide market research, benchmarking, and business advising through an online platform. Together, Launch SA, EcoMap Technologies, and SizeUp will provide a robust portfolio of resources to small businesses and entrepreneurs at no cost to them, guiding clients through all stages of their business journey.

The City renewed its agreement with LiftFund to administer the Zero Interest Loan Program. This program allows business owners who cannot access traditional loans and credit to access loans from $500 to $100,000 for a variety of uses from payroll to new equipment. With $2 million in total funding over fiscal years 2024 and 2025, this program uses its funding to buy down the interest on loans, offering business owners a line of credit where they pay zero (0) dollars in interest. Over the next two (2) years, the program has a goal of providing accessible, affordable capital to 140 individual businesses, and stimulating job growth and retention among small businesses.

Based on a 2021 study from Drexel University's Nowak Metro Finance Lab, 17 local public agencies in Bexar County spent $4.2 billion on procurement of goods and services. Recognizing government procurement as a powerful tool for economic development, San Antonio led the creation of an interlocal agreement called Supply SA between 14 agencies in Bexar County to streamline and uniform their procurement procedures. This effort, approved by City Council on April 11, 2024, will help fund the creation of a Procurement Service Center at the University of Texas San Antonio ("UTSA"), hire an external firm to track effectiveness, and fund a comprehensive procurement assistance program with staff navigators to assist clients. By improving the small business owner's experience, and enhancing planning and decision-making, Supply SA will increase the availability of local small businesses for procurements and increase their utilization on contracts.

The City of San Antonio also administers various programs that build the capacity of the City's local small, minority, and woman-owned business ("S/M/WMBE") community. One significant program is the Small Business Economic Development Advocacy Program ("SBEDA") which applies incentives and requirements for SWMBE participation on City contracts. An independently conducted 2023 Disparity Study on government procurement in San Antonio found that the SBEDA program has been very successful in opening opportunities for minority and woman-owned businesses, as many demographic groups have reached parity or beyond in receiving City contract dollars. In fiscal year 2023, the City of San Antonio, allocated $330 million (57.3% of all contract dollars in which the SBEDA program applied) to 517 unique local S/M/WBEs. Of that, $293 million (50.8%) was allocated to 433 unique minority and woman-owned businesses ("M/WBEs"), exceeding the 24.9% programmatic aspirational goal. Both the S/M/WBE and M/WBE figures represent the largest annual utilization in the history of the SBEDA program. Overall, since 2011, local M/WBE utilization on City contracts has grown from $5.5 million or 13% to $293 million or 51%. Beginning in 2022, the City launched SA: Ready to Work program. SA: Ready to Work is a $200 million training, education, and job placement program funded by a 1/8 local sales tax. SA: Ready to Work is led by employer guidance, and offers tuition assistance, support services, job placement, and job retention services for thousands of unemployed, under-employed, and historically underserved residents through 2027. Since its inception, over 400 employers have pledged to support SA: Ready to Work program.

As of April, 2024, the SA: Ready to Work program has completed over 11,600 interviews to assess needs and eligibility. Over 6,600 participants have been enrolled in approved training courses aligned with 83 target occupations that are well-paid and in high demand. Over 1,200 participants completed their training, and 80% of those have been placed in quality jobs within 12 months of completing training. The median hourly wage of participants placed is $19.00, which equates to an annual salary of over $39,000 per participant. SA: Ready to Work has recently launched a pilot to fund employer on-the-job training and incumbent worker training, which will upskill over 1,300 additional individuals. The most popular categories chosen for training are healthcare, information technology and cybersecurity, and then transportation and warehousing. This historic investment in San Antonio's workforce shows great potential for bolstering San Antonio's workforce and uplifting families.

The SAEDC also promoted enhanced economic development opportunities for S/M/WMBEs. In June 2022, the SAEDC Board approved the Capacity Building & Bonding Assistance Program designed to help eligible local S/M/WMBE owners bid on City construction contracts. As part of the programming, City Council approved a $500,000 revolving pool of funds to offset City bonding requirements for small construction businesses in addition to the various capacity building and training offered. The program has been open to the public since October 2022. Alamo Surety Bonds have administered 34 classes and 78 one-on-one consultation hours. This has resulted in an increase in participant bonding capacity and bid submissions. The overall participant bonding capacity moved from $1.4 million to $7 million (400% increase). Additionally, participants have requested 20 bid bonds for both the City and other public agencies.

Beyond the City's efforts in local business and workforce development, the City is committed to fostering economic development and investment in five (5) strategic industry clusters identified in EDD's Strategic Framework: Mobility, IT Security and Infrastructure, Sustainable Energy, Bioscience Anchors and Catalysts, and Corporate Services. These sectors represent the strongest opportunities for growth and success in the City and are supported by existing local anchors and assets that can serve as foundations for future support. Furthermore, these target industries are eligible for additional enhanced incentives under the recently adopted incentive guidelines, thus highlighting the City's commitment to fostering these industries. A summary of current economic factors relating to each industry cluster follows.

Mobility

In the City, mobility and manufacturing are closely linked through large employers such as Toyota, Boeing, DeLorean, and Navistar, which embrace the adoption of new manufacturing technologies and innovative methods for product delivery. The Mobility cluster accounted for 99,760 jobs in the MSA, an increase of three percent (3%) over the last 12 months and had an annual economic impact of over $14 billion.

Toyota Motor Manufacturing Texas, Inc. Corporation is one of the largest manufacturing employers in the City with an estimated workforce of over 3,800 in addition to the 5,600 employed by on-site supplier companies. The company expanded its local production in 2010, adding the production of the Tacoma truck. Toyota shifted its Tacoma manufacturing from Fremont, California to the City, 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 Sequoia vehicles, generating an estimated annual impact of $1.7 billion. This will allow the plant to be more flexible to meet market demand, and in 2022 Toyota brought exclusive production of the Sequoia Hybrid SUV to the City. In 2022, Toyota completed the expansion project which is estimated to bring more than $10 billion in economic impact and 40,000 new jobs to the region over 10 years, according to greater:SATX. From the start of its Texas operations until 2035, Toyota is expected to contribute $207.7 billion to Bexar County's GDP, with a total output of $372.5 billion. Sales of the San Antonio-built hybrid Tundra pickup doubled in 2023, but a landmark year for Toyota's fleet of electric-powered vehicles and a jump in year-over year sales was not enough for it to edge ahead of General Motors Corporation as 2023's top selling U.S. automaker. The San Antonio manufacturing plant is increasingly focusing on electric vehicles, which accounted for nearly one-third of the company's annual sales. In May 2024, Toyota announced it is planning to make a hefty new investment in its San Antonio plant, to the tune of

$531.7 million. Toyota plans to build a new facility and possibly expand its existing plant, increasing its size by more than 500,000 square feet. The company estimates the facility would bring 411 new jobs with a base hourly wage of $20.54, and an average annual salary of $68,245.

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 in 2021. Following this acquisition, Navistar built a high-tech $250 million, 900,000-square-foot factory on the City's south side near Mitchell Lake to expand its diesel engine and fully electric vehicle manufacturing in San Antonio. The project was completed, and the facility opened in March of 2022. With their growing presence, Navistar currently employs over 600 people at the facility. Additionally, Navistar established their Advanced Technology Center at a site near Interstate 37 and 1604 and the center conducts validation, R&D testing on new engines and trucks, 100,000-mile simulations, and after-market modifications. This latter facility also employs an additional 159 workers.

In October 2023, JCB (Joseph Cyril Bamford Excavators Ltd.), a privately held heavy equipment manufacturing company headquartered in the U.K., announced it is expanding in San Antonio. On April 4, 2024, the City Council approved an incentive package to support the project's 750,000 square foot facility, investment of $265.7 million in real and personal property, and the creation of 1,580 jobs paying an average annual salary of $54,889.

In November 2023, NASA awarded $1.3 million, to Exploration Architecture and its subsidiary Astroport Space Technologies based in San Antonio, three (3) Phase 1 awards and one (1) Phase 2 award to develop construction and operations technologies needed to create surface landing/launch pads on the moon. $450,000 will go toward the advancement of Astroport's lunar brick-making technologies and for XArc to develop a robot to survey potential landing/launch sites on the moon. Astroport and its consortium team will use the remaining $850,000, part of a Phase 2 STTR, to refine its concept of operations and system architecture for the landing/launch pad site preparation and construction process. Additionally, Astroport Space Technologies also received funding from the City through the 2024 Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) Matching Grant Program.

In December 2023, Boeing announced that it was expanding its presence at Port San Antonio (the "Port") as it is set to open Aerospace Adventure, a new interactive experience highlighting the wonder of science, technology, engineering, and math. The 2,400-square-foot exhibit will allow visitors to design, build, modernize and take flight with hands-on activities showcasing the limitless possibilities of aerospace. Boeing, which has more than 3,000 employees in the Alamo City and a significant presence at the Port, has funded a range of grants in 2023 through the Kelly Heritage Foundation supporting aerospace education and workforce development in South Texas.

Also in December 2023, StandardAero celebrated the graduation of the company's third and fourth classes from its in-house Aviation Mechanic Training Program at the company's San Antonio site located at the Port. StandardAero launched its new Training Academy and Mechanic Training Program in June 2023 and has graduated 55 new mechanics. The Mechanic Training Program can support up to 200 new mechanics annually. StandardAero's customized, in-house training program and Academy focuses on training groups of up to 25 employees in each of its cohorts, working through a comprehensive 12-week program featuring a variety of experiences ranging from classroom training to hands-on training with tooling, equipment, and engines. The Academy is located at the San Antonio maintenance, repair and operations facility, which houses five (5) major engine maintenance, repair and operations programs, serving both commercial and military customers, under more than 810,000 square feet of industrial space. In May 2022, the City of San Antonio presented a $2.5 billion plan to develop a third terminal for its international airport. The centrally located airport has 11 domestic and international airlines that provide commercial services to over 10 million passengers per year, a number which is expected to grow to 18 million passengers by 2040. The addition of a third terminal and 17 new gates will allow San Antonio to meet the demand for air travel, supporting its status as both a popular tourist destination and a business hub. The new terminal is expected to be completed in 2028. To facilitate and attract the addition of new nonstop routes to and from San Antonio, greater:SATX also generated a $3 million Air Service Development Fund from private investments in 2022. In 2023, the San Antonio International Airport (the "Airport" or "SAT") recorded over 10.6 million passengers, marking the busiest year in its 80-year history. The Airport generates an annual economic impact of $5.2 billion and supports approximately 46,000 jobs in the region. The Federal Aviation Administration ("FAA") announced in February 2024, that the Airport will receive $18 million in grant funding for a new terminal, bringing to $30 million the total the airport has received in federal funds in 2024.

IT Security and Infrastructure

With an annual economic impact of nearly $11.4 billion, and a total employment of over 25,000 employees, the Information Technology industry in San Antonio is a major driver of economic activity and innovation. The city is home to numerous IT companies and initiatives across consumer, corporate, and Federal/Department of Defense ("DoD") operations, including Jungle Disk, TrueAbility, Rackspace, Microsoft, Bitdefender, the 16th Air Force, the National Security Agency ("NSA"), and others.

San Antonio boasts some of the most sophisticated uses of IT in the world, even though much of that advanced usage remains confidential 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 Capitol Region. More than 40 entities in the cyber and cybersecurity sector have headquarters in San Antonio. The most prominent organization representing the DoD with cybersecurity missions in San Antonio are the 16th Air Force Information Warfare Numbered Air Force and the National Security Agency-Texas. Other federal entities performing cyber missions are FBI-San Antonio, the U.S. Secret Service, NSA, and the Department of Homeland Security.

Integral to innovation in IT in San Antonio is the UTSA, which hosts the nation's top cybersecurity program, and UTSA's National Security Collaboration Center ("NSCC"). The NSCC was developed to better align partnerships and collaboration between UTSA professors, students, and leading public and private partners. Opened in January 2023 as part of the UTSA School of Data Science at San Pedro 1, the NSCC is a Government-University-Industry ecosystem in downtown San Antonio, attracting diverse thinkers and problem solvers to join the national security conversation to uncover interdisciplinary solutions collectively. The NSCC has partners such as Booz Allen Hamilton, Southwest Research Institute ("SwRI"), the DoD, the NSA, Raytheon, Dell, Cisco, and others, that will catalyze further training, collaboration, and IT workforce development in San Antonio. UTSA broke ground in October 2023 on the adjacent $131 million Innovation, Entrepreneurship and Careers building that will introduce additional interdisciplinary programs in business, engineering, and the sciences, and it is expected to open in the Spring of 2026. In October 2023, UTSA broke ground on San Pedro II facility which will introduce more interdisciplinary and collaborative programs in business, engineering and sciences and will also leverage opportunities for academic programming and research collaborations among programs in both buildings. San Pedro II is part of UTSA's larger initiative to strengthen its downtown presence and to serve as a catalyst for bringing more businesses to the city center to spur economic development in San Antonio. These major initiatives will anchor UTSA to the downtown "Tech District" and spur continued community investments in the area.

Also contributing to the innovation ecosystem in San Antonio is Geekdom, a collaborative co-working space, incubator, and accelerator. With over 50,000 square feet in Downtown San Antonio, Geekdom offers its members co-working space plus programs and opportunities that empower entrepreneurs to ideate, cultivate, shape, and grow ideas into viable businesses ready for the next level. Geekdom's 10-year target is to launch the next 500 startups with at least 75% calling San Antonio home. Currently, Geekdom tracks more than 256 companies of which 164 are minority- or women-led. Geekdom has helped its member companies raise more than $500 million and create more than 3,000 jobs. In November 2021, Geekdom announced the opening of a new cybersecurity accelerator led by gener8tor. The 12-month program launched its first cohort in October 2022, and its second in April 2023. Hosted in Geekdom's downtown office, the program is expected to expand in 2023 and 2024 for a total of 25 startups with each receiving $100,000 in investment along coaching and mentorship to scale their business. Geekdom also has partnerships with the City, Bexar County, UTSA, United Services Automobile Association ("USAA"), Google, and Amazon.

Recently, Geekdom-facilitated startup Parlevel sold to 365 Retail Markets for an undisclosed amount but reported to be in the tens of millions of dollars by news outlets. The SAEDC had previously made a $100,000 investment into Parlevel through its efforts to support the local entrepreneur ecosystem. This sale represents the value and success of having a mature accelerator and incubator program in downtown San Antonio, and the creativity which it can foster from inception to widespread success in the IT sector. Geekdom's work in connecting startups to resources and early-stage investments has helped create over 450 startups and 3,000 jobs in the San Antonio region.

In April 2017, City Council approved a grant of $1.5 million to support infrastructure improvements at the Port associated with Project Tech, a new facility specifically designed to meet the growing needs of San Antonio's cybersecurity ecosystem. Project Tech I opened in May 2018, and since then, the Port directors approved an expansion – Project Tech II – which included a new 173,000 square foot office building that opened in March 2022. Altogether, the Port hosts nearly 2,000 cybersecurity and IT professionals including the 16th Air Force, the Alamo Regional Security Operations Center ("ARSOC"), and the Cybersecurity Manufacturing Innovation Institute.

Altogether, the Port serves as an innovation center focused on supporting military and commercial solutions for applied technologies in critical infrastructure, manufacturing, transportation, and related sectors. In April 2023, the Port's board of directors approved an agreement to develop a 300,000 square foot office tower of Class A++ office space. The building is expected to be completed in 2028. Having already developed and leased over 700,000 square feet of new facilities in the last six years, investments in the Port will further bolster the Port's operations and importance for the IT and cybersecurity industry, along with the over 80 companies and 17,000 people already working at the Port. The Port is also home to companies in the manufacturing and IT sectors such as Boeing, Plus One Robotics, and DeLorean, has a 350-acre rail port serving businesses across various industries, and the entire site is covered by a General Purpose Foreign Trade Zone designation.

The ARSOC is an initiative led by the City and its partners at SAWS and CPS Energy. 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 City Council approved $2.5 million toward the effort to build a new state-of-the-art integrated facility at the Port, 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 Energy security teams, San Antonio will be better positioned to coordinate against cyber threats.

In December 2023, Denver-based Vantage Data Centers delivered a 242,000-square-foot location on San Antonio's Far West Side. The two-story, 32-megawatt capacity structure is expected to cost about $95.8 million, according to a filing with the Texas Department of Licensing and Regulation. The site at the Texas Research Campus has been dubbed "TX11". Construction on the San Antonio campus is expected to wrap up in the second half of 2026.

SBIR Advisors, a veteran-run consulting company, has secured $157 million in DoD contracts for its clients in 2023. Nearly $50 million of the $160 million in defense contracts the firm helped secure for its clients in 2022 went to San Antonio companies, including Braingu, Knight Aerospace, Elevate Systems, Renu Robotics and Forward Edge. San Antonio has historically been a formidable player in the government contracting space. That trend carried on in 2023 with San Antonio companies seeing more than $2.75 billion in government work last year, according to Business Journal data from November 2023.

Peraton Inc., a national, multibillion-dollar IT service provider based in Herndon, Virginia, has opened an office in the Capital Factory at the Port. The office, which is strategically located near defense contractors, cybersecurity providers and the 16th Air Force, a United States Air Force organization focused on information warfare, will help deepen its existing relationships in the Alamo City and "fuel synergies with federal agencies, industry, academia, and San Antonio's tech corridor", company officials say. Peraton is seeking to expand its work in San Antonio to include cybersecurity, systems engineering and developing capabilities for the Air Force, U.S. Cyber Command, and the intelligence community. In support of this expansion, the company is actively recruiting for 35 positions in San Antonio, with an emphasis on cybersecurity, systems engineering, software development and intelligence analysis.

Sustainable Energy

Employing almost 20,000 jobs and an annual economic impact of over $8 billion, the Sustainable Energy Cluster promises to be a major driver of domestic investment and economic activity over the coming decades with the growing electrification of vehicles, a national recognition of the need for sustainable energy, and large federal investments through the Creating Helpful Incentives to Produce Semiconductors and Science Act, the Bipartisan Infrastructure Law, and the Inflation Reduction Act. Texas is already a leader in the generation of power from renewable energy sources, and San Antonio is positioned well to compete for jobs and investments in this industry sector due to its diversified economy, workforce development programs, established advanced manufacturing industries, and access to transportation infrastructure. Aligned with the EDD's Strategic Framework, the City is seeking to attract new investments in sustainable energy, as well as support the expansion of existing companies into this sector.

The City's municipally owned electric utility, CPS Energy, is one of the largest in the United States. CPS Energy serves over 900,000 customers and generates $3.5 billion in annual revenue. As part of the company's 2019 Climate Action and Adaptation Plan, CPS Energy set the goal of reducing its greenhouse gas emissions by 41% by 2030 through the adoption of existing technologies such as solar power, and the exploration of new technologies such as Geomechanically Pumped Storage ("GPS") to provide sustainable, on-demand energy generation. San Antonio is first in Texas for solar power generation capacity, and fifth nationally. In 2021, CPS Energy signed a 15-year agreement with Quidnet for a pilot program to develop its GPS technology. Noting the potential of this technology, the Department of Energy's Advanced Research Projects Agency-Energy ("ARPA-E") selected Quidnet's San Antonio pilot for $10 million in additional funding to expand its generation capacity to a 1-megawatt, 10-megawatt hour system. As a leader in the development of innovative energy production and distribution technologies, CPS Energy's public sector investments promise to catalyze job growth and creation in the region.

In February 2024, the City, CPS Energy, and the United States Air Force signed a Memorandum of Understanding ("MoU") titled, "Establishing Long Lead Time Sources of Resilient Carbon Free Electricity on Joint Base San Antonio". This document is yet another tangible example of the strong partnership between the City and the military. This MoU demonstrates Military City USA's collaborative partnership with the Air Force to evaluate long lead time resilient carbon-free electricity such as green hydrogen, geothermal, and new nuclear on JBSA. The intent of this MoU is to serve as a planning document. The strategic planning output will certainly support the City's pledge to be carbon net zero (0) by 2050.

Johnson Controls, a multinational sustainable building company, was awarded a $33 million grant from the U.S. Department of Energy Office of Manufacturing and Energy Supply Chains to help increase domestic production of electric heat pumps in November 2023. Johnson will use the grant to expand its manufacturing in other locations and San Antonio to scale production of its York line of heat pumps, creating approximately 1,000 new jobs – including up to 200 new jobs in San Antonio. Updated plants will produce an estimated 200,000 residential, commercial, and industrial heat pumps combined – a production increase of 200%, the company estimates, adding that the increased production will cut an estimated 25 million metric tons of CO_2 per year.

Howard Energy Partners of San Antonio closed out 2023 with about $800 million in completed growth projects. Howard Energy Partners, which transports bulk liquids for leading energy companies, reported achieving record volumes in 2023, with a current average natural gas throughput of over 2.5 billion cubic feet per day and a current average terminal throughput of more than 160,000 barrels per day. They achieved this volume while maintaining a perfect safety record and earning a Global Real Estate Sustainability Benchmark (GRESB) five-star ESG rating for the second year in a row. This growth was highlighted by two (2) major projects: expansion projects at HEP's Port Arthur terminal facility to accommodate renewable diesel transportation and the completion of its new South Texas natural gas pipeline, a 62-mile, 36-inch pipeline that can transport natural gas from the Eagle Ford to LNG facilities on the Gulf Coast.

San Antonio's Atma Energy, in partnership with Bandera Electric Cooperative ("BEC"), completed the first successful test of its virtual power plant pilot program in January 2024. Through the program, BEC members will purchase a solar system and the utility would provide them with an energy storage system at no cost. Members are compensated for any excess energy stored by the batteries, which BEC can discharge into the grid as needed through Atma's smart grid hardware and software that allow for bidirectional energy flow. Eventually Atma Energy will expand the program to include another 70 homes for a total of 80 homes by the end of 2024.

Synthica Energy LLC, a renewable fuels and energy company that designs, builds, owns, and operates large-scale, contracted anaerobic digestion facilities, has purchased a $2.5 million property on San Antonio's East Side, as it plans to build a nearly $70 million renewable natural gas facility. Synthica expects to break ground on the facility sometime in the second quarter of 2024. Once up and running, the facility will have the capacity to accept 300,000 tons of food-derived feedstock per year and produce 260 million cubic feet of renewable natural gas ("RNG"), which Synthica Energy estimates is enough to power thousands of homes.

NuStar Energy LP, San Antonio-based pipeline and terminal operator has agreed to be acquired by Dallas-based fuel distributor Sunoco LP for $7.3 billion. NuStar is one of the largest independent liquids terminal and pipeline operators in the nation. NuStar owns 8,700 miles of pipeline and 79 terminal and storage facilities that store and distribute crude oil, refined products, and specialty liquids.

Bioscience Anchors and Catalysts

Employing nearly 1 in 5 workers in San Antonio, the bioscience and healthcare industry continues to be a significant driver of economic activity in the region, with over 150,000 employees and an economic impact of over $18 billion. Over 50,000 jobs have been added in bioscience and healthcare over the last decade, with an average salary of $83,000. San Antonio has several major employers in this industry cluster such as the Texas Biomedical Research Institute, BioBridge Global, three (3) million KCI (now Solventum) and four (4) hospital systems. Driving innovation in this segment are over 20 academic, independent, and DoD biomedical research organizations. The San Antonio market is the largest military health complex in the United States.

UT Health Science Center San Antonio ("UTHSCSA"), a primary driver of San Antonio's $44.1 billion health care and biosciences sector, is the largest academic research institution in South Texas, sustaining an annual research portfolio of more than $400 million. UTHSCSA drives a substantial economic impact with its six (6) professional schools, a diverse workforce of 7,900, an annual operating budget of $1.5 billion, clinical practices that provide 2.6 million patient visits each year, the largest medical practice in South Texas and more than 450 ongoing clinical trials. UTHSCSA plans to add 1,500 higher-wage jobs over the next five (5) years to serve San Antonio, Bexar County and South Texas.

Additionally, over the next three (3) years, UTHSCSA will invest more than $1 billion reflecting unprecedented growth of its clinical mission, with the launch of the UT Health San Antonio Multispecialty and Research Hospital (opening December 2024) and UT Health at Kyle Seale Parkway which opened March 2024; its education mission, with the addition of The University of Texas School of Public Health San Antonio; and its research mission, with the building of the UT Health San Antonio Center for Brain Health adjacent to its patient-care flagship, the Medical Arts and Research Center.

University of the Incarnate Word opened their school of osteopathic medicine in 2015, received full accreditation in 2021, and has since matriculated over 648 students and will be expanding at the Brooks City Base campus by investing $70 million in transforming an 8-story tower, previously built by USAA and used by Southwestern Bell, with an expected completion in late November 2024.

Ground was broken in January 2024, for the University Health's Palo Alto Hospital. Located next to Texas A&M-San Antonio's campus, the 68-acre and five-story complex is slated to open in 2027 and carry 166 inpatient beds. The hospital will also have a 24/7 emergency department, labor, and delivery units, a NICU, operating rooms, and radiology and lab services. Specialists and family medicine physicians will work in an office building connected to the hospital. The 68-acre property will also be home to University Health's Institute for Public Health. Palo Alto Hospital is slated to open in 2027.

As the result of medical services consolidation and realignment under Defense Health Agency ("DHA") over the last several years, the former San Antonio Military Health System is now known as DHA's San Antonio Market - one of twenty such markets. The San Antonio Market comprises the 59th Medical Wing, Brooke Army Medical Center ("BAMC"), the US Army Institute for Surgical Research ("USAISR"), the Naval Medical Research Unit- San Antonio ("NAMRU"), the Center of the Intrepid, and the Audie Murphy VA Medical Center which are staffed by approximately 11,000 Air Force, Army, Navy, civilian, and contract personnel. The San Antonio Market provides care to more than 250,000 military beneficiaries across its area of responsibility.

BAMC contains the largest inpatient medical facility (425 beds -- Joint Commission accreditation) in the DoD, has the only DoD Burn Center, and the DoD's only accredited Level 1 Trauma Center in the U.S. In late 2022, BAMC celebrated the 25th anniversary of receiving its Level I trauma accreditation. The facility can be expanded to 653 beds in the event of disaster. BAMC's services include general medical and surgical care, adult, and pediatric primary care clinics, 24-hour Emergency department, specialty clinics, clinical services, wellness and prevention services, veterinary care, and environmental health services. BAMC is also a UTSA and Uniformed Services University of the Health Sciences teaching hospital. The U.S. Army Medical Center of Excellence, or MEDCoE, is located at Fort Sam Houston. The Army Medicine proponent responsible to envision and design responsive Army Medicine capabilities and structure that support the fielded force and the future force.

Wilford Hall Ambulatory Surgical Center, operated by the United States Air Force's 59th Medical Wing ("59 MDW"), at JBSA-Lackland is the largest outpatient ambulatory surgical center in the DoD. The 59 MDW is the Air Force's premier healthcare, medical education and research, and readiness wing. It is the largest of 15 clinical training sites in the Air Force, graduating an average of 750 officer and enlisted students in various dental and allied health programs each year. The 59 MDW has the largest DoD dental education program, providing 85% of the Air Force's total dental training capacity. Moreover, the wing's postgraduate medical education function is merged with that of BAMC under the San Antonio Uniformed Services Health Education Consortium ("SAUSHEC"). The two (2) facilities, in close cooperation with UTHSCSA, provide a wide array of training programs ranging from general surgery to emergency medical services administration. At any given time, SAUSHEC has roughly 700 residents enrolled in 38 graduate medical education programs, of which 60% are Air Force with an additional 24 Graduate Allied Health Education programs.

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 National Institutes of Health primate center co-located with a 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. Texas Biomed was also designated as a prime contractor in late 2022 by the Biomedical Advanced Research and Development Authority, a federal office that oversees advanced research and development of medical countermeasures for public health emergencies. This will expand Texas Biomed's availability for federal funds and enable it to receive up to $100 million in federal funding over the next five (5) years.

UTSA houses several research institutes, had an enrollment of 32,405 students and spent $152.3 million in research in 2023. On December 16, 2021, UTSA announced that it had 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. Housed at UTSA, the Neurosciences Research Institute (previously the Neuroscience Research Center) is tasked with training students in research skills while they perform 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 partnership between UTSA, UTHSA and the participation of Texas Biomed's Southwest National Primate Research Center, led to the formation of the San Antonio Institute of Cellular 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 UTHSA, SwRI, BAMC, and Joint Base San Antonio. UTSA contributed $2.6 billion to the San Antonio region's economy in 2023.

SwRI is a nonprofit research and development organization headquartered in San Antonio. In 2022, SwRI initiated 89 new projects representing $7 million of internal research spending. SwRI has a 75-year long history of conducting cutting-edge research across pharmaceuticals, materials sciences, microbiology, manufacturing, and space engineering, and holds numerous patents.

In December 2023, UTSA entered into a deal with GenCure. BioBridge Global's GenCure and UTSA's Stem Cell Core Lab will include work in multiple major areas of stem cell research and collaborate on the development of cellular therapy products, services, and testing. GenCure will provide starting materials for UTSA researchers to facilitate the isolation and subsequent reprogramming of adult stem cells to generate induced Pluripotent Stem Cells. UTSA will provide testing services for materials manufactured by GenCure's process development facilities. The collaboration will facilitate training development, consulting services, and access to equipment and related-research services unique to each site. The agreement is an expansion of an existing relationship between the UTSA Stem Cell Core Lab and GenCure born out of their involvement in RegenMedSA, a San Antonio consortium.

In October 2023, UTSA MATRIX AI Consortium received $2.8 million from the National Science Foundation. The UTSA AI Consortium for Human Well-Being seeks to bolster research capacity in the field of neuro-inspired artificial intelligence. Neuro-inspired AI stands as a strategic research area at UTSA, with researchers leveraging insights from the human brain to inform and advance artificial intelligence.

VelocityTX is a non-profit organization founded in 1984 to advance San Antonio's life science industry and promote sustainable economic growth. In August 2017, the organization acquired the 5-acre Merchant's Ice complex, where it would establish the core of a life science Innovation District. Envisioned as a place of industry clustering, entrepreneurial development, and workforce development, the community project is estimated to create 10,000 jobs and $3.2 billion in economic impact over the next 20 years. In November 2023, TransPecos Bank announced plans to relocate its corporate office to the site, which will serve as the corporate offices of TransPecos and all its affiliates including TransPecos Financial Corp, the bank's holding company, Kennedy Sutherland, Attorneys, TransPecos Development Corp, KSD Capital, Kohm & Associates, Full Skope and others.

As part of the organization's efforts to support early-stage bioscience companies launch innovative breakthroughs, VelocityTX offers entrepreneurial support programming to lead them successfully over the "Valley of Death". This programming includes business support educational seminars, networking events, two-to-five-year business incubator programs, six-week business accelerator programs, SBIR/STTR Workshops and Bootcamps, and CEO Roundtables.

VelocityTX is uniquely qualified to assist early-stage bioscience companies that have technologies that are critical to both military and civilian medicine (i.e., dual-use medical technologies). They have agreements with the tri-service DoD medical research units (US Army Institute of Surgical Research, Air Force 59th Medical Wing/S&T and Naval Medical Research Unit-San Antonio). Through these agreements, VelocityTX can facilitate introductions between military and civilian researchers and companies to accelerate the development transition of dual-use technology. Special educational programming has been designed around teaching dual-use bioscience companies how to work with DoD military medicine; including the annual AIM: Health R&D Summit. The AIM Health R&D Summit brings together academia, industry, and the military to promote collaboration in the development of life-saving battlefield technologies. Combining three events–Military Medical Industry Day, BexarBio pitch competition, and the San Antonio Military Health and Universities Research Forum–AIM brings together top minds from across the life sciences ecosystem to advance the military's medical mission.

VelocityTX's planned $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 is in the process of developing an additional 700,000 square feet of commercial and research space near the current VelocityTX campus as its current space is completely leased to tenants such as GenCure, Scorpius Biological Services, and Co-Labs, a Biological Safety Level 2 research space. Collectively, the public-private partnerships in the Innovation District will spur the creation of an estimated 10,000 jobs and an economic impact of $3.2 billion over 20 years.

Historically, the SAEDC has supported several projects within the technological, bioscience, and military-medical sectors. Based on the San Antonio Military Life Science Commercialization Action Plan's recommendations developed by local military, academic, and private life science industry leaders, the SAEDC established the San Antonio Military Medical Innovation ("SAMMI") Fund with the goal of providing financial assistance to early-stage local companies that engage 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 $205,000 in five (5) entrepreneurial startup companies in the bioscience and tech field. Continuing the SAMMI programming via a professional service agreement with VelocityTX that was finalized in August 2022, the SAEDC hosted the fourth-annual Military Medical Industry Day ("MMID") on May 2, 2023, which brought together over 266 stakeholders from military researcher organizations, industry, academics, nonprofit organizations, and other organizations. During the day, they exchanged ideas to enable collaborative medical research and development, discuss military needs, obtain information on funding opportunities, and enable community commercialization opportunities to address needs and create life-saving technologies. Leading up to the event, VelocityTX held three monthly symposiums. Each event brought together between 29 and 75 participants in discussions on public-private sector collaborations, licensing, and regulatory strategy. In 2023, VelocityTX also expanded on the "industry" aspect of MMID to include the BexarBio Pitch Competition that awarded a total of $110,000 in non-dilutive funding to support four bio-tech companies. The 2024 conference has expanded under the AIM umbrella - Academia, Industry, and Military Health R&D Summit with the inclusion of the San Antonio Military Health and Universities Research Forum ("SURF"). SURF is the academic and research military medical conference that has been hosted by the local universities that will celebrate its tenth year during the AIM conference.

Founded in 2005, BioMedSA serves as a hub for the healthcare and bioscience industry, providing industry programming, convening industry leaders 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. In 2023, BioMedSA held their third annual BioFest Invest event, and garnered support from over 40 sponsors. The event brought together potential investors from across the nation and Texas bioscience companies seeking investment funding, while also providing a forum for sharing best practices, connections, and valuable guidance. Over 250 people registered for the event which featured a pitch competition with 14 companies that were selected to participate from across Texas. San Antonio companies participating in the Biofest Invest pitch competition to date have received $59 million in investments. Biofest Invest is part of a 10-day series of biomedical related events (Biofest Days), organized by BioMedSA, including industry open houses and tours, career counseling, R&D, and thought leadership.

A key function of BioMedSA's work is making valuable connections needed to fuel economic growth. The organization maintains a database and relationship to facilitate company-specific resource connections. BioMedSA has also created numerous targeted networking opportunities for subsectors of the life science ecosystem to connect and collaborate on various topics. BioTX Corridor events are held in San Marcos to connect approximately 100 attendees in the bioscience sector from Austin to San Antonio. BioMedSA also hosts a booth promoting at the largest international conference in the world, BIO, and promotes the region by speaking at smaller conferences locally, nationally, and internationally. BioMedSA convenes industry leaders to ensure up-to-date talking points for the industry and collateral are available online and in print.

In 2023, BioMedSA distributed over 1000 healthcare and bioscience career marketing booklets in English and Spanish to area high schools and adult workforce centers. These 50-page booklets present career opportunities, pathways, training requirements and salaries in an easy-to-read format. A QR code/website was developed for job seekers of all educational backgrounds to register for more information. Workforce Solutions Alamo is performing the follow-up for the job seekers.

Also in 2023, BioMedSA realized its goal of the new federal biomedical funding agency, ARPA-H, to be located in Texas (Customer Experience Hub). Due to this advocacy effort and the value of San Antonio's assets, BioMedSA serves as the immersive experience coordinator for the hub nationally and provides information to San Antonio's ecosystem about the funding opportunities. BioMedSA organizes collaborative teams to apply for these grants. To help startups obtain funding also, BioMedSA sends startup pitch decks to national investors multiple times throughout the year. A key program, started in 2023, is Bridge to Bio, which provides training and mentorship for local start-ups in four (4) areas: business strategy, military health market access, SBIR grant writing, and investor relations/pitching. BioMedSA also maintains a free SBIR proposal review process for local area startups.

Owl Therapeutics struck a licensing and collaboration deal with Abliva AB, a Swedish entity, for the treatment of moderate to severe traumatic brain injury in November 2023. Under the agreement, Owl Therapeutics will secure a global license, excluding China and South Korea, to develop, manufacture and commercialize Abliva's NeuroSTAT, an intravenous formulation expected to counteract the neurological and functional secondary brain damage that occurs after a traumatic brain injury, or TBI. With this agreement, San Antonio will be at the forefront in efforts to address traumatic brain injuries.

Corporate Services

San Antonio has a robust corporate services industry base consisting of major employers spanning professional services, insurance, finance providers, and corporate headquarters, having an economic impact of over $19 billion annually and employing over 60,000 individuals. The largest private-sector entity in the corporate services industry in San Antonio is USAA. The company's headquarters in San Antonio has over 18,000 employees, and nationally USAA serves approximately 13 million customers, comprised of military members, veterans, and their families. Although USAA reported in 2023 its first loss since its founding in 1923, this is likely the result of transient, secular economic trends. While this sector is led by USAA, San Antonio is home to other company headquarters and regional operations centers for insurers. Insurers with substantial regional operations centers in San Antonio include Nationwide Mutual Insurance Company, Caremark, United Health, and Pacificare.

San Antonio is home to the National Basketball Association's San Antonio Spurs. As part of a broader commitment to human performance, the Spurs are investing $510 million in building a roughly 45-acre development at the northwest corner of Loop 1604 and Interstate 10 dubbed The Rock at La Cantera. The organization opened the centerpiece of it in Fall of 2023: the Victory Capital Performance Center, a new practice facility for the Spurs. It will include office and medical space and partnerships with research groups, academic institutions, technology companies, the military, health care providers and sports organizations. Spurs Sports & Entertainment is contributing $100 million, and the City is providing $17 million. Bexar County is contributing $15 million in exchange for a dog park at the site. The rest is expected to come from private investors. No date has been set for the project's completion.

San Antonio is also home to several 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 one of the largest credit unions 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, and 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, PNC Bank, Pentagon Federal Credit Union, and Victory Capital Management ("Victory Capital").

Headquartered in San Antonio, Victory Capital is a diversified global asset management firm with $158.6 billion in assets under management as of March 31, 2023. The company has been named to the Fortune 100 Fastest-Growing Companies list for two (2) consecutive years, and about half of its 500 employees are based in San Antonio. The company shows consistent growth after acquiring three (3) asset management and investment companies in 2021: THB Asset Management, New Energy Capital, and WestEnd Advisors.

Additionally, Frost Bank, founded in 1868 and one of the United States' largest banks, completed its new headquarters in downtown San Antonio in 2022. The tower contains 460,000 square feet of Class A++ office and retail space and hosts approximately 660 of Frost Bank's employees. Another 1,900 employees work at their One Frost/Technology Center on Rogers Ranch Road containing 435,000 square feet in Northwest San Antonio. In total employing over 2,900 employees in the Greater San Antonio area, Frost Bank has had consistent growth in recent years, with $51.8 billion in assets on December 31, 2023. The bank provides a wide range of banking, investments, and insurance services to businesses and individuals across Texas.

Major Initiative - Placemaking and Real Estate

The Framework outlines the strategic use of tools for placemaking initiatives, such as the SAEDC, to build a more resilient local economy. The City is committed to making investments in, and furthering the goal of geographic placemaking that strengthens the connection between people and the places they share. Aiming to stimulate new, private investment, a portion of the City's ARPA funds will specifically fund programs that support the creation of outdoor spaces for customers by businesses, support the revitalization of commercial corridors that have seen historic underinvestment, and reverse the deterioration of commercial structures in targeted areas.

A sign of recovery of the COVID-19 pandemic, both public and private entities in San Antonio are making historic investments into the City's businesses, housing, and infrastructure. As of March 2024, there are 66 separate projects proposed or in-progress, representing a total investment of $3.3 billion into just the City's central business district. As these projects are completed, they will add 160,400 square feet of office space, 2,558 residential units, 10 street improvements, and 14 cultural and public amenities such as parks.

Weston Urban purchased the historic Continental hotel to build an $80 million mixed-use development site. The approved plans include the building of a 16-story residential tower with 318 apartments and about 22,000 square feet of commercial space. Continental hotel is projected to be completed in late 2025. Additionally, the 300 Main Tower project broke ground in 2022 and is expected to be completed in 2024. The 32-story tower, when complete, will house 354 apartment units and 6,275 square feet of retail space.

Further investments in downtown include the 16-story Floodgate Apartments along the historic Riverwalk which will add 63 luxury apartments in the downtown core, the Travis Building office-to-residential conversion of 63 units, and a proposed 234 units at Tower Life, one of downtown's most iconic buildings. Finally, a mixed-use development is under construction around the Civic Park at Hemisfair. Zachry Hospitality is building a 200-room hotel at East Market and Alamo streets and is expected to be finished in late 2025.

The historic Alameda Theater is set to be restored to its former glory. The roughly $52 million project includes upgrading electrical and plumbing systems, building a new stage, installing an elevator and ramps, repairing the roof, and restoring black-light murals in the auditorium. Texas Public Radio also moved its headquarters to the back area of the theater. The City and Bexar County have contributed $25 million and another $12 million will come from tax credits. The Alameda Theater Conservancy is fundraising to cover the rest. The theater along Houston Street downtown is expected to reopen in January 2026, with programming beginning that spring.

Alamo Plaza is undergoing a $550 million makeover. The City, Texas General Land Office and Alamo Trust are lead partners in the public-private project at the historic plaza that provides a place of reverence within the footprint of the 1700s Mission San Antonio de Valero and 1836 Alamo fort, which was the site of a 13-day siege and battle for Texas' independence. Plans include a $140 million museum and visitor center, incorporating portions of the historic Crockett and Woolworth buildings into the design on the west side of the plaza, set to open in 2027. Other elements of the project include storytelling by trained re-enactors in period dress, replicated features of the historic mission-fort, a new exhibit hall and collections building with 10,000 square feet of display space, an education center for school field trips and distance learning, and adjacent pedestrian plazas.

In May 2024, seeking to capitalize on proximity to the River Walk and future Alamo Visitor Center and Museum, Sunstone Hotel investors Inc, a California company purchased the Hyatt Regency San Antonio Riverwalk for $230 million. Sunstone purchased the 630-room hotel at 123 Losoya St. in a deal that includes nearly 2 acres along the river and a 516-space parking garage near the Alamo facilities that are being developed. The guest rooms at the Hyatt Regency recently underwent a $37 million renovation.

The San Antonio African American Community Archive and Museum ("SAAACAM") will have a new home in the historic Kress-Grant building downtown by mid-2026. SAAACAM purchased the Kress-Grant Building on Houston Street with a $5.35 million loan from the Houston Street Tax Increment Reinvestment Zone. The Museum will showcase stories about Black people in San Antonio that will include exhibitions, event space, a research library, a 12-room boutique hotel and a re-creation of a lunch counter with a Black chef residency program. The move will increase the size of the museum from 715 square feet of exhibition space at its current location in La Villita to over 20,000 square feet.

The San Antonio Housing Trust Public Facility Corp. ("SAHTPFC") is partnering with Dallas-based Provident Realty Advisors to raze most of the buildings making up the Friedrich complex at Commerce, Pine, Olive, and Gibbs streets and build 358 apartments. The SAHTPFC provides a property tax exemption in exchange for the developer including units at lower income levels. The $92.9 million complex, dubbed Friedrich Lofts, will include 179 market-rate units, 155 units for residents making up to 80 percent of the area median income and 24 units for residents earning up to 60 percent of the area median income. Demolition began in spring 2023 and Friedrich Lofts will likely be completed by 2027.

The first residents of Towne Twin Village, San Antonio's first permanent, single-site housing community with services for older homeless people, began moving in Spring 2024 after construction started in November 2023. The $41 million project is spearheaded by the nonprofit Housing First Community Coalition, which is turning about 17 vacant acres at 4711 Dietrich Road into 204 units — 100 tiny homes, 24 RV trailers and 80 apartments — as well as laundry facilities, a multi-use center with an amphitheater, a community garden, a dog park, and a chapel. Towne Twin Village is being built in phases and receiving funding from the City, Bexar County, the San Antonio Housing Trust, and philanthropic donations. It is expected to be complete by the end of 2024.

The Port, the former Kelly Air Force base, plans to work with private developer Trammell Crow Co. to build a modern, wing-shaped office tower at the entrance to the campus. The building could range from 12 to 15 stories and include at least 300,000 square feet of space for current and new tenants. It is expected to house DeLorean Motor Co. and other businesses. The cost is still being determined, but it is expected to be operational by 2025.

Morgan's Wonderland, a first-of-its-kind, fully accessible theme park, reopened March 11, 2024 after a nearly $7 million expansion that includes new rides and attractions. The new attractions include 4D Magic Cinema theater in Sensory Village that will offer park guests a virtual roller coaster experience, Pirate Island Cruises boat ride, Jette's Wonder Bikes, a wheelchair-accessible ride featuring six (6) hang-glider-style cars that gently fly in a circular pattern, and Rocket's Sky Flight Adventure, and a four-seat zip line soaring 130 feet above the park's 8-acre lake. Morgan's Wonderland anchors Morgan's, a nonprofit umbrella organization that includes other venues and programs with inclusion as their core mission.

In April 2024, Icon Experiences proposed developing a new elevated entertainment experience anchored by a 200-foot-tall observation wheel. The observation wheel, branded Grandisimo, would feature more than 40 climate-controlled gondolas providing riders with rare views of the City spanning more than 20 miles. The site for the observation wheel is the previous Days Inn, immediately west of Interstate 37 and east of the Alamo. It's near the Shops at Rivercenter and a large surface parking lot where UTSA is exploring the possible development of a new Institute of Texan Cultures Museum to replace its aging Hemisfair structure. Icon Experiences has not disclosed expected development costs and it was anticipated that the City Council was to consider the company's plan in early May 2024. However, at this time, this has not happened and there have been no additional updates.

Brooks is a 1,308-acre mixed use community located in Southeast San Antonio, Texas. It is one of only three (3) Development Authorities across the State and was created in 2001 by the United States Congress, the State, and the City to redevelop the former Brooks Air Force Base. The public-private partnership is governed by an 11-member board of directors that is appointed by the City Council. Brooks' Mission is to promote and develop a dynamic, sustainable, and inclusive community by serving as a catalyst for transformative economic development and regional prosperity.

Today, there are more than 50 businesses, 5,300 employees, 1,700 residents, 2,500 students, and 1,200 residential units at the growing Brooks community. Over the next three (3) years, those who live at Brooks will more than double. The Brooks campus is a part of several locally and federally designated zones, including the SA Tomorrow: Brooks Regional Center, a City of San Antonio Innovation Zone, and an Opportunity Zone. From 2016 to 2020, the Brooks Regional Center saw a 24% increase in household income and seven percent (7%) decrease in poverty rate.

Within the last year, Brooks has seen incredible growth, including the region's only hospital, Mission Trail Baptist Hospital, completion of a $1.9 million expansion to its NICU to meet the high demand for preemie care on the south side and surrounding area. Brooks is also home to six (6) international businesses, including two (2) from South Korea and two (2) from France. The newest French-based company, Bakerly, is a pastry maker who celebrated the grand opening of their 137,350-square-foot production facility in February 2023. Additionally, Bakerly, HOLT Renewables, and Forth Energy unveiled an innovative 1.036 megawatt (MW) solar power system on a contiguous parking structure. The largest in the City, the solar structure provides enough power to charge more than 133 million smart phones a year.

Moreover, the Alamo Area Metropolitan Planning Organization awarded Brooks $9.3 million for an 8-mile trail to connect the future Arboretum San Antonio and Salado Creek through Brooks to the Greenline Park and the San Antonio Mission Reach. This will provide a safe connection for visitors, residents, employees, and students to current and future regional amenities, such as the future Arboretum San Antonio. To date, Brooks has completed $1.34 billion in development with another $680 million underway.

Another example of successful mixed-use development, the Port campus not only hosts some of the region's most innovative and impactful cybersecurity and manufacturing firms, but also boasts several hundred units of on-site workforce housing. A centerpiece of the campus is the 130,000 square foot Boeing Center at Tech Port arena which opened in May 2022. The campus showcases capabilities and new technologies, offers education space, office, and lab facilities, houses the San Antonio Museum of Science and Technology, and serves as the hub for new and developing cybersecurity ideas and innovations. Additionally, the dynamic Boeing Center offers one of the biggest Esports arenas in Texas, a LAN gaming space, food hall, and an arena/convention center space.

Adopted in December 2021, the City's Neighborhood & Housing Services Department's ("NHSD") Strategic Housing Implementation Plan sets out a 10-year plan that moves towards achieving the vision of quality, accessible, and affordable housing choices for all San Antonians. Over 10 years, NHSD aims to support the production and preservation of over 28,000 housing units, and already has supported nearly 10,500 completed and in-progress units, with a majority of those available to renters making less than 60% of the area median income. As part of NHSD's efforts to support Affordable Housing, the department manages the Fee Waiver Program that waives City development fees and/or water and sewer development impact fees for eligible projects. The goals of the program are to support the creation and preservation of affordable housing citywide, and increase redevelopment of underutilized buildings through the rehabilitation, upgrade, and adaptive reuse of existing structures. In fiscal year 2023, the City's Fee Waiver Program assisted in the development and rehabilitation of 1,368 affordable housing units.

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 found that the hospitality industry had an economic impact of $19 billion in 2022. The estimated annual payroll for the industry was $4.1 billion, and the industry provided an estimated 140,160 jobs.

In 2023, lodging statistics continued to rebound from the circumstances associated with the COVID-19 pandemic. As compared to 2022, the City's overall level of hotel occupancy was down 1.0%; room supply was up 1.6%; total room nights sold increased 0.5%; the average daily room rate increased 0.1%; revenue per available room decreased 1.0%; and overall revenue increased 0.6%.

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 three (3) major theme parks, SeaWorld San Antonio, Six Flags Fiesta Texas and

Morgan's Wonderland, the only Ultra-Accessible Park in the World. San Antonio attracts 34.8 million visitors a year. Of these, over 19.1 million are overnight visitors, historically placing San Antonio as one of the top U.S. destinations in Texas. For fiscal year 2023, Visit San Antonio was able to achieve the following results: (1) obtained 112 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 $26 million in earned media. Visit San Antonio focused on Texas and regional media while being opportunistic and taking advantage of any national and international media 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 hosts 5.3 million business visitors a year to the area for a convention, meeting, or other business purpose. Total group sales production for fiscal year 2023 resulted in 656 group and meeting events with 647,332 group room nights booked all of which had an economic impact of $531 million. Visit San Antonio also saw an increase in corporate events that chose San Antonio for their conventions. Forty-four percent of the events booked in fiscal year 2023 were corporate programs, which is a significant increase from years past. These corporate groups tend to book short-term and have a higher per person spend, all helping San Antonio's hotel community recover faster from the 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]	Hotel (RevPAR) [1]	Room Nights Sold [1]	Convention Attendance [2]	Convention Room Nights [2]
2014	65.3%	$67.03	8,874,090	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	42.10%	$37.10	5,986,600	218,957	181,737
2021	59.10%	$64.04	8,727,861	238,192	287,167
2022	62.60%	$79.61	9,250,267	541,587	596,512
2023	61.50%	$78.18	9,239,945	548,953	538,322

[1] Data obtained from Smith Travel Research ("STR") based on hotels in the San Antonio selected zip code reports produced for December 2023 (reporting 2023 numbers), and historical annual reports for prior years.
[2] Reflects only those conventions hosted by Visit San Antonio.
Source: Visit San Antonio

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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 $39.1 billion 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 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 accredited 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 eliminates financial burdens placed on the significant number of civilian trauma patients who are treated at BAMC every year. Military trauma teams 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 the San Antonio 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 (2) other buildings at Fort Sam Houston. These three (3) 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 (3) 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 (3) 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 (5) 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 (4) 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, is again on track after some of the funding was diverted from the DoD fiscal year 2020 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 (4) 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 fiscal year 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 (2) ATCs. The ATC program has 50% of the new dorms in operational status, 25% are under construction, and 25% are programmed for future years. The BMT replacement program is estimated to be complete in 2029/2030.

Projected growth could also come in the form of the completed 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 (7) missions and approximately 800 personnel have relocated to the building from Brooks. These include the Air Force Civil Engineer Center, four (4) 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 fiscal year 2020 Defense Appropriations Bill included $69 million for a new aquatics tank to support the SWTW mission. The aquatics tank officially opened in April of 2024.

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 fiscal year 2013 and fiscal year 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 fiscal year 2020 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 UTHSC, 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 close to completing a project to refocus the MTTF by updating and codifying its mission, vision, membership, leadership, chain of command, branding and measures of effectiveness. The planned result is a "conversion" of the MTTF into the "converted" into a formal City committee/commission which will be co-chaired by a City Council member and a commissioner from Bexar County. This new body is notionally titled the Regional Military Value Commission.

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 (3) bills which would have given authority for development in the City's Extra-Territorial Jurisdiction that is incompatible with select JBSA military missions. MVAD continued its collaboration with JBSA, other City departments, and external partners to shape legislation in the 88th Texas Legislature on items that could have negatively impact JBSA missions and mission partners. MVAD also assists the Mayor with the Veterans Advisory Commission. Chartered in 2001, this 11-member board serves the Mayor and 10 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 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 is funding three (3) individual projects as part of a collaborative effort between the City, JBSA, San Antonio Water System and CPS Energy. These projects will individually complete between the summer of 2023 and late summer of 2024.

It consists of three (3) 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 (5) 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-Fort Sam Houston in 2019 and saved the government $52,000, and a second project on JBSA-Fort 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 (3) 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. A third IGSA, for 911/Emergency Medical Service ("EMS") services, was signed in June 2023 between JBSA and San Antonio Fire Department ("SAFD"). Through this IGSA, SAFD will provide 911/EMS service to JBSA-Fort Sam Houston and JBSA-Camp Bullis. The JBSA commander announced in February 2024 that this IGSA thus far provided 12.4% savings over its previous 911/EMS services contract. Additionally, JBSA notified the City that it desires to execute the first one (1) year option on this IGSA.

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 (5) 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. A total of 85 military spouses 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 MSA average annual salary of $49,500 and equates to a combined annual income of over $4.5 million. The City completed a second $150,000 agreement (fiscal year 2023) with HOH (one (1) year period of performance), is currently executing a third agreement (also $150,000) as part of the fiscal year 2024 budget. MVAD is requesting another $150,000 to support a fourth agreement with HOH.

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 DoD 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 sector 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 the City. The aerospace industry in the City 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 (14) 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.

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Growth Indices

San Antonio Average Electric and Gas Customers

For the Month of December	Average Electric Customers	Gas Customers
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
2022	928,915	380,771
2023	948,756	388,514

Source: CPS Energy.

SAWS Average Customers per Fiscal Year

Fiscal Year Ended December 31	Water Customers [1]
2014	371,573
2015 [2]	479,100
2016 [2]	486,649
2017 [2]	493,768
2018 [2]	502,024
2019 [2]	511,361
2020 [2]	522,515
2021 [2]	537,813
2022 [2]	552,005
2023 [2]	561,290

[1] Average number billed, excluding SAWS irrigation customers.

[2] Amounts reflect the merger with SAWS District Special Project ("DSP") effective January 1, 2015.

Source: SAWS.

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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	New Residential Single Family [1]		Residential Multi-Family [2]		Other [3]	
Year	Permits	Valuation	Permits	Valuation	Permits	Valuation
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]	6,235	N/A	352	N/A	22,972	N/A
2022	4,618	N/A	297	N/A	21,832	N/A
2023	4,348	N/A	175	N/A	20,417	N/A

Source: City of San Antonio, Development Services Department.

[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 September 1, 2019, Development Services no longer captures valuation for new single family home construction per HB 852.
[5] As of November 30, 2020, Development Services reports from a new permitting platform that introduced new permit record types with associated new business and technical reporting processes. Development of reports to produce accurate valuation data is ongoing and figures as of CY 2021 use current reporting methodology.

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:

	2023	2022	2021	2020	2019
Arlington	$192,752,363	$192,792,412	$157,711,765	$119,943,322	$120,966,239
Austin	346,506,960	335,448,823	278,311,232	237,342,567	240,562,938
Dallas	426,748,146	408,638,487	358,215,983	307,328,803	315,186,746
El Paso	132,615,536	138,161,603	114,356,341	98,270,890	95,909,987
Fort Worth	231,940,150	219,947,155	189,968,733	165,429,875	165,687,273
Frisco	136,588,801	127,550,767	111,487,858	90,690,027	90,036,003
Houston	892,880,233	848,613,073	747,671,385	666,921,075	698,992,969
Plano	113,984,729	108,687,974	95,385,916	86,785,467	88,612,905
Round Rock	118,640,963	116,966,437	103,903,015	86,389,824	87,293,806
SAN ANTONIO	479,106,605	466,369,905	415,149,253	362,813,047	370,289,324

Source: State of Texas, Comptroller's Office.

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Education

As of October 2023, there are 15 independent school districts within Bexar County with a combined enrollment of 298,661 encompassing 62 high schools, 86 middle/junior high schools, 294 early education/elementary schools, 24 magnet schools, and 18 alternative schools. There are an additional 27 charter school districts with 125 open enrollment charter schools at all grade levels. In addition, Bexar County has 104 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 eight (8) largest accredited and degree-granting universities, which include a school of medicine, a school of nursing, a dental school, a law school, and five (5) public community colleges, had combined enrollments of 133,794 for Fall 2023.

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 June 2024, as compared to the prior periods of May 2024 and June 2023, respectively.

Employment by Industry

San Antonio-New Braunfels MSA [1]	June 2024	May 2024	June 2023
Mining, Logging, and Construction[2]	75,300	73,600	72,300
Manufacturing	63,400	62,400	61,200
Trade, Transportation, and Utilities	206,900	207,100	205,600
Information	17,000	17,000	17,800
Financial Activities	100,200	99,900	100,000
Professional and Business Services	160,900	162,200	159,800
Education and Health Services	184,900	182,400	178,700
Leisure and Hospitality	151,100	150,800	147,800
Other Services	43,400	43,100	41,500
Government	186,300	188,500	180,900
Total Nonfarm	1,189,400	1,187,000	1,165,600

[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 June 2024, as compared to the prior periods of May 2024 and June 2023, respectively.

Unemployment Information *(all estimates in thousands)*

San Antonio-New Braunfels MSA [1]	June 2024	May 2024	June 2023
Civilian Labor Force	1,319.5	1,305.5	1,285.2
Number of Employed	1,264.0	1,260.3	1,235.8
Number of Unemployed	55.5	45.2	49.4
Unemployment Rate (%)	4.2	3.5	3.8
Texas (Actual) [1]			
Civilian Labor Force	15,436.6	15,284.1	15,067.9
Number of Employed	14,736.5	14,709.4	14,440.7
Number of Unemployed	700.1	574.7	627.2
Unemployment Rate (%)	4.5	3.8	4.2
United States (Actual) [1]			
Civilian Labor Force	169,007.0	167,576.0	167,910.0
Number of Employed	161,774.0	161,341.0	161,559.0
Number of Unemployed	7,233.0	6,235.0	6,351.0
Unemployment Rate (%)	4.3	3.7	3.8

[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 Systems (the "EG Systems") is vested in the Board of Trustees consisting of four (4) U.S. citizens permanently residing in Bexar County, Texas (the "CPS Energy Board" or the "Board") and the Mayor of the City is a voting member of the 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 Board and its conduct of the management of the EG Systems.

All vacancies in membership on the 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 Board are eligible for re-appointment by election of the other Board members and confirmation by the City Council to one additional term. In 1997, the City Council ordained that Board membership should be representative of the geographic quadrants established by the City Council. New Board members considered for approval by the City Council will be those whose residence is in a quadrant that provides such geographic representation.

The 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, issuance of bonds, notes, or commercial paper. The 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 Energy's affairs. The Board 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 Board action with respect to policies adopted relating to research, development, and planning.

2021 Winter Weather Event

From February 12, 2021 through February 19, 2021, the continental United States experienced a severe winter storm (the "2021 Winter Weather Event") 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. As a result of the 2021 Winter Weather Event, record breaking cold weather invaded the entire State, during which time the City experienced three consecutive days of record low temperatures, over 100 consecutive hours below freezing, and wind chills of negative six (-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 Railroad Commission of Texas ("RRCT") 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.

As the 2021 Winter Weather Event covered the State, the Electric Reliability Council of Texas ("ERCOT") implemented what were initially expected to be rotating outages 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 were offline for scheduled maintenance, in anticipation of energy loads needed during spring and summer months. The extreme cold weather also impacted 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 Energy was required to 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 primarily attributable to localized damage requiring repair.

Throughout the 2021 Winter Weather Event, Texas utilities 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 and wholesale power markets experienced extreme price volatility and, at points, ceased functioning properly. Indeed, 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, and ERCOT set the price per megawatt hour ("MWh") of electricity in the ERCOT real time market at 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, ERCOT 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 that acts as a clearinghouse for the sale and purchase of wholesale power, among other functions. ERCOT is revenue neutral given that its operating expenses are paid by an administrative fee assessed on all market participants, and any short-paid amounts are passed on to other market participants. When a market participant fails to pay its settlement invoices in full, ERCOT "uplifts" the shortage 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 extraordinarily purchased power costs incurred during the 2021 Winter Weather Event, 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 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. ERCOT paid CPS Energy an additional $4.3 million from the bond proceeds delivered by Rayburn reducing the outstanding short-payment amount to $10.1 million. This $10.1 million is related to Brazos Electric Power Cooperative, Inc. ("Brazos"), which underwent bankruptcy proceedings for its outstanding settlement invoices to ERCOT. On November 14, 2022, the bankruptcy court approved Brazos' disclosure statements and plan of reorganization, which included a settlement intended to reimburse ERCOT's claim of $1.88 billion (the "Brazos Settlement Plan"). Under the Brazos plan of reorganization, CPS Energy elected various recovery options related to its share of the Brazos Settlement Plan that reduced CPS Energy's $10.1 million outstanding short-pay to approximately $6.5 million. In late 2022, CPS Energy began receiving payments related to Brazos Settlement Plan and will eventually receive total payments of $6.5 million over thirty years, with approximately 80% collected within the first two (2) years. As of June 30, 2023, CPS Energy received $5.2 million of the $6.5 million outstanding short-pay. The Brazos Settlement Plan is funded primarily through securitized bonds issued by Brazos' down-stream membership electric cooperatives, sale proceeds of Brazos' generation assets, and revenue from Brazos' transmission and distribution operations. The proceeds received from Brazos will be used to further reduce ERCOT's short-payment liability to generators and reimburse the congestion revenue rights auction fund from which ERCOT borrowed during the 2021 Winter Weather Event to make short-payments. 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.

State Response to the 2021 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 generator and transmission owners. As a result, numerous changes occurred at both the PUCT and ERCOT, including the following:

- All three (3) commissioners of the PUCT resigned their positions. The PUCT was expanded from three to five commissioners and the current commissioners are as follows: Kathleen Jackson, Interim Chair, Will McAdams, Lori Cobos, Jimmy Glotfelty, and one vacancy.
- All out-of-state board members of the ERCOT Board of Directors (the "ERCOT Board") submitted letters of resignation; shortly thereafter, three (3) additional ERCOT Board members resigned.
- The ERCOT Board voted to terminate its CEO, Bill Magness.
- The ERCOT Board was reconstituted by eliminating the prior 16-member board, which represented different market segments. The new ERCOT Board membership consists of 11 members with the PUCT Chair, the Public Counsel, and the ERCOT CEO acting as ex officio non-voting members, with the remaining eight (8) voting members appointed by a select committee.
- Paul Foster was named Chair of the ERCOT Board.
- All seats on the ERCOT Board are currently filled.
- The ERCOT Board selected Pablo Vegas as President and CEO, who joined ERCOT in October 2022.

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 several reforms, including (i) implementation of winterization measures for natural gas, electric generation, and transmission facilities; water production facilities, and supply systems; (ii) identification and mapping of facilities that support the electricity supply chain, including pipeline facilities that supply natural gas fuel generators; (iii) identification and designation of such natural gas facilities as "critical facilities"; and (iv) implementation of a statewide energy outage alert system. These provisions apply to CPS Energy by the addition of Section 38.075 of the Utilities Code, which: (i) requires the PUCT to adopt weatherization standards to prepare for weather emergencies, (ii) requires ERCOT to inspect the covered entities for compliance, (iii) requires ERCOT to inform the PUCT of violations, and (iv) authorizes the PUCT to impose an administrative penalty for each violation, not to exceed $1 million for each day noncompliance.

The PUCT implemented weatherization regulations in two (2) phases. Phase 1 requires owners/operators to weatherize their transmission and generation facilities to the standards established by North American Electric Reliability Corporation ("NERC") following the 2021 Winter Weather Event and to address any failures experienced during such time. Phase 2, which was approved in September 2022, addresses additional weatherization standards accounting for recommendations in a state climatologist report published in December 2022. Concerning the weatherization of critical gas pipeline and delivery facilities, the RRCT also acted in two (2) phases. In Phase 1, the RRCT adopted a rule in November 2021 focused on the identification of critical gas facilities, as well as relatively small facilities that would be exempt from critical designation. Under the rule, pipelines that are directly serving a city gate (to supply gas distribution systems) and generation resources are not eligible for an exemption from critical designation. In April 2022, the Texas Electricity Supply Chain Security and Mapping Committee released its confidential map and public report on the State's electric utility supply chain. Following the release of the map, the RRCT implemented Phase 2 by adopting a new rule in August 2022 relating to weatherization standards. The new rule applies to natural gas supply and gas pipeline facilities included on the Electricity Supply Chain Map, all of which must be designated as "critical facilities" under the RRCT's earlier rule. The new rule outlines standards applicable to these facilities to ensure operation during extreme weather, requirements for attestations and inspections, and penalties. On a going-forward basis, the RRCT will publish an online guide of best weatherization practices.

Regarding changes to the wholesale market, SB 3, along with instructions from the Governor, directed the PUCT to consider a wide range of market design reforms to incentivize the deployment of additional dispatchable generation within ERCOT. Overall, the PUCT made recent changes to move away from operating under a "crisis-based business model" where demand reserve and other resources are called upon by ERCOT only in response to emergency conditions. This model has proven ill-equipped in encouraging investment in dispatchable generation resources readily available during tight energy market conditions. In the short-term, at the direction of the PUCT, ERCOT adopted conservative operation practices characterized by much higher purchases of ancillary services and standby generation prior to entering emergency conditions compared to past practices. The desired effect is to minimize conditions of supply scarcity in the market when the price of electricity may increase sharply.

In addition, the PUCT effectuated rule changes to prevent energy prices from skyrocketing at the magnitude experienced during the 2021 Winter Weather Event. For instance, in 2021 the PUCT removed the provision of the systemwide low-offer cap ("LCAP") rule that allowed the fuel price adder portion of the LCAP to increase by as much as 50-times the fuel cost when necessary to recover the operating cost of a generator selling power into the wholesale market. This allowed ancillary services during the 2021 Winter Weather Event to rise above the systemwide high-offer cap ("HCAP") of $9,000 per MWh for natural gas fuel generators faced with the phenomenal rise in gas prices at the time due to short supply. The PUCT also approved a reduction in the HCAP to $5,000 per MW.

In the long-term, the PUCT is looking at potential changes in market structure to incentivize the construction of additional dispatchable generation resources to increase grid reliability of supply necessary to meet the increasing electricity load demand of a growing state. The potential long-term solution(s) must counteract the increasingly limited opportunities for scarcity pricing in the market, which is the result of more conservative ERCOT operational practices. While such conservative operations increase grid reliability, they also diminish instances where the price of electricity increases in the wholesale market due to limited availability of generation in the real-time market ("Scarcity Pricing"). In the ERCOT energy-only market, Scarcity Pricing is intended to send a signal to invest in new dispatchable generation resources. These price signals, which have been inadequate in the past to incentivize new dispatchable generation given the entry of no marginal cost renewable generation resources, are becoming fewer under ERCOT's operational practices. Therefore, the challenge for the PUCT is to make structural changes in the market to increase opportunities for dispatchable generation resources to make enough money to prevent their early retirement and incentivize investment in new dispatchable generation. Dispatchable generation is necessary because ERCOT cannot operate the wholesale market with only intermittent renewable generation resources. In December 2021, the PUCT issued a roadmap outlining several market design options and contracted with a consulting firm to analyze and evaluate the market design reform proposals. The consulting firm released its report to the PUCT on November 10, 2022, recommending design updates to the Texas wholesale electricity market intended to strengthen current and long-term reliability reforms to the electric grid. In February 2023, the PUCT unanimously approved the Performance Credit Mechanism (the "PCM") market redesign proposal but did not move to implement the proposal pending further guidance from the Texas Legislature.

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. The bill reduces the ERCOT Board from 16 members to 11, eight 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 (1) year upon their departure and amends the criteria and qualifications for the Commissioners where at least two (2) of the five (5) 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 $3.8 million of an approximate outstanding $18.1 million owed to CPS Energy by ERCOT for power purchases made during the 2021 Winter Weather Event. With both the Rayburn securitization financing transaction and the Brazos plan of reorganization in effect, only $1.2 million of short payments remain outstanding, with such payments expected to be received over the next 30 years.

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. CPS Energy timely filed a notice of opt-out of this securitization program. Both the $800 million and $2.1 billion securitized transactions under HB 4492 were approved by the PUCT in 2021 through debt obligation orders, and ERCOT implemented uplift procedures to recover non-bypassable charges to repay the securitized bonds over 30 years.

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 Texas Legislature and posted online for public viewing.

The legislation discussed above is not intended to be an exhaustive list of all legislation from the 88th and 87th Texas Legislative sessions but provides an explanation of salient laws that may impact the City or its EG Systems.

Following the end of the 87th Legislative Session, the Governor instructed the PUCT to use its existing authority to make operational changes at ERCOT and begin market reform efforts. 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 quickly initiated several rulemaking proceedings to address market reforms in response to the directive from the Governor.

As described above under *State Response to the 2021 Winter Weather Event*, the PUCT eliminated the 50x the natural gas price index component of the LCAP, and on December 2, 2021, modified the value of the HCAP by lowering it from the current $9,000 to $5,000 per MWh.

On June 28, 2021, ERCOT approved Nodal Protocol Revision Request ("NPRR") 1080 that limits ancillary services prices at the SWOC of $5,000 per MWh. NPRR 1080 was proposed to correct the ERCOT protocols which allowed ancillary services prices to exceed the SWOC during the 2021 Winter Weather Event consistent with the version of the LCAP rule then in effect.

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 its demand for 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 eight percent (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. As described under "CPS Energy Actions to Address Disputed Charges", CPS Energy is currently disputing certain charges for natural gas that have been deemed excessive and unconscionable by CPS Energy. On March 3, 2023, the City received Private Letter Ruling 202309014 issued by the Internal Revenue Service affirming that certain 2021 Winter Weather Event charges and costs could be refinanced on a tax-exempt basis (certain of which have been refinanced), pursuant to the extraordinary nature of such costs (and is expected to allow the funding of further long-term costs on a tax-exempt basis).

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. An annual winter weather preparation program was also implemented and has been evaluated multiple times by ERCOT.

CPS Energy reviewed information gathered during the 2021 Winter Weather Event as well as an independent engineering analysis to support a reevaluation of its weatherization program and implemented solutions to weatherize certain components of generation facilities that experienced malfunction due to freezing conditions for the first time during the 2021 Winter Weather Event. CPS Energy implemented an expanded weatherization program in compliance with the PUCT's new weatherization regulations.

On February 22, 2021, the Mayor announced the formation of the Committee on Emergency Preparedness (the "CEP"), comprised of City Council members and external community stakeholders. As of December 31, 2021, all recommendations pertaining to CPS Energy made by the CEP in response to the 2021 Winter Weather Event have been addressed. These measures further strengthened reliability and resiliency of the EG Systems for the benefit of 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. Following the 2021 Winter Weather Event, plants received over $3 million in improvements, building on nearly $20 million invested following an extended freeze in 2011. Continued weatherization 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 spent $42.3 million in 2021 on these efforts and spent approximately $10.9 million in 2022.

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 continues to work closely with the San Antonio Water System ("SAWS") 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. On September 21, 2022, the Board approved an agreement with SAWS that will result in the use of shared generators at select pump stations, in compliance with SB 3. Under the agreement, SAWS will pay an estimated $97 million to acquire and install the generators for CPS Energy operation. CPS Energy in turn will be allowed to utilize the generators during peak demand periods and have access to approximately 30 MW of power that could be deployed.

In addition, corrective actions were completed at the 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 Winter Weather Readiness Reports to ERCOT on December 1, 2021, required by PUCT Rule 25.55. 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.

CPS Energy owns 40% of STP (See "San Antonio Electric and Gas Systems – Nuclear" herein). 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 January 31, 2024, CPS Energy's cash and cash equivalents balance in its General Fund and Repair & Replacement Fund was approximately $1.1 billion. CPS Energy obtained approval to increase the aggregate hereinafter defined Commercial Paper Programs' capacity to $1 billion and has obtained an equal amount of liquidity to support such programs. $483,000,000 of capacity is currently available. CPS Energy also has utilized in full the $100 million capacity from the Series A Flexible Rate Revolving Note Program (hereinafter-defined as the "Series A Flex Notes"). As of the date hereof, CPS Energy has utilized $285 million of the $500 million borrowing capacity under the Series B Flexible Rate Revolving Note Program. In addition, CPS Energy has obtained approval for future implementation of an extendible municipal commercial paper program that does not rely on traditional liquidity to support the issuance of notes from time to time. CPS Energy anticipates sufficient liquidity to accommodate worst-case financial projections resulting from the 2021 Winter Weather Event and to address its operational and capital needs for the remainder of its current fiscal year.

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 is 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 programs related to the Flex Notes as well as the Original Commercial Paper Program. On April 13, 2022, CPS Energy closed on its $413,720,000 Electric and Gas Systems Revenue Refunding Bonds, Taxable New Series 2022 (the "Uri Bonds"), which represented the first such transaction, which certain Uri Bonds were thereafter the subject to a tender offer and subsequent purchase by the City for debt service savings. Additionally, CPS Energy obtained approval, on January 13, 2022 from the 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 could approach $909 million under current estimates and are expected to be amortized over a period of 25 years and recovered through fuel costs. This figure consists of $517 million in natural gas charges, purchased power in the amount of $248 million, and other charges of $144 million. The estimated average residential electric and gas customer impact for costs financed with the Uri Bonds is anticipated to be $1.26/month or less for the first ten years, as previously disclosed to the Rate Advisory Committee (the "RAC"), Board, and City Council (and excludes the remaining disputed costs). As of March 1, 2023, $0.8249 per 100 cubic feet ("CCF") is assessed to all distribution gas customers and $0.00085 per kWh is collected from all retail electric customers to recover debt service associated with the regulatory asset. These assessments are reviewed and updated annually. The proceeds from this recovery will be available for payment of the debt service on the long-term debt that has previously been or 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 Bond Ordinances as an amount not to exceed 14% of the Systems' gross revenues) (the "City Payment"), on CPS Energy fuel and other 2021 Winter Weather Event costs through the regulatory asset.

On September 16, 2022, the City Council approved a return of $50 million (from the City Payment proceeds paid to the City) to CPS Energy customers. To provide further energy bill assistance to the community, the City returned $42.5 million of the City Payment to be distributed back to CPS Energy's customers in the form of a credit on energy bills. The process of applying the bill credits to CPS Energy's customers' accounts began in November 2022. Funds remaining after applying the bill credits totaled $5 million. Of the $50 million, the remaining $7.5 million will assist low-income programs and customers who have past due balances, with up to $300 in assistance (which cannot exceed their total past due balance) and who were also, as of July 31, 2022, enrolled in one of CPS Energy's specified assistance programs.

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.

CPS Energy submitted a filing to the Federal Emergency Management Agency ("FEMA") of approximately $4.7 million of costs incurred related to the 2021 Winter Weather Event and is seeking reimbursement of 90% of those costs, per FEMA guidelines. As of March 2, 2023, costs of $4.2 million were obligated by FEMA, of which $0.4 million was received by CPS Energy in June 2023. The remaining $3.8 million is still under review by the Texas Division of Emergency Management for payment support and reimbursement.

On March 12, 2021, CPS Energy filed suit against ERCOT in the Bexar County District Court alleging breach of contract, claiming damages in the amount of $15 million in short payments, and seeking 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 short payments to CPS Energy heretofore described. The requested judgment also sought 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 (the "Fourth Court") dismissed CPS Energy's petition on procedural grounds, and without addressing the merits of the case, stating that the PUCT has exclusive original jurisdiction over CPS Energy's claims. On January 27, 2022, CPS Energy filed its petition for review with the Texas Supreme Court. On February 15, 2022, the Texas Supreme Court requested that ERCOT file a response, which it did on April 18, 2022. On September 2, 2022, the Texas Supreme Court granted CPS Energy's Petition for Review, and the matter was consolidated with *In re ERCOT and William L. Magness*. Oral arguments were held on January 9, 2023. On June 23, 2023, the Texas Supreme Court affirmed the Fourth Court's dismissal of CPS Energy's petition on procedural grounds and held that ERCOT is entitled to sovereign immunity. CPS Energy successfully recovered most of its $15 million short-payment claim primarily through implementation of securitization financing by market participants that defaulted on their financial obligations to ERCOT in the aftermath of the 2021 Winter Weather Event, including Rayburn and Brazos electric cooperatives. The proceeds of these securitized transactions by these market participants resulted in repayment of their outstanding short-payments to ERCOT, which have been used to reimburse short-pay claimants such as CPS Energy.

CPS Energy purchases natural gas from its suppliers pursuant to market standard contracts promulgated by the North American Energy Standards Board. 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, in some cases representing a 15,000% price increase compared to the pre-storm price of the same commodity, are unconscionable and reflect unlawful pricing for items essential to its customers during and after declared disasters, such as the 2021 Winter Weather Event. CPS Energy challenged certain prices under the Disputed Payment Provision.

CPS Energy is currently engaged in litigation against three of its natural gas suppliers, in which CPS Energy is disputing (under the Disputed Payment Provision) over $350 million in natural gas 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 pending gas supplier cases have been consolidated into the Multidistrict Litigation ("MDL") Panel and have been assigned to a judge in Bexar County (the "County") for pre-trial proceedings. 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.

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 and material event notices concerning resultant rating actions on CPS Energy by Fitch Ratings, Inc., Moody's Investors Service, 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; however, these press releases are not incorporated by reference herein.

Investors may access those notices on the MSRB's EMMA website at www.emma.msrg.org for additional information regarding the covered events.

City Committees. The Mayor formed the CEP on 2021 Winter Storm Preparedness and Response consisting of four (4) 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 concluded 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, and the Utilities Committee met regularly. The Utilities Committee oversaw the implementation of programs and policies at CPS Energy, including the recommendations from the CEP. The Utilities Committee's last meeting was held on June 27, 2023 and subsequently, the committee was disbanded and closed.

Various Legal Actions Related to the 2021 Winter Weather Event

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 and assigned to a judge in Harris County, Texas. This court is handling all pretrial matters with each case to be transferred back to its county of origin for trial if not disposed of at the pre-trial stage. The majority of the plaintiffs in the MDL have amended their pleadings to include all generators across the state including CPS Energy. These actions significantly increased the number of cases in which CPS Energy is directly named. The court selected representative cases that will serve as test cases on several points of law including dispositive motions. However, due (in part) to an influx of filings by plaintiffs near the two-year anniversary of the 2021 Winter Weather Event, this MDL remains in the early stages of the litigation process. CPS Energy makes no guarantees or predictions regarding success or failure in connection with this litigation. On March 17, 2023, the Third Court of Appeals in Austin, Texas (the "Third Court") ruled the PUCT overstepped the authority granted to it by the Texas Legislature during the 2021 Winter Weather Event when it raised the price of electricity to $9,000 per MWh. The PUCT subsequently filed a petition for review with the Texas Supreme Court. The outcome of this litigation and its effects remain unknown.

Summary

With the exception of certain still outstanding ERCOT short-payments subject to Uplift in an uncertain amount, CPS Energy is confident that it has identified the upward limit 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.

Retail Service Area

The CPS Energy electric system serves a territory consisting of substantially all of the 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.

On April 26, 2001, after a thorough feasibility study was conducted and reviewed, the City Council passed a resolution stating that the City did not intend to opt-in to the deregulated electric market beginning January 1, 2002, the date Texas Electric Choice became effective. As stated above, SB 7 provides that electric "opt-in" decisions are to be made by the governing body or the body vested with the power to manage and operate a municipal utility such as CPS Energy. Given the relationship of the Board and the City Council, any decision to opt-in to electric competition would be based upon the adoption of resolutions by both the Board and the City Council. If CPS Energy and the City choose to opt-in, other retail electric energy suppliers would be authorized to offer retail electric energy in the CPS Energy service area and CPS Energy would be authorized to offer retail electric energy in any other service areas open to retail competition in ERCOT. ERCOT is the independent entity that monitors and administers the flow of electricity within the interconnected grid that operates wholly within Texas; the term "ERCOT" also refers to the area within Texas served by this interconnected grid. CPS Energy has the option of acting in the role of the "Provider of Last Resort" (hereinafter defined) for its service area in the event it and the City choose to opt-in.

Gas. The CPS Energy gas system serves the 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.

Pursuant to the authority provided by Section 181.026, Texas Utilities Code, among other applicable laws, the City has executed a license agreement (the "License Agreement") with the City of Grey Forest, Texas ("Grey Forest"), dated July 28, 2003, for a term through May 31, 2028. Pursuant to this License Agreement, the City permits Grey Forest to provide, construct, operate, and maintain certain natural gas lines within the boundaries of the City which it originally established in 1967 to provide extensions and other improvements thereto upon compliance with the provisions of the License Agreement and upon the payment to the City of a quarterly license fee of 3.0% of the gross revenues received by Grey Forest from the sale of natural gas within the Licensed Area (as defined in the License Agreement). Thus, in the Licensed Area (which comprises less than 6.2% of the CPS Energy natural gas service area), CPS Energy is in direct competition with Grey Forest, acting by and through Grey Forest Utilities, as a supplier of natural gas.

CPS Energy and the City of Castroville, Texas ("Castroville") a previous wholesale power customer, reached an agreement for CPS Energy to operate and maintain the Castroville gas system through September 29, 2023. The City of Lytle, Texas had a contract that had been extended through October 1, 2023. Both cities executed contract renewals with CPS Energy for a six-month period with an extension option on a month-to-month basis for an additional six months.

Franchise Agreements. 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 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 one percent (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 Supply & Market Operations ("ESMO"), 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 ESMO. 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, Texas ("Boerne"), the City of Seguin, Texas ("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. The Boerne and Seguin contracts ended at the end of calendar year 2023, and the KPUB contract will end at the end of calendar year 2026. In addition, CPS Energy has converted its retail contracts with the City of Hondo, Texas ("Hondo"), Castroville, and Floresville Electric Light and Power System ("FELPS") into wholesale contracts as well. The FELPS' contract will conclude at the end of calendar year 2025. The Hondo contract was extended for five (5) years effective January 2023 through December 2027. The Castroville contract ended in December 2022. The requirements under the wholesale agreements are for firm energy obligations provided by CPS Energy. CPS Energy is open to entering into new long-term wholesale power sales agreements with public or private entities in the 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 (1) month up to one (1) year with a variety of approved counterparties.

Customer Rates

CPS Energy's electric and gas monthly rate schedules list the currently effective monthly charges payable by CPS Energy customers. Each rate schedule briefly describes the types of service CPS Energy 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 except for electric wholesale transmission activities and rates. Unless and until the City Council and Board choose to opt-in to electric retail competition or the Texas Legislature places CPS Energy into 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 EG Systems and to pay the debt service requirements on all revenue debt of the EG 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 Subordinate Lien Obligations, and any Inferior Lien Obligations, and to make all other payments prescribed in the Ordinances.

CPS Energy has periodic rate increases, with the most recent electric and gas base rate increase of 3.85% approved by the Board on January 10, 2022 and approved by the City Council on January 13, 2022. The rate increase, which became effective March 1, 2022, 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 the raising of the 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 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% base rate increase was previously 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. Most recently, CPS Energy discussed the need for potential future rate increases with the Board on February 27, 2023, when CPS Energy stated it hopes to have the next increase in place by February 2024, followed by another increase in early 2026; each contemplated rate increase utilized a 5.5% increase as a placeholder, 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% 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 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 the City's 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 cost recovery requirements while gathering information to refine the offering. The Commercial Electric Vehicle Pilot Rate was the first offering under the NSO tariff. Several other pilots have been launched through this tariff since its inception, including offerings for public electric vehicle charging and resiliency service. The resiliency service pilot, designed to enhance reliability from natural gas generators, was successful and was approved as a full tariff in September of 2020.

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 2022, the accumulated cost for the STEP program was $837 million. As of January 31, 2022, CPS Energy quantified a cumulative reduction of 980 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 envisioned 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 used the information that it gathered to update, design, and create programs and services that met the needs of its diverse set of customers. Due to COVID-19 and delays in achieving the STEP Bridge goals, CPS Energy sought and received City Council approval in January 2021 to 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. 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. On June 16, 2022, the City Council approved a plan for the new Sustainable Tomorrow Energy Plan (also known as STEP) program to be funded as a $350 million initiative over the next five years. This average impact will continue to be $3.50 per month to a residential energy bill. The program goals include 410 MW of demand reduction, one percent (1%) energy savings per year, 16,000 weatherized homes, and 1.85 million tons of avoided carbon.

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 July 31, 2023, Resiliency Service has been enabled at 27 customer sites with a total capacity of 30.4 MW.

Fuel and Gas Cost Adjustment

The EG 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, 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 EG 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 2023) adds $0.01369 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, and the quarterly Electric Reliability Organization fee. The PUCT retains oversight authority over ERCOT. For all CPS Energy retail customers, this charge increases bills by $0.00075 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 (1) 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

The utility industry is witnessing rapid change and CPS Energy's strategic plan, Vision 2027 – An Evolving Utility, is designed to guide CPS Energy through this transformation in the near future. The strategic plan sets out clearly how CPS Energy will better serve its customers and community while being dynamic enough to be adapted and amended as a bridge to its strategic plans for the ensuing years past 2027. A major point of this adaptability is evident in CPS Energy's power generation plan, which involves a transition from coal generation to cleaner resources while also replacing aging gas steam units with a diverse mix of renewable and dispatchable energy sources, resulting in further emissions reductions.

San Antonio is one of the fastest growing cities in America, and the utility industry is faced with integrating new technology while balancing societal and regulatory expectations, managing severe weather events, and remaining competitive in retaining and attracting talent.

To prepare for and take advantage of these changes, CPS Energy established a set of five (5) strategic objectives with goals and key initiatives:

- Operational Evolution,
- Financial Stability,
- Customer Experience,
- Team Culture, and
- Community Partnership & Growth.

CPS Energy is focused on executing four strategic initiatives to achieve Vision 2027's objectives:

- Vision 2027 Power Generation Plan
- System Resiliency & Growth
- Evolve: Enterprise Resource Plan ("ERP")
- Customer Experience

These initiatives are the organization's priorities in evolving to deliver on its mission of service today and tomorrow.

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 an 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 objectives, key results, 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 its Enterprise Scorecard, 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 10 of the 15 members, one representing each City Council district. The other five 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 (3) 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, rate design, and generation planning with the ultimate goals of helping the Board and management balance its strategic objectives 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.

The RAC worked with CPS Energy throughout calendar year 2022 to evaluate various combinations of generation portfolios to identify the combination of generation resources that will allow CPS Energy to continue to provide reliable, affordable, and environmentally sustainable power to the community as it replaces retiring generation units over the next few years. On January 23, 2023, the Board approved a path forward to replace aging gas steam generation units retiring between the date hereof and 2029 and to cease coal operations no later than calendar year 2030.

In February 2023, the RAC moved to its next focus area of rate design with a series of meetings focused on affordability. The topic of bill affordability for customers was addressed from three vantage points—bill discounts, energy efficiency and conservation, and demand management. Following these discussions, RAC members in June 2023 completed a survey with their feedback on potential initiatives and measures to address affordability challenges. In August 2023, CPS Energy thanked the RAC for their hard work, dedication, and recommendations to the Board. A resolution was passed to dissolve the current RAC and to "stand up" a new 2023 Rate Request Community Working Group.

On May 2, 2024, the City Council approved an update to its affordability discount program, with the federal poverty guidelines now at or below 150%, thereby expanding the number of total eligible customers by 29,151 to 134,502 customers within the City. Approximately $2 million in funding for this program will be provided by wholesale revenue, and CPS Energy estimates it can enroll 10,000 to 15,000 customers. The change goes into effect on June 1, 2024.

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.

Historical Programs. In March of 2018, CPS Energy announced its Flexible Path strategy. The Flexible Path goals included integrating new and emerging technologies, such as battery storage and electric vehicles, expanding its use of renewable energy resources, and adding more programs and services to produce energy efficiency and increase demand response. In June of 2019, CPS Energy announced the next phase of such initiative, the FlexPOWER Bundle. The FlexPOWER Bundle initiative played an important part of the Flexible Path, as such program was created as a deliberately blended approach to power generation through which CPS Energy added more solar resources coupled with battery energy storage and firming capacity.

CPS Energy executed an agreement with Consolidated Edison Development, Inc., a subsidiary of Con Edison Clean Energy Businesses, Inc., for a 300 MW solar project to be located in Goliad County, Texas, representing the first initiative of CPS Energy's FlexPOWER Bundle. In September 2022, CPS Energy reached an agreement with Kenlov Ashtrom Renewable Energy LLC, a subsidiary of Kenlov Renewable Energy and Ashtrom Renewable Energy ("KARE"), for the purchase of 180 MW of solar energy. Developed and originated by KARE's U.S. development partner, OnPeak Power, this project will provide CPS Energy with 180 MW of the full 305 MW from the Tierra Bonita solar farm located in Pecos County, Texas. The KARE agreement is a 20-year contract with an anticipated completion date of early 2025. In January 2023, CPS Energy signed a contract with Ashtrom Renewable Energy, in collaboration with OnPeak Power, for 100 MW of the El Patrimonio solar project, which will be located in the County. The power purchase agreement is a 20-year contract with an anticipated commercial operation date of May 2025. Additionally, as part of the agreement, Ashtrom Renewable Energy will provide community benefits, including the contribution of funds towards CPS Energy student scholarships, as well as on-site field day mentorship to local students during the construction of the facility in the County. Ashtrom Renewable Energy will also grant funds towards the construction of an outdoor classroom that can be used for field trip instruction.

In January 2023, CPS Energy signed a contract with Calpine, who will provide a total of approximately 500 MW of firming capacity from the Guadalupe Energy Center located in Guadalupe County. Firming capacity with natural gas is dispatchable, controllable, and reliable energy that can be utilized when the sun is not shining, or the wind is not blowing. The Calpine agreement began delivering power to CPS Energy in the Spring of 2023.

In January 2023, CPS Energy signed a contract with Eolian L.P., who will provide CPS Energy the exclusive right to dispatch a 50 MW, two-hour duration energy storage project located in the County. This location, combined with the operating flexibility offered by energy storage, will further improve CPS Energy system resiliency as well as customer reliability. The agreement is a 20-year contract with an anticipated commercial operation date of December 2024.

CPS Energy and Quidnet Energy ("Quidnet") entered into 15-year contract for an energy storage project to employ Quidnet's Geomechanical Pumped Storage technology. This includes 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. CPS Energy's role in the partnership is that of the buyer of capacity produced by Quidnet's storage facility (thus mitigating CPS Energy's financial risk by mutually agreed upon operating standards). CPS Energy's financial obligation in buying the capacity is adjusted based on the storage facilities actual operating performance.

Energy Conservation. CPS Energy 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 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 or customers with calculated Energy Burden of 10% or greater based on their annual income and annual energy bill valuations;
- 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;
- scheduling consumer information exhibits at high-traffic locations such as community resource 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;
- offering free virtual or in-home home energy assessments; maintaining a secure website, Manage My Account at https://www.cpsenergy.com/mma. 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; and
- maintaining a secure website, named My Energy Portal, at https://www.cpsenergy.com/myenergyportal. 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 1,405,301 million smart meters as of May 5, 2024.

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. Through the STEP Programs, CPS Energy has developed a portfolio of solar offerings to help support the adoption of solar in the community. These offerings included rebates for customer-owned solar, community solar and a hosted solar program. As of January 31, 2023, 36,654 customers have installed rooftop solar, totaling 258 MW of solar capacity. Customers who install solar receive the 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 (2) one-megawatt (AC) solar Requests for Proposal. Responses to these pilot program requests for proposal were evaluated and two (2) vendors were selected. CPS Energy 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 solar PV systems on their rooftops in exchange for credits on their energy bill. Working under a 20-year power purchase agreement with CPS Energy, PowerFin installed and operates five (5) MW (AC) of rooftop solar on homes and businesses throughout the CPS Energy service territory and provides participating customers a monthly credit for hosting the systems on their roof. The program makes solar accessible to more customers by eliminating the significant upfront cost of traditional rooftop solar. In addition, CPS Energy selected Clean Energy Collective ("CEC"), to bring the first "Roofless" community solar pilot project to the City. CEC developed a one (1) MW (AC) solar farm in the CPS Energy service territory and sold 107.5-Watt panels in the array to customers who wanted to enjoy the benefits of solar power without having to install their own system. The Roofless Solar program went live on August 26, 2016 and is fully subscribed. During fiscal year 2021, CPS Energy opted to purchase the solar farm from CEC and assumed maintenance and operational responsibility of the solar farm. On December 17, 2018, CPS Energy entered into a 25-year power purchase agreement with Big Sun SA1 ("Big Sun") to expand the Roofless Solar program by five (5) MW. Big Sun successfully installed community solar panels on carports at commercial businesses across San Antonio. The panels were sold to customers who receive bill credits from CPS Energy for their share of the solar production. On August 24, 2023 CPS Energy launched a request for proposals for up to 50 MWs of community solar. The RFP encourages innovative and creative proposals, along with thoughtful approaches to serving the community's low-to-moderate income customers.

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 between 2009 and 2020, which was successfully 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 980 MW through fiscal year 2022. 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. On June 16, 2022, the City Council approved a plan for a new program to be funded over the next five (5) years.

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 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. On July 25, 2022, the Board awarded a three-year contract to CLEAResult to continue delivering the residential and commercial energy efficiency programs. On September 6, 2022, the Board awarded a one-year contract to Franklin Energy to continue delivering weatherization services. On June 26, 2023, the Board approved four-year contracts for weatherization services, creating new opportunities for local, small businesses to work directly with CPS Energy. The Board awarded contracts to seven new vendors: AG3 Group, LLC; M&M Weatherization; GGA Construction and Design LLC; Roadrunner Remodeling, Inc; Cool Component HTG & A/C, Inc; Ram's Weatherization and Construction, LLC; and Lone Star Energy Efficiency, LLC. On August 10, 2023, the City Council approved up to $1,000,000 over two (2) years ($500,000 per year) for small-scale repairs to make homes ready to qualify for the Casa Verde Weatherization Program.

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 debt exposure cannot exceed 25.0% of total outstanding debt, and CPS Energy is currently in compliance with these guidelines. The gross variable rate debt is expected to comprise approximately 18.0% of CPS Energy's debt portfolio.

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 and whose supply to native load was substantially replaced with the Rio Nogales Plant output. 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.

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 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.

Nuclear. 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 (2) additional nuclear projects that involved third-party co-owners. The first possible nuclear project involved development of two (2) additional reactors at the STP site, also known as STP3 and STP4. The second possible nuclear project was an Exelon-proposed new two-unit facility at a proposed location in Victoria County, Texas.

In August 2012, Exelon announced they had notified the NRC they intended to withdraw the Early Site Permit application for the Victoria County Station Project. This action effectively ended development of the project. Subsequently, CPS Energy wrote-off the $2.7 million in capital funds invested in the project. This write-off was reflected in September 2012.

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 the 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 on 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 were 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.

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 (ultra-low sulfur diesel), which provides fuel flexibility and greater resiliency. CPS Energy also owns a 40% interest in STP's two existing nuclear generating Units 1 and 2. These nuclear units supplied 27% of CPS Energy's total generation for the 12 months ending July 31, 2023.

On October 18, 2023, CPS Energy formally launched a request for proposal for up to 500 MW of energy storage systems, as part of its power generation plan approved by the Board earlier in 2023. Projects under this request may be diverse in technologies and responses are welcomed from both large-scale and smaller sized projects. The smaller scale projects can be strategically placed at different locations within the CPS Energy service area, providing another tool to meet community growth and the ability to improve reliability in specific locations. This request will be the first time CPS Energy has issued a notice solely for standalone storage projects, although past RFPs have included storage as an overall component. CPS Energy is still evaluating the proposals received and expects to make selections in the next few months.

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).

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Generating Capability [1]

Plant	Unit	Fuel	Year Installed	Summer Net Max Capability MW(2)	Total Summer Capability MW	
STP (42% Ownership) [3]	Unit 1	Nuclear	1988	543.0		
	Unit 2	Nuclear	1989	538.0	1,081.0	Nuclear
STP PPA	PPA	Market	2024	200.0	200.0	Market
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	1972	420.0		
	Unit 2	Gas	1974	410.0		
Braunig Plant	Unit 1	Gas	1966	217.0		
	Unit 2	Gas	1968	230.0		
	Unit 3	Gas	1970	412.0		
Barney Davis [12]	Unit 1	Gas	1974	292.0		
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		
Laredo Plant (CT) [12]	Unit 1	Gas	2008	89.0		
	Unit 2	Gas	2008	89.0		
Rio Nogales Plant(5) (NGCC 3x1)	Unit 1	Gas	2012	784.5		
Barney Davis Plant (NGCC 2x1) [12]	Unit 2	Gas	2010	605.0		
Nueces Bay Plant (NGCC 2x1) [12]	Unit 1	Gas	2010	635.0		
Guadalupe Energy Center [11]	PPA	Gas	2023	522.0	5,598.5	Gas/Oil
Commerce BESS [10]	Unit 1	Solar PV	2019	10.0	10.0	BESS
Total Thermal/BESS Capability					8,234.5	
Renewable Nameplate Capability						
Desert Sky Wind Farm [7]	PPA	Wind	2002	63.4		
Cottonwood Creek Wind Farm (Sweetwater3) [8]	PPA	Wind	2005	82.6		
Sweetwater 4	PPA	Wind	2007	240.8		
Penascal	PPA	Wind	2009	76.8		
Papalote Creek	PPA	Wind	2009	130.4		
Cedro Hill	PPA	Wind	2010	150.0		
Los Vientos	PPA	Wind	2012	200.1	944.1	Wind
Nelson Gardens	PPA	Landfill Gas	2014	4.2	4.2	Landfill Gas
Blue Wing	PPA	Solar PV(6)	2010	13.9		
Sinkin 1	PPA	Solar PV(6)	2012	9.9		
Sinkin 2	PPA	Solar PV(6)	2012	9.9		
Somerset	PPA	Solar PV(6)	2012	10.6		
Alamo 1	PPA	Solar PV(6)	2013	39.2		
St. Hedwig (Alamo 2)	PPA	Solar PV(6)	2014	4.4		
Eclipse (Alamo 4)	PPA	Solar PV(6)	2014	39.6		
Walzem (Alamo 3)	PPA	Solar PV(6)	2015	5.5		
Helios (Alamo 5)	PPA	Solar PV(6)	2015	95.0		
Solara (Alamo 7)	PPA	Solar PV(6)	2016	106.4		
CEC Beck (Community Solar) [9]	Owned	Solar PV(6)	2016	1.0		
Sirius 1 (Alamo 6)	PPA	Solar PV(6)	2017	110.2		
Sirius 2 (Pearl)	PPA	Solar PV(6)	2017	50.0		
Lamesa II (Ivory)	PPA	Solar PV(6)	2018	50.0		
Commerce PV	Owned	Solar PV(6)	2019	5.0	550.6	Solar PV
Total Renewable Nameplate Capability					1,498.9	
Total Capability including Purchased Power					9,733.4	

[1] Data as of May 6, 2024.
[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 and 2. See "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – Nuclear" herein. Additional 2% ownership completed on May 2, 2024.
[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 reflect contracted nameplate capacity after contract renegotiation and turbine uprate.
[8] Capacity updated to reflect contracted nameplate capacity after contract renegotiation and turbine uprate.
[9] Community Solar pilot project "CEC Beck" added to CPS Energy renewable portfolio table to align with other corporate reporting.
[10] BESS – Battery Energy Storage System.
[11] Effective March 1, 2023 CPS Energy contracted for a gas toll purchase power agreement (PPA) for 522 MW of NGCC capacity.
[12] Purchase of plants completed on May 1, 2024.

Renewable Resources

As of May 6, 2024, CPS Energy's renewable energy capacity totals 1,498.9 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; and a 25-year contract for 200.1 MW from the Los Vientos Wind Farm. CPS Energy has a 20-year contract for 150 MW from the Cedro Hill Wind Farm. This contract was renegotiated in January 2023 with a revised termination date of November 2045, in response to a request from the developer to repower the project with improved equipment. Recent transmission congestion in South Texas during various seasons has impacted the Los Vientos and Cedro Hill wind farms, resulting in agreed-upon curtailment of these units during periods of negative pricing (a standard procedure).

CPS Energy also recently ended a long-term contract for a landfill gas-generated energy project totaling 9.6 MW which came on-line in December 2005. Under an additional 15-year 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 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. See "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – Strategic Initiatives"

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. See "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – Strategic Initiatives" herein. 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 25-year PPAs executed under the Master Agreement with OCI, CPS Energy has also executed two 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. These parties have installed the energy storage system in which CPS Energy serves as operator.

In December 2023, CPS Energy signed a contract with Genesis Consolidated Industries ("GCI"), who will provide CPS Energy the exclusive right to dispatch a 150 MW solar project located in Caldwell County. The agreement is a 25-year contract with an anticipated commercial operation date of August 2025. Additionally, as part of the agreement, GCI will provide community benefits, including the contribution of funds as well as efforts to establish various training programs in the community related to renewables projects and developments.

CPS Energy receives energy from 944.1 MW of wind, 550.6 MW of solar and 4.2 MW of landfill gas generated energy for a total renewable energy capacity in operation of 1,498.9 MW.

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 1,504.9 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.

CPS Energy executed several agreements in 2022 and 2023 for the purchase of solar capacity once these new projects are fully developed and operational at various future dates. See "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – Strategic Initiatives –Historical Programs".

Nuclear

Nuclear is one of CPS Energy's base energy options, providing about 27% of CPS Energy's total net annual generation for the twelve months ending July 31, 2023. 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 2,633.1 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 January 31, 2024 [1]	
Participants	%	Nominal Output MW (approximate)
Constellation Energy	44.0	1,158.6
CPS Energy	40.0	1,053.3
City of Austin-Austin Energy	16.0	421.2
	100.0	2,633.1

[1] On November 1, 2023, NRG Energy, holder of a 44% interest in STP, was acquired by Constellation Energy. The 44% interest in STP1 and STP2 is wholly owned by Constellation South Texas a subsidiary of Constellation Energy. CPS Energy's 2% additional ownership interest discussed below is subject to NRC and PUCT approval of such ownership licenses prior to an effective change.

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"). All costs and output continue to be shared in proportion to ownership interests.

Former STPNOC CEO, Mr. Tim Powell, retired effective April 4, 2024. The Board of Directors subsequently selected Kimberly A. Harshaw, the STPNOC Chief Nuclear Officer ("CNO"), to succeed Mr. Powell as acting CEO and CNO effective April 4, 2024.

On June 1, 2023, NRG Energy announced that the company had entered into a definitive agreement for the sale of their 44% share of ownership of STP to Constellation Energy ("Constellation"). CPS Energy filed litigation in Matagorda County, Texas to seek a legal determination of its rights as a co-owner under existing agreements related to STP. In addition, CPS Energy filed a motion with the NRC to dismiss, stay, or intervene in the license transfer application related to the proposed sale. The purpose of these filings was to ensure that CPS Energy's rights under existing agreements were preserved and followed by all parties. Austin Energy later joined the Matagorda County litigation as a plaintiff to protect their contract rights under applicable STP agreements. On November 1, 2023, NRG Energy, Inc announced its subsidiaries Texas Genco LP LLC and Texas Genco GP LLC completed the sale of NRG South Texas LP, a 44% ownership interest in the STP, to Constellation. Constellation, NRG, CPS Energy, and Austin Energy subsequently agreed to enter into settlement negotiations and stayed the Matagorda County litigation as well as the NRC proceeding to work toward a mutually agreeable solution. On May 2, 2024, CPS Energy, Austin Energy, NRG and Constellation resolved their disputes regarding the proposed sale of an interest in STP by NRG to Constellation South Texas LLC (formerly NRG South Texas LP) and the related contractual rights of CPS Energy and Austin

Energy. As part of this resolution, CPS Energy and Austin Energy dismissed the Matagorda County litigation and withdrew their NRC objections. The settlement also included CPS Energy entering into an agreement to acquire an additional 2% ownership of STP from Constellation and a long-term Purchase Power Agreement with Constellation for an additional 200 MW of firm capacity that will be available for CPS Energy customers in time for the Summer of 2024. When the transaction closes (anticipated to be at the end of calendar year 2024), CPS Energy's ownership of STP will be 42%, Constellation's will be 42%, and Austin Energy's ownership will remain at 16%. CPS Energy currently has the benefit of the power purchase agreement associated with such transaction.

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 twelve-months ended December 31, 2023, STP1 and STP2 operated at approximately 94.5% and 104.4% of net capacities, respectively. Due to the 2021 Winter Weather Event (see "INTRODUCTORY STATEMENT – Texas 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.

STP completed corrective actions to ensure the station is ready for winter weather operations. These actions included replacement of missing or degraded heat trace systems and piping insulation, revising the station's Winter Readiness procedure, and training on the station's winter readiness for Operations, Maintenance, and Engineering personnel. In addition, STP 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.

Used Nuclear Fuel Management. Under the Nuclear Waste Policy Act, 42 U.S.C. 10101, et seq. ("NWPA"), the 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 (the "D.C. Circuit Court") 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. On March 5, 2023, STPNOC and Its outside counsel received notice from the DOJ that the DOE proposes extending the terms of the settlement through December 31, 2025. The extension was executed on April 4, 2023. 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". On September 20, 2022 Nevada Governor Steve Sisolak and the Nevada Agency for Nuclear Projects announced the filing of a new legal motion to bring an end to failed federal plans to construct a repository for the Yucca Mountain. As of the date hereof, no funding for the Yucca Mountain repository is pending before the Congress.

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. On April 19, 2022, CPS Energy received its share of the allowable reimbursement costs from the DOE. The tenth 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. On April 19, 2022, 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 2022 for the period of August 1, 2021 to July 31, 2022. On April 11, 2023, CPS Energy received its share of the allowable reimbursement costs from the DOE.

A June 2012 decision by 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), 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.

Smart Grid Modernization Program. Starting in 2013, CPS Energy began building a converged Advanced Metering Infrastructure and distribution automation network. The rollout of new electric meters and gas interface management units 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 February 2024, approximately 1.3 million smart grid devices have been installed pursuant to this program. In addition, CPS Energy is utilizing smart grid technologies to ensure grid resilience and reduce impacts of power events during natural disasters 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 enable centralized monitoring, provide locations of streetlights, and provide streetlight failure and status reports which will improve maintenance planning and increase operational efficiency. The solution will provide a foundation for future technologies such as enhanced control of streetlights and adaptive lighting schedules.

The smart streetlight platform can also be leveraged by smart city use cases. The City identified several smart city use cases that it piloted, which included the following: temperature and air quality monitoring, flood detection, noise detection, and smart parking.

CPS Energy and the City selected two solution providers to pilot smart streetlight control and smart city applications within the City's three Innovation Zones (Downtown, Medical Center, and Brooks City Base) over a six-month period. The pilot period concluded on October 15, 2021. An initial evaluation of the results of the streetlight pilot are complete, and such results are being shared with internal and external shareholders. CPS Energy hopes to finalize this process and make the final award decision before the end of 2024.

New Products & Services. CPS Energy continually evaluates its entire portfolio of electric and gas products and services to more fully meet customers' needs. To that end, in the latter half of calendar year 2020, CPS Energy received approval from the Board and City Council for three (3) 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, 2024, 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 finalized 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 transmission system via the distribution network). 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. On September 15, 2022, the PUCT issued a final order approving CPS Energy's revised WDS tariff as filed, consistent with a settlement agreement reached among the parties to their contested proceeding.

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, operating generation and load in the Real Time Market, 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 8,307 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 759 miles of three-phase equivalent distribution lines, 87 miles of three-phase downtown network distribution lines, and 6,340 miles of single-phase underground residential distribution lines.

Gas System

Transmission System. The gas transmission system consists of a network of approximately 116 miles of steel mains that range in size from 8 to 30 inches. Over 88 miles of gas transmission was 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 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 19 gate/tap and 347 pressure regulating stations and a network of approximately 6,081 miles of mains. The system consists of 2 to 30-inch steel mains and 1-1/4 to 8-inch high-density polyethylene (plastic) mains. The distribution system operates at pressures between nine (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 2023 financial reporting, see CPS Energy's fiscal year 2023 Basic Financial Statements and Independent Auditors' Report.

Other than the changes resulting from GASB pronouncements and guidance that are described in CPS Energy's fiscal year 2023 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, 2023, or the period ended July 31, 2023. Other accounting and reporting changes that occurred during the prior reporting year continued into the fiscal year ending January 31, 2023 and the period ended July 31, 2023. These accounting changes and the effects on the financial statements are described in greater detail in the MD&A and in the Notes to CPS Energy's fiscal year 2023 Basic Financial Statements and Independent Auditors' Report.

Recent Financial Transactions

On July 28, 2016, CPS Energy 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 Energy 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 Energy 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 Energy 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 Energy issued $194.98 million of Revenue Refunding Bonds, New Series 2017 to refund certain outstanding commercial paper notes.

On September 14, 2017, CPS Energy 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 Energy 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 Energy 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 Energy 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 Energy 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 Energy 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 Energy 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 Energy 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 Energy 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 Energy 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 Energy 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 Energy issued $330.7 million of Junior Lien Revenue Refunding Bonds, Series 2021A.

On April 26, 2021, CPS Energy 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 Energy 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 Energy 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 Energy 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 Energy issued $109.6 million of New Series 2022 Senior Lien Revenue Refunding Bonds. Proceeds, including the $5.2 million premium associated with the bonds and $13.8 million of accrued principal and interest were used to refund $128.6 million to refund the Revenue Refunding Bonds, Series 2012, on August 1, 2021.

On December 1, 2022, CPS Energy remarketed for a three-year term $134.9 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2018.

On June 22, 2023, CPS Energy issued $100.4 million of Series 2023 Junior Lien Revenue Refunding Bonds. Proceeds were used to refund $100 million Commercial Paper Series A and Commercial Paper Series C, on July 13, 2023 and September 12, 2023, respectively.

On June 22, 2023, CPS Energy issued $459.5 million of New Series 2023A Senior Lien Revenue Refunding Bonds. Proceeds, including the $50.7 million premium associated with the bonds were used to refund $500 million Commercial Paper Series A and Commercial Paper Series B, on July 13, 2023, August 10, 2023, and September 12, 2023.

On June 22, 2023, CPS Energy issued $177.1 million of New Series 2023B Senior Lien Revenue Refunding Bonds. Proceeds, including the $15.4 million premium associated with the bonds were used to purchase by means of a tender offer $194 million Revenue Refunding Bonds, Taxable Series 2020 and Taxable Series 2022 on June 22, 2023.

On November 7, 2023, CPS Energy issued $162.7 million of New Series 2023C Senior Lien Revenue Refunding Bonds. Proceeds, including the $9.8 million premium associated with the bonds were used to refund $169.2 million of the Junior Lien Revenue Bonds, Series 2014 on February 1, 2024.

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CPS Historical Net Revenues and Coverage [1]

(Dollars in thousands)	Fiscal Years Ended January 31, [1]				
	2020	2021	2022	2023	2024
Gross Revenues [2]	$2,602,177	$2,511,242	$2,754,975	$3,469,577	$3,442,879
Maintenance & Operating Expenses	1,497,182	1,555,519	1,743,521	2,211,545	1,967,750
Available For Debt Service	$1,104,995	$955,723	$1,011,454	$1,258,032	$1,475,129
Actual Principal and Interest Requirements:					
Senior Lien Obligations [3, 4, 8, 9]	$223,292	$327,599	$331,844	$349,887	$366,255
Junior Lien Obligations [4, 10]	$148,806	$61,964	$60,198	$77,548	$77,917
ACTUAL COVERAGE – Senior Lien [5]	4.95x	2.92x	3.05x	3.60x	4.03x
ACTUAL COVERAGE – Senior and Junior Liens	2.97x	2.45x	2.58x	2.94x	3.32x
PRO FORMA MADS COVERAGE					
Senior Lien [6]	2.92x	2.52x	2.67x	3.32x	3.90x
Senior and Junior Liens [7]	2.18x	1.88x	1.99x	2.48x	2.91x

[1] Some numbers 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 related to the direct subsidy for the Build America Bonds.
[5] Calculation differs from "FIVE-YEAR STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE" herein, by the inclusion of nonoperating expenses in the above schedule.
[6] Maximum annual debt service on Senior Lien Obligations.
[7] Maximum annual debt service on Senior Lien Obligations and Junior Lien Obligations is based upon the footnoted assumptions as set forth in the most recent Official Statement.
[8] Amount shown is gross debt service and does not include any cash contributions made.
[9] Amount shown for Senior Lien Obligations in FY2020 is lower compared to each Fiscal Year thereafter due to fewer bond maturities coming due in FY2020 compared to each Fiscal Year thereafter.
[10] Amounts shown for Junior Lien Obligations in FY2021, and each Fiscal Year thereafter, are lower due to bonds that matured in FY2020 (Jr. Lien Revenue Refunding Bonds, Series 2014).

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THE AIRPORT SYSTEM

General

The Airport, 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 (3) runways with the main runway measuring 8,502 feet and able to accommodate the largest commercial passenger aircraft. Its two (2) terminal buildings contain 24 second-level gates. At the end of 2022 three (3) additional gates were constructed and added 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. As of the end of 2023, the Airport offered nonstop service to 41 destinations both seasonal and year-round across 13 airlines. In 2022, SAT welcomed JetBlue Airways. The Airport experienced incredible growth in both demand and seats offered to Mexico throughout 2022. International passenger numbers for 2023 were up nearly 33% 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. For the calendar year ended December 31, 2023, the Airport enplaned over 5.4 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 ("SDTP") as part of its update to the Master Plan of the Airport. The focus of the first phase was to determine if the current location of the 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 of Aviation (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 the 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 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 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 (fiscal years 2024 – 2029) Capital Improvement Plan (the "CIP") totals approximately $2 billion 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 Airport.

The CIP consists of the following:

<u>Terminal Facilities</u>

- New Terminal Project: This project provides for the construction of a new terminal and related facilities at the Airport including but not limited to a new terminal, triturator, commercial apron, hydrant system, ground transportation center, parking, pedestrian bridge, badging office, Airport access roadway improvements, terminal curbside roadway improvements, central utility plant upgrades, and utility corridor relocation.
- Terminal A Ground Load Facility: This project of a new ground load facility gate off the south concourse of Terminal A will be designed and constructed for both domestic and international carriers. The new facility will connect to the

Federal Inspection Station (Customs) to allow for arrivals from international locations.

- 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 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.
- Baggage Handling System Expansion: This project develops an area to accommodate up to three (3) in-line security processing lanes, Checked Baggage Inspection System 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

- Airfield Lighting Control and Monitoring System: This project includes the design 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 will be accomplished in accordance with FAA Taxiway Design Standards. All work will 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 (2) 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 with the FAA.
- 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

- Computerized Maintenance Management System: This software enhances the tracking capabilities for critical assets for accurate reporting of maintenance and performance.
- Terminal A & B Common Use: This project expands the Common Use Passenger Processing Systems (CUPPS) services and technologies to all terminal A&B Gates, ticket counters and operational locations.
- Network End of Life Replacement: This project will replace end of life technology such as data networks, storage, and server IT infrastructure for the Airport and Stinson.
- Other Capital Projects: Miscellaneous projects at the Airport and at Stinson.

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

Funding Sources	Projected Funding ($)
Federal Grants	
Entitlement Grants	42,499,000
Discretionary Grants	239,469,000
TxDOT Grant	300,000
Other Funding	
Airport Improvement & Contingency Funds	2,579,000
Stinson Revolving Fund	300,000
CFC Funds	673,000
PFC Funds	32,644,000
Interim Financing	157,105,000
General Airport Revenue Bond	1,524,669,000
Total	**2,000,238,000**

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

Improvement	Amount ($)
Airport	
Airfield	419,135,000
Terminal Development Program	1,403,954,000
Terminal	132,766,000
Common Use and IT Upgrade	30,359,000
Transit/Roadways	1,000,000
Parking	2,330,000
Other Projects	2,495,000
Stinson	8,199,000
Total	**2,000,238,000**

PFC Projects. Public agencies wishing to impose a 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 (2) 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 amendments to PFC Applications 01-01-C-03-SAT, 05-04-C-02-SAT, and 07-05-C-01-SAT. The approved impose authority decreased in Application 01-01-C-04-SAT by $48,338,011 from $284,968,912 to $236,630,901. This amendment is referenced as 03-02-U-04-SAT. The approved imposed and use authority decreased in Application 01-01-C-04-SAT by $87,517 from $552,357 to $464,840. Also as a result of this amendment, the approved impose and use authority decreased in 05-04-C-03-SAT by $34,154,019 from $113,050,349 to $78,896,330 and 07-05-C-02-SAT by $27,479,278 from $68,169,573 to $40,690,295. These reductions were 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 and reducing the PFC use authority to $463,710,203.

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), and 07-05-C-02-SAT (Application 5) to the FAA to reflect a decrease in PFC authority at the Airport due to the issuance of refunding bonds, resulting on lower interest costs, as well as additional funding sources received (CARES Act). 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.

On June 6, 2023, the FAA approved an amendment to PFC Applications 05-04-C-04-SAT and 07-05-C-03-SAT. The approved impose and use authority decreased in Application 05-04-C-05-SAT by a total net effect of $409,405 from $93,974,314 to $93,564,909. The approved impose and use authority decreased in Application 07-05-C-04-SAT by $6,474,523 from $52,944,581 to $46,470,058. 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 current collection and use authority by Application Number.

Application	Current Collection Authority	Current Use Authority
Application 1	$291,245,208	$32,639,345
Application 2	$0	$224,153,828
Application 3	$0	$34,452,035
Application 4	$93,564,909	$93,564,909
Application 5	$46,470,058	$46,470,058
Total PFC Program	**$431,280,175**	**$431,280,175**

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, 2023, the City has collected $320,334,259 (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
- Runway Safety Action Team (RSAT) Airfield Improvement
- Extension of Runway 21
- Extension to Taxiway R

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 most recent increase to $6.50 became effective November 1, 2023. As of December 31, 2023, the City has received $125,698,793 (unaudited) in CFC Revenues since the April 1, 2012 inception of the CFC.

ConRAC. The ConRAC opened for business on January 17, 2018. This 1.8 million square foot state of the art facility currently houses nine (9) rental car companies. The 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 and increasing the customer' experience.

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, 2023, 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 (5) fiscal years:

	2019	2020	2021	2022	2023
Gross Revenues [1]	$116,003,603	$94,101,394	$101,945,437	$153,084,998	$149,556,541
Expenses	(66,246,817)	(64,437,541)	(66,137,262)	(80,929,662)	(86,111,216)
Net Revenues	$49,756,786	$29,663,853	$35,808,175	$72,155,336	$63,445,325

[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
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	(3,193,502)	(61.5)
2021	3,747,110	1,747,622	87.4
2022	4,837,238	1,090,128	29.1
2023	5,425,065	587,827	12.2

[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
2014	464,765	(9,844)	(2.07)
2015	511,076	46,311	9.96
2016 [1]	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 [2]	207,684	(259,791)	(55.6)
2021	741,572	533,888	257.1
2022	555,808	(185,764)	(25.1)
2023	621,321	65,513	11.8

[1] 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.

[2] 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
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)	(41.6)
2021	5,189,666	1,245,167	31.6
2022	6,085,890	896,224	17.3
2023	6,871,882	785,992	12.9

[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.

*   *   *

APPENDIX B

EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2023

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, 2023, 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, 2023 and 2022, 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, 2023 and 2022, 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 audits. 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. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2023. 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 28, 2024 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 28, 2024

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, 2023 and 2022. 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 $448.8 million during 2023; the largest one year increase in SAWS' history.
- Total assets and deferred outflows of resources increased $574.5 million from 2022 to 2023.
- SAWS experienced growth of 1.7% in both water and wastewater connections, reflecting the continued strong population growth in the San Antonio region. Capital recovery fees totaled nearly $115.8 million.
- Total debt coverage was 1.99x for 2023 compared to 2.20x for 2022.
- SAWS' redeemed $89.7 million in bonds with cash on hand while refunding for savings an additional $39.7 million to minimize current and future debt service.
- Implemented SAWS' Uplift program rate structure resulting in significant savings for qualifying residential customers.

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				**2023-2022**		**2022-2021**	
		As of December 31,		**Increase**	**%**	**Increase**	**%**
(amounts in thousands)	**2023**	**2022***	**2021***	**(Decrease)**	**Change**	**(Decrease)**	**Change**
Current assets	$ 1,050,822	$ 939,308	$ 845,914	$ 111,514	12%	$ 93,394	11%
Capital assets, net	8,000,711	7,485,969	7,118,529	514,742	7%	367,440	5%
Other non-current assets	575,109	685,541	644,417	(110,432)	(16%)	41,124	6%
Total Assets	9,626,642	9,110,818	8,608,860	515,824	6%	501,958	6%
Deferred outflows of resources	142,507	83,829	90,960	58,678	70%	(7,131)	(8%)
Total Assets and Deferred Outflows of Resources	9,769,149	9,194,647	8,699,820	574,502	6%	494,827	6%
Current liabilities	285,611	248,007	232,990	37,604	15%	15,017	6%
Non-current liabilities	4,511,954	4,374,302	4,333,561	137,652	3%	40,741	1%
Total Liabilities	4,797,565	4,622,309	4,566,551	175,256	4%	55,758	1%
Deferred inflows of resources	43,280	92,833	70,543	(49,553)	(53%)	22,290	32%
Total Liabilities and Deferred Inflows of Resources	4,840,845	4,715,142	4,637,094	125,703	3%	78,048	2%
Net Position:							
Net investment in capital assets	3,915,779	3,521,956	3,182,415	393,823	11%	339,541	11%
Restricted	347,874	408,636	406,437	(60,762)	(15%)	2,199	1%
Unrestricted	664,651	548,913	473,874	115,738	21%	75,039	16%
Total Net Position	$ 4,928,304	$ 4,479,505	$ 4,062,726	$ 448,799	10%	$ 416,779	10%

* 2022 and 2021 were restated in 2023 due to the implementation of GASB Statement No. 96. See Note O for more information.

Net Position

SAWS' net position increased $448.8 million from 2022 to 2023 and increased $416.8 million from 2021 to 2022. 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 $393.8 million between 2022 and 2023 and $339.6 million from 2021 to 2022.

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 decreased $60.8 million from 2022 to 2023 due to reductions in funds restricted for construction as well as funds restricted for pension and OPEB benefits. Funds restricted for construction decreased $43.6 million from 2022 to 2023 as capital recovery fees expended on capital projects of $128.8 million and $30.5 million used to defease debt more than offset the $115.7 milllion in capital recovery fees collected during the year. Funds restricted for pension and OPEB benefits declined by $16.8 million largely as a result of 2022 investment performance within the pension and OPEB trusts coming in well short of projected levels. 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.

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 $115.7 million from 2022 to 2023 and by $75.0 million from 2021 to 2022 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 2023, SAWS recorded a change in net position of $448.8 million, which consisted of income before capital contributions of $103.9 million and capital contributions of $344.9 million. In 2022, SAWS recorded a change in net position of $416.8 million, which consisted of income before capital contributions of $135.0 million and capital contributions of $281.7 million.

CONDENSED REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION				2023-2022		2022-2021	
	As of December 31,				%		%
(amounts in thousands)	2023	2022*	2021*	Variance	Change	Variance	Change
Operating revenues							
Water delivery system	$ 229,736	$ 244,748	$ 215,484	$ (15,012)	(6%)	$ 29,264	14%
Water supply system	321,506	325,485	273,008	(3,979)	(1%)	52,477	19%
Wastewater system	299,438	295,162	280,014	4,276	1%	15,148	5%
Chilled water	12,090	11,712	10,826	378	3%	886	8%
Total operating revenues	862,770	877,107	779,332	(14,337)	(2%)	97,775	13%
Operating expenses							
Salaries and fringe benefits	198,619	149,045	154,788	(49,574)	(33%)	5,743	4%
Contractual services	223,188	216,121	203,552	(7,067)	(3%)	(12,569)	(6%)
Materials and supplies	43,446	34,638	27,707	(8,808)	(25%)	(6,931)	(25%)
Other charges	(3,496)	(41,371)	(5,714)	(37,875)	92%	35,657	(624%)
Less costs capitalized to construction in progress	(39,118)	(30,647)	(31,244)	8,471	(28%)	(597)	2%
Depreciation and amortization expense	222,464	208,891	199,396	(13,573)	(6%)	(9,495)	(5%)
Total operating expenses	645,103	536,677	548,485	(108,426)	(20%)	11,808	2%
Non-operating revenues/(expenses)							
Interest earned and miscellaneous	45,624	17,272	8,025	28,352	164%	9,247	115%
Gain/(Loss) on investments - mark to market	26,431	(41,325)	(9,679)	67,756	(164%)	(31,646)	327%
Interest expense on revenue bonds & commercial paper	(107,145)	(92,590)	(92,318)	(14,555)	16%	(272)	0%
Interest expense on contract payable	(44,463)	(45,116)	(45,930)	653	(1%)	814	(2%)
Debt issuance and bond defeasance costs	(1,876)	(2,857)	(2,293)	981	(34%)	(564)	25%
Other finance charges	(2,280)	(2,089)	(1,319)	(191)	9%	(770)	58%
Gain on defeased debt and bond retirement	3,367	2,462	326	905	37%	2,136	655%
Gain on sale of capital assets	1,001	308	2,376	693	225%	(2,068)	(87%)
Payments to City of San Antonio	(34,460)	(34,262)	(30,162)	(198)	1%	(4,100)	14%
Payments to other entities	-	-	(23)	-	N/A	23	(100%)
Total non-operating revenues/expenses	(113,801)	(198,197)	(170,997)	84,396	(43%)	(27,200)	16%
Special item - plant impairment	-	(7,200)	-	7,200		(7,200)	
Increase in net position before capital contributions	103,866	135,033	59,850	(31,167)	(23%)	75,183	126%
Capital Contributions	344,933	281,746	239,655	63,187	22%	42,091	18%
Change in Net Position	448,799	416,779	299,505	32,020	8%	117,274	39%
Net Position, beginning of year	4,479,505	4,062,726	3,763,221	416,779	10%	299,505	8%
Net Position, end of year	$ 4,928,304	$ 4,479,505	$ 4,062,726	$ 448,799	10%	$ 416,779	10%

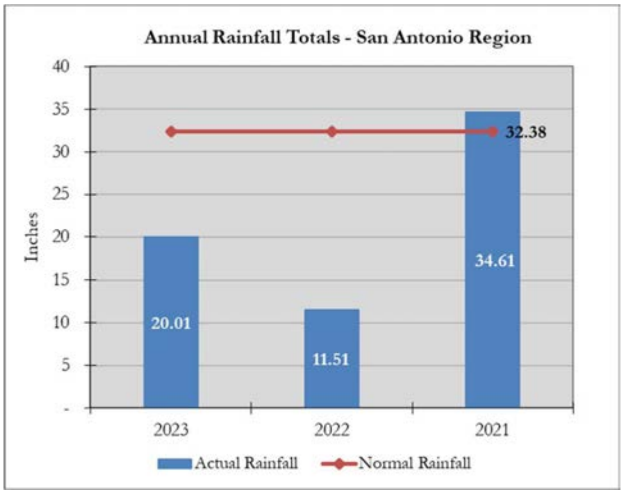
* 2022 and 2021 were restated in 2023 due to the implementation of GASB Statement No. 96. See Note O for more information.

Operating Revenues

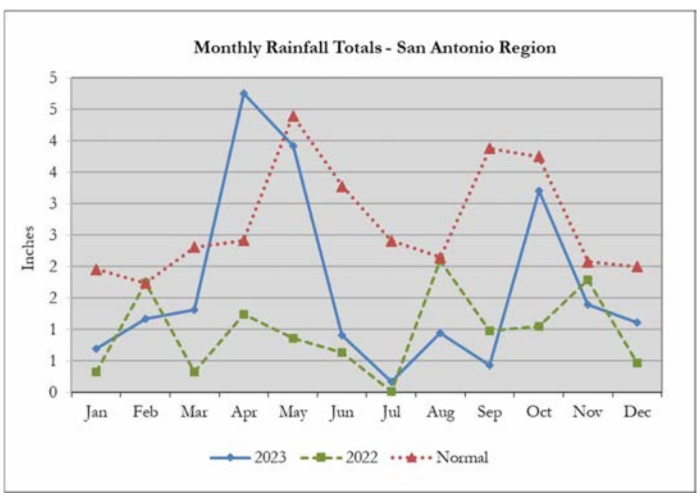
SAWS' operating revenues are provided by its four core businesses: Water Delivery, Water Supply, Wastewater, and Chilled Water. Changes in operating revenues from year to year generally reflect weather conditions, customer growth and changes in rates for service. SAWS' operating revenues decreased from $877.1 million in 2022 to $862.8 million in 2023. This decrease is primarily due to a 2.7% reduction in billed water usage with total metered usage declining from the record level of 71.2 billion gallons in 2022 to the second highest level in SAWS history of 69.3 billion gallons in 2023.

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 primarily dependent upon the size of the customer's water meter and a volume charge that relates to the customer's metered water usage.

2023 Water Delivery operating revenues of $229.7 milllion declined by $15.0 million or 6.1% as compared to 2022. As previously mentioned, this decline resulted from an overall reduction in metered water usage but also reflected a more significant reduction in usage within the highest tiers of SAWS' inclining block water rate structure. Water Delivery operating revenues increased $29.3 million or 13.6% to $244.7 million from 2021 to 2022 primarily due to the increase in billed water usage from 64.0 billion gallons in 2021 to 71.2 billion gallons.



Total rainfall for 2023 of 20.01 inches was 38% below normal but was 74% above the 2022 level of 11.51 inches which was the second driest year on record for San Antonio. The continued dry conditions in 2023 were also accompanied by extreme heat with San Antonio recording high temperatures above 100 degrees a record 75 times during the year and setting a new record for the highest annual average temperature.



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 decreased $4.0 million or 1.2% from 2022 to 2023 due to the reduction in the overall level of metered water usage discussed previously. Water Supply operating revenues increased $52.5 million or 19.2% from 2021 to $325.5 million in 2022 primarily due to an 11.2% increase in billed water usage resulting from the extremely dry conditions.

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.

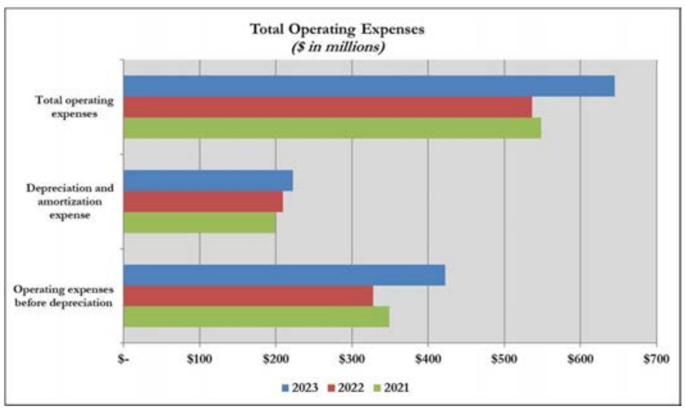
The following chart depicts SAWS' AWC since 2000. While periods of extremely dry weather lead to spikes in the AWC, water conservation efforts have resulted in an overall downward trend in the AWC. The AWC reached its all-time low of 4,828 gallons in 2019, experienced a 3.4% increase to 4,992 gallons in 2020 and has since hovered right around 5,000 gallons with averages of 4,973 gallons in 2021, 4,945 gallons in 2022, and 5,037 gallons in 2023.

2023 Wastewater customer growth of 1.7% is largely responsible for the 1.7% increase in wastewater gallons billed and the 1.4% increase in Wastewater operating revenues during the year. 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 general class usage was primarily due to the continued economic rebound experienced by many of these customers subsequent to the COVID related economic slow down.

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 $0.4 million or 3.2% compared to 2022 levels. This increase is attributable to the 12% increase in the demand charge for this business unit which was implemented in early 2023 partially offset by a reduction in the commodity portion of the bill resulting from the installation of more efficient chillers and lower fuel adjustment charges. 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 represented the first such increase in more than 15 years, as well as higher energy pass-through charges.

Operating Expenses

Total 2023 operating expenses of $645.1 million increased $108.4 million or 20.2% from 2022 largely due to increases in salaries, pension, other post employment benefits (OPEB), and system maintence costs. Salaries and Benefits increased $49.6 million or 33.3% from 2022 due to inflationary pressure on wages, an increase in the number of employees and the non-cash impact to pension expense associated with the market value decline of pension assets in 2022. Partially offsetting these expense increases was a $4.3 million decrease in contributions to SAWS OPEB plan reflecting the fully funded status of the plan. Contractual Services and Materials and Supplies increased a combined $15.9 million or 6.3% in 2023 primarily reflecting increased spending on contractual water supplies, chemicals, and system maintenance costs associated with inflationary pressures and drought related system repairs. Water main repairs for both 2022 and 2023 were 50% more than the average for the previous five years due to drought conditions and higher than normal summer temperatures. Other Charges increased $37.9 million or 91.5% due to a $31.7 million increase in OPEB expense and a $5.8 million increase in the write-off of construction projects. While the OPEB expense was negative for both 2023 and 2022 due to changes in plan assumptions and experience, the net credit to expense in 2022 was significantly greater than 2023. SAWS has taken a number of steps during the last several years to reduce its liability associated with OPEB. In 2022, SAWS changed Medicare Advantage providers. The new contract provides coverage at no charge to the employer and retirees for three years resulting in the larger credit to OPEB expense in 2022. Depreciation and amortization expense increased $13.6 million or 6.5% in 2023 as a result of capital additions during the year.



Total 2022 operating expenses of $536.7 million decreased $11.8 million or 2.2% from 2021 largely due to decreases in pension and OPEB expenses. Contractual services increased $12.6 million or 6.2% 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 $9.5 million or 4.8% 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 pension related credits for active employees. Other Charges decreased $35.7 million from 2021 primarily due to 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 adjustments recorded on SAWS' investment portfolio and the federal interest subsidy on SAWS Build America Bonds (BABs). In 2023, short-term interest rates continued to rise from their historically low levels contributing to an increase in interest income of $28.4 million from 2022. As lower interest rate investments matured during the year, a portion of the previously recorded mark to market losses was reversed. This resulted in the recording of $26.4 million in mark to market gains in 2023 as compared to the $41.3 million of mark to market losses recorded in 2022. During 2022, the rising short term rates resulted in a $9.2 million increase in interest income from 2021 and a ($31.6) million increase in unrealized losses from 2021.

Non-operating expenses increased $11.7 million or 6.7% in 2023 due to an increase in interest incurred on outstanding bonds and commercial paper. Outstanding bonds and commercial paper increase $73.2 million or 2.1%. The increase in debt combined with somewhat higher yields on recently issued fixed and variable rate debt contributed to the increase in interest expense.

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. In addition, the Medina Treatment Plant that had been idled since 2015 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. See Note P for more information.

Capital Contributions

Capital contributions for 2023 totaled $344.9 million which represents an increase of $63.2 million from 2022 while in 2022, capital contributions totaled $281.7 million, an increase of $42.1 million from 2021. Development activity within San Antonio in 2023 declined to some degree compared to the last two years but was still quite strong with 2023 growth in both water and wastewater customers of 1.7%. During 2023, SAWS experienced a decline of $15.3 million in combined capital recovery fees and contributions in aid of construction but saw an increase of $78.5 million in plant contributions. The significant growth in plant contributions during 2023 continues the strong growth trend SAWS has experienced in this category for the last several years. Among the drivers for this growth are the overall increase in construction costs, an increase in the use of trilateral oversizing projects by developers, and a concerted effort to moreYes timely process and close out these transactions by SAWS' staff.

The $42.1 million increase in capital contributions in 2022 reflects many of the same drivers discussed above related to the 2023 increase with the growth in plant contributions again being the driving factor in the overall increase.

CAPITAL CONTRIBUTIONS				2023-2022		2022-2021	
	As of December 31,			Increase	%	Increase	%
($ in thousands)	**2023**	**2022**	**2021**	**(Decrease)**	**Change**	**(Decrease)**	**Change**
Plant Contributions	$ 217,694	$ 139,211	$ 101,251	$ 78,483	56%	$ 37,960	37%
Capital Recovery Fees	115,747	129,788	136,963	(14,041)	(11%)	(7,175)	(5%)
Grants and Contributions in Aid of Construction	11,492	12,747	1,441	(1,255)	(10%)	11,306	785%
Total Capital Contributions	$ 344,933	$ 281,746	$ 239,655	$ 63,187	22%	$ 42,091	18%

CAPITAL ASSET ACTIVITY

During 2023, SAWS' total capital assets (net of accumulated depreciation) grew from $7.5 billion to $8.0 billion, while during 2022, net capital assets increased from $7.1 billion to $7.5 billion. The increase from 2022 to 2023 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 $744.4 million in 2023 and $587.3 million in 2022.

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

CAPITAL ASSETS				**2023-2022**		**2022-2021**	
		As of December 31,		**Increase**	**%**	**Increase**	**%**
($ in thousands)	**2023**	**2022**	**2021**	**(Decrease)**	**Change**	**(Decrease)**	**Change**
Infrastructure	$ 7,576,228	$ 6,992,208	$ 6,692,236	$ 584,020	8%	$ 299,972	4%
Buildings and improvements	1,102,925	1,081,132	1,066,093	21,793	2%	15,039	1%
Machinery and equipment	856,970	834,233	800,075	22,737	3%	34,158	4%
Water rights	248,881	248,881	248,881	-	0%	-	0%
Land	181,075	173,669	169,022	7,406	4%	4,647	3%
Intangibles	75,299	68,066	58,835	7,233	11%	9,231	16%
Construction in progress	830,450	775,306	603,821	55,144	7%	171,485	28%
Less Accumulated depreciation	(2,871,117)	(2,687,526)	(2,520,435)	183,591	7%	167,091	7%
Total Capital Assets	$ 8,000,711	$ 7,485,969	$ 7,118,528	$ 514,742	7%	$ 367,441	5%

Major capital asset spending for the year ended December 31, 2023 included the following projects:

- E-54 Sanitary Sewer Project – This project, which is part of the Consent Decree, will extend 30-inch gravity sewer mains for approximately 3 miles while also externding dual 30-inch force mains for almost a mile to a newly constructed regional lift station to be constructed as part of the project. Spending during the year totaled $29.9 million and this project was in progress at year end, with a capital investment over the term of the project currently estimated at $33.8 million.

- Northeast Service Center – This project involves the construction of a new operations center on the northeast side of San Antonio. This facility includes new administration, fleet, and supply buildings as well as fueling islands with above ground fuel storage tanks, parking and materials storage areas. Spending during the year totaled $22.0 million and this project was in progress at year end, with a capital investment over the term of the project currently estimated at $30.5 million.

- Helotes Creek Gravity Main and Lift Station Elimination – This project consists of constructing approximately 2.5 miles of 15-inch to 27-inch gravity sewer mains and the elimination of a lift station. Spending during the year totaled $20.5 million and this project was in progress at year end, with a capital investment over the term of the project currently estimated at $22.4 million

- W-6 Upper Segment: Hwy 90 to SW Military – This project, which is part of the Consent Decree and is the single largest construction project in the history of SAWS, involves replacing aging and under capacity infrastructure that currently runs through Lackland Air Force Base. Spending during the year totaled $17.6 million bringing the total spent to $198.1 million. This project was placed into service during March 2023.

- ConnectH2O Advanced Metering Infrastructure (AMI) – This project consists of the full system-wide deployment of more than 600,000 AMI water meters over the next several years and will allow customers to access their hourly water usage online and to receive continuous water usage alerts. During 2023, a total of 46,377 AMI meters were installed at a total cost of $35.7 million, bringing cumulative project to date installations to 90,163 and capital investment to $62.4 million. The capital investment over the life of the project is currently estimated to total $225 million.

Construction in progress was $830.5 million at December 31, 2023 and $775.3 million at December 31, 2022. 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 $835.9 million as of December 31, 2023. For further information on capital assets, refer to Note E.

LONG-TERM DEBT ACTIVITY

In 2023, SAWS issued $289.2 million in junior lien bonds. The proceeds of the bonds, including premiums, were used to refund $39.7 million in revenue bonds, provide funds for capital improvement projects and pay the cost of issuance. Additionally, SAWS used cash on hand to redeem $89.6 million in revenue bonds originally issued in 2013 and 2014.

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 originally issued in 2012.

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 July 2023, the three major rating agencies, S&P Global , Fitch Ratings , and Moody's Investors Service affirmed SAWS' 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 updated in 2023 based on an extension of a revolving credit agreement with JPMorgan Chase Bank, N.A., and a new revolving credit agreement with Truist Bank. For additional information on the commercial paper program, refer to Note H.

BOND AND COMMERCIAL PAPER RATINGS

	Senior Lien Debt	Junior Lien Debt	Tax-Exempt Commercial Paper Series A	Tax-Exempt Commercial Paper 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, 2023, and 2022, 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 2021, 2022 and 2023 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. With the adoption in 2023 of GASB 96 (Subscription-Based-Information Technology Arrangements), SAWS also treats payments made under subscription agreements as operating expense to be consistent with SAWS bond ordinances.

FINANCIAL RATIOS	2023	2022	2021
Current Year Debt Coverage‡:			
Senior Lien Debt	102.20x	30.19x	10.30x
All Debt	1.99x	2.20x	1.69x
Maximum Annual Debt Coverage‡:			
Senior Lien Debt	33.67x	30.19x	10.30x
All Debt	1.70x	1.88x	1.57x
Net Position Ratio			
(net position/total liabilities + net position)	50.5%	48.7%	46.7%
Days Cash on Hand			
(unrestricted cash & investments/O&M expense before depreciation * 365)	523	490	452

‡ Debt service is net of federal interest subsidy.

ECONOMIC OUTLOOK FOR THE FUTURE

SAWS last general rate increase took effect in January 2020. Since that time a number of new financial challenges have arisen including more extreme weather patterns, significant inflationary pressures, and new regulatory requirements. These new challenges compound some of the already existing challenges such as the need for significant capital investment to sustain, restore and modernize the facilities and infrastructure that support SAWS' mission to provide *Sustainable, Affordable Water Services*. All of these factors were taken into consideration in developing SAWS' 2024 Annual Operating Budget and Capital Improvement Program. Despite a projected growth in operating costs largely attributable to the hiring of additional personnel to focus on two key initiatives, and the growth in debt service costs associated with financing a portion of the $568 million capital improvement progrom for 2024, SAWS has adopted a budget which does not include any rate adjustments for core water and sewer services. The 2024 budget does include rate adjustments for users of SAWS' Recycled and Chilled Water services of 10% and 12%, respectively. Combined these rate adjustments are projected to increase operating revenues by slightly more than $2 million.

Looking beyond 2024, SAWS' is currently forecasting required capital improvements averaging more than $560 million for each of the years 2025 – 2028. Given the excellent financial condition of the organization, including its strong balance of cash reserves, SAWS does anticipate being able to mitigate future rate adjustments to some degree, however, it does anticipate the need for future rate adjustments potentially starting as soon as 2025.

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, please contact the following:

Douglas P. Evanson
Executive Vice President/Chief Financial Officer
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, 2023	December 31, 2022 (Restated)
CURRENT ASSETS		
Unrestricted Current Assets		
Cash and cash equivalents	$ 234,813	$ 222,058
Investments	471,940	394,966
Accounts receivable, net of allowances for uncollectible accounts	88,195	86,062
Other current assets	21,548	20,596
Total unrestricted current assets	816,496	723,682
Restricted Current Assets:		
Cash and cash equivalents	150,487	23,902
Investments	83,839	191,724
Total restricted current assets	234,326	215,626
Total Current Assets	1,050,822	939,308
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Accounts receivable	3,635	3,959
Restricted Noncurrent Assets:		
Cash and cash equivalents	231,216	117,088
Investments	295,618	503,034
Net pension asset	241	22,421
Net OPEB asset	44,399	39,039
Capital Assets:		
Utility plant in service	9,611,052	8,975,269
Less allowance for depreciation	2,871,117	2,687,526
	6,739,935	6,287,743
Land, water rights and other intangible assets	430,326	422,920
Construction in progress	830,450	775,306
Total capital assets (net of accumulated depreciation)	8,000,711	7,485,969
Total Noncurrent Assets	8,575,820	8,171,510
TOTAL ASSETS	9,626,642	9,110,818
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on bond refunding	17,886	21,332
Deferred outflows - asset retirement obligations	44,314	35,462
Deferred outflows - pension	59,092	14,928
Deferred outflows - OPEB	18,819	10,554
Accumulated decrease in fair value of hedging derivative instrument	2,396	1,553
Total Deferred Outflows of Resources	142,507	83,829
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,769,149	$ 9,194,647

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

	December 31, 2023	December 31, 2022 (Restated)
CURRENT LIABILITIES		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	$ 60,517	$ 41,204
Customers' deposits	15,994	17,197
Contract payable	17,708	17,033
Accrued vacation payable	7,547	7,024
Accrued payroll and benefits	3,235	2,508
Accrued claims payable	8,938	8,513
Sundry payables and accruals	3,324	2,535
Total unrestricted current liabilities	117,263	96,014
Current Liabilities To Be Paid From Restricted Assets		
Accrued interest payable	17,874	17,641
Payables under construction contracts	75,404	55,967
Commercial paper notes	4,850	4,640
Revenue bonds payable within one year	70,220	73,745
Total restricted current liabilities	168,348	151,993
Total Current Liabilities	285,611	248,007
NONCURRENT LIABILITIES		
Contract payable	851,233	870,799
Subscriptions payable	3,456	4,705
Accrued vacation payable	9,237	8,608
Net pension liability	73,045	2,671
Asset retirement obligation	50,729	40,305
Derivative instrument	3,987	3,434
Commercial paper notes	220,095	224,945
Revenue bonds payable after one year, net of unamortized premiums and discounts	3,300,172	3,218,835
Total Noncurrent Liabilities	4,511,954	4,374,302
TOTAL LIABILITIES	4,797,565	4,622,309
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	1,831	47,121
Deferred inflows - OPEB	28,767	32,893
Deferred inflows - gain on bond refunding	8,723	8,555
Deferred inflows - leases	3,959	4,264
Total Deferred Inflows of Resources	43,280	92,833
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,840,845	4,715,142
NET POSITION		
Net investment in capital assets	3,915,779	3,521,956
Restricted for operating reserve	83,839	78,553
Restricted for debt service	57,209	63,465
Restricted for debt service reserve	12,887	12,275
Restricted for construction	149,299	192,883
Restricted for pension and OPEB benefits	44,640	61,460
Unrestricted	664,651	548,913
TOTAL NET POSITION	$ 4,928,304	$ 4,479,505

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)

	2023	2022 (Restated)
OPERATING REVENUES		
Water delivery system	$ 229,736	$ 244,748
Water supply system	321,506	325,485
Wastewater system	299,438	295,162
Chilled water system	12,090	11,712
Total operating revenues	862,770	877,107
OPERATING EXPENSES		
Salaries and fringe benefits	198,619	149,045
Contractual services	223,188	216,121
Material and supplies	43,446	34,638
Other charges	(3,496)	(41,371)
Less costs capitalized to construction in progress	(39,118)	(30,647)
Total operating expenses before depreciation	422,639	327,786
Depreciation and amortization expense	222,464	208,891
Total operating expenses	645,103	536,677
Operating income	217,667	340,430
NON-OPERATING REVENUES/(EXPENSES)		
Interest earned and miscellaneous	72,055	(24,053)
Interest expense on revenue bonds and commercial paper	(107,112)	(92,582)
Interest expense on contract and subscriptions payable	(44,496)	(45,124)
Debt issuance and bond defeasance costs	(1,876)	(2,857)
Other finance charges	(2,280)	(2,089)
Gain on defeased debt and bond retirement	3,367	2,462
Gain on sale of capital assets	1,001	308
Payments to the City of San Antonio	(34,460)	(34,262)
Total non-operating revenues/(expenses)	(113,801)	(198,197)
Increase in net position, before special item and capital contributions	103,866	142,233
Special item - plant impairment	-	(7,200)
Increase in net position, before capital contributions	103,866	135,033
Capital contributions	344,933	281,746
CHANGE IN NET POSITION	448,799	416,779
NET POSITION, BEGINNING OF YEAR	4,479,505	4,062,726
NET POSITION, END OF YEAR	$ 4,928,304	$ 4,479,505

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)

	2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 852,182	$ 865,300
Cash received from stormwater and other third party billings	70,744	67,824
Cash paid to vendors for operations	(253,091)	(253,306)
Cash paid to employees for services	(154,200)	(134,157)
Cash paid to third parties for stormwater and other third party billings	(70,505)	(67,650)
Net cash provided by operating activities	445,130	478,011
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to the City of San Antonio	(26,506)	(26,833)
Net cash used for noncapital financing activities	(26,506)	(26,833)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	1,073	561
Proceeds from capital recovery fees	115,747	129,788
Proceeds from contributions in aid of construction	11,492	12,747
Payments for the acquisition and construction of plant and equipment	(507,181)	(431,570)
Payment for principal on contract payable	(18,891)	(16,168)
Payment for principal on subscriptions payable	(1,143)	(938)
Payment of interest on contract and subscriptions payable	(44,496)	(45,124)
Proceeds from commercial paper	2,000	100,000
Payments for retirement of commercial paper	(6,640)	(104,435)
Proceeds from revenue bonds	275,438	275,000
Payments for retirement/refunding of revenue bonds	(163,390)	(80,910)
Payment for cash defeasance of bonds	-	(70,939)
Payments of interest on commercial paper	(7,593)	(4,329)
Payments of interest on revenue bonds	(127,049)	(114,464)
Payments for bond related expenses	(1,657)	(702)
Payments for bank charges	(2,683)	(1,687)
Net cash used for capital and related financing activities	(474,973)	(353,170)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(225,049)	(431,031)
Maturity of investments	489,823	253,255
Interest income and other	45,043	15,828
Net cash used for investing activities	309,817	(161,948)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	253,468	(63,940)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	363,048	426,988
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 616,516	$ 363,048

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)

	2023	2022 (Restated)
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO STATEMENTS OF NET POSITION		
Cash and Cash Equivalents		
Unrestricted	$ 234,813	$ 222,058
Restricted		
Current	150,487	23,902
Non-Current	231,216	117,088
	$ 616,516	$ 363,048
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 217,667	$ 340,430
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash revenues from City of San Antonio	(7,954)	(7,429)
Provision for uncollectible accounts	8,453	4,482
Charge-off of prior year construction expenditures to operating expense	8,726	2,887
Charge-off of asset retirement obligation	-	(141)
Depreciation and amortization expense	222,464	208,891
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Increase in accounts receivable	(10,260)	(4,647)
Increase in other current assets	(386)	(2,504)
Decrease in deferred outflows - Pension	(44,164)	(1,256)
(Increase)/Decrease in deferred outflows - OPEB	(8,265)	2,264
(Increase)/Decrease in accounts payable	19,592	6,553
Increase/(Decrease) in customers' deposits	(1,203)	630
Increase in accrued vacation payable	1,152	2,098
Increase in accrued payroll and benefits	727	769
Increase/(Decrease) in claims payables	425	(309)
Increase/(Decrease) in sundry payables and accruals	683	(289)
Decrease in net pension liability/(asset)	92,554	(32,656)
Decrease in net OPEB liability/(asset)	(5,360)	(55,497)
Increase in deferred inflows - Pension	(45,290)	14,409
Increase/(Decrease) in deferred inflows - OPEB	(4,126)	(386)
Increase/(Decrease) in deferred inflows - Leases	(305)	(288)
Total adjustments	227,463	137,581
Net cash provided by operating activities	$ 445,130	$ 478,011
NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES		
Plant contributions received from developers	$ 217,694	$ 139,211
Accrued but unpaid liabilities related to capital acquisitions	75,404	55,967
Unrealized (gain)/loss on investments	(26,431)	41,325
Bond proceeds deposited into an escrow account for purposes of refunding	40,387	201,399
Subscription assets aquired	-	5,347
Impairment loss	-	7,200
Retirement of vehicle lease liability	-	(219)
Noncash payments to City of San Antonio	7,954	7,429
Total noncash capital and financing activities	$ 315,008	$ 457,659

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San Antonio Water System Fiduciary Funds
STATEMENTS OF FIDUCIARY NET POSITION
(amounts in thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 116,883	$ 217
Investments, at fair value		
Mutual funds - stock	170,039	205,805
Mutual funds - bonds	114,540	147,474
Other Investments	44,114	39,135
Total Investments	328,693	392,414
TOTAL ASSETS	445,576	392,631
LIABILITIES	-	-
Net position restricted for pensions	320,836	285,051
Net position restricted for OPEB	124,740	107,580
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	$ 445,576	$ 392,631

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the years ended December 31,
(amounts in thousands)

	2023	2022
ADDITIONS		
Employer contributions	$ 14,039	$ 18,487
Participant contributions	4,605	3,910
Investment income/(loss)	52,583	(66,531)
Total additions	71,227	(44,134)
DEDUCTIONS		
Benefit payments	17,750	17,410
Administrative expenses	532	493
Total deductions	18,282	17,903
NET INCREASE/(DECREASE) IN NET POSITION	52,945	(62,037)
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - BEGINNING	392,631	454,668
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - ENDING	$ 445,576	$ 392,631

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

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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 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. SAWS has no agreements covered by this pronouncement. There was no impact to the financials 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. SAWS restated balances as of December 31, 2022 to reflect the addition of $6,892,000 of subscription assets, $5,848,000 of subscription liability and recognized $493,000 of amortization expense. Please see Notes N and O to the financial statements for additional information.

- 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). SAWS implemented paragraphs 11-17 in 2022 in conjunction with GASB Statement No. 87. Paragraphs 26-32 were effective on issuance; SAWS was not impacted by these paragraphs. SAWS implemented paragraphs 18-25 in 2023 with the implementation of GASB Statements No. 94 and No. 96. The requirements in paragraphs 4-10 are effective after June 15, 2023. SAWS will implement these paragraphs in 2024.

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 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.

- GASB Statement No. 102, *Certain Risk Disclosures*. This objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. The requirements for this Statement are effective for fiscal years beginning after June 15, 2024. SAWS is in the process of evaluating GASB Statement No. 102 and has yet to determine the financial impact. SAWS will implement this Statement in 2025.

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, Texas Municipal Retirement System (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 includes receivables from customers for services provided and the current and long-term portion of lease receivables associated with property rentals. Customer receivables 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 $11.9 million in 2023 and $16.5 million in 2022. A provision to increase the allowance for uncollectible accounts is recorded as an offset to operating revenue. The provision recorded to offset revenues was $8.5 million in 2023 and $4.5 million in 2022. In addition, SAWS recorded customer adjustments totaling $0.8 million in both 2023 and 2022.

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 $8.0 million at December 31, 2023 and $7.7 million at December 31, 2022. Prepaid expenses totaled $8.8 million at December 31, 2023 and $8.6 million at December 31, 2022. Interest receivable totaled $4.8 million at December 31, 2023 and $4.3 million at December 31, 2022.

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, development costs for internally generated computer software and subscription based information technology agreements. 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)	2 - 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 $7.8 million in 2023 and $8.0 million in 2022. 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 measures the lease receivable and the corresponding Deferred inflows – leases at the net present value of all payments. SAWS recognizes 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. SAWS provides other compensated absences such as sick and personal leave. These other forms of paid leave are not accrued as a terminating employee is only paid for accrued vacation 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: Contract Payables result from 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. SAWS has recorded a contract payable associated with its agreement with Vista Ridge LLC to purchase water. For more information on this agreement and the related contract payable, see Note I to the financial statements.

Subscriptions Payable: In accordance with GASB Statement No. 96, SAWS records the intangible right to use certain assets provided through subscription-based information technology agreements (SBITAs) and accrues a liability for future expenditures under these agreements. For more information on SAWS SBITAs see Notes N and O to the financial statements.

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. SAWS payment to the City is currently set at 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, 2023 and 2022.

(amounts in thousands)	December 31, 2023	December 31, 2022
Reported in Statements of Net Position:		
Cash and Cash Equivalents:		
Unrestricted	$ 234,813	$ 222,058
Restricted - current	150,487	23,902
Restricted - noncurrent	231,216	117,088
Total cash and cash equivalents	616,516	363,048
Investments:		
Unrestricted	471,940	394,966
Restricted - current	83,839	191,724
Restricted - noncurrent	295,618	503,034
Total investments	851,397	1,089,724
Total Cash, Cash Equivalents and Investments	$ 1,467,913	$ 1,452,772
Reported amounts in note for:		
Deposits	$ 18,822	$ 17,709
Investments	1,449,091	1,435,063
Total Deposits and Investments	$ 1,467,913	$ 1,452,772

Deposits: As of December 31, 2023, SAWS' general depository bank is JP Morgan Chase. As required by state law, all SAWS' deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2023 and 2022, 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, 2023, the bank balance of SAWS' demand accounts was $5,638,000 and the reported amount was $18,822,000, which included $18,000 of cash on hand. 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.

Investments: As of December 31, 2023, and 2022, 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, 2023, 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, 2023 and 2022.

December 31, 2023

(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	$ 143,117	$ 143,117	10%	AAA	398
U.S. Agency Notes	517,451	517,464	36%	AA+	648
Municipal Bonds	165,827	165,827	11%	AAA to AA-	515
Money Market Funds					
Fidelity Instituional MMF	7,959	7,959	0%	AAAm	1
Morgan Stanley	16,628	16,628	1%	AAAm	1
Texas Class Investment Pool	198,933	198,933	14%	AAAm	1
Texpool Prime Local Government Pool	332,587	332,587	23%	AAAm	1
Texas FIT Cash Pool	41,517	41,517	3%	AAAf	1
Texas Term Investment Pool	25,000	25,000	2%	AAAf	147
Texas Daily Investment Pool	72	72	0%	AAAmmf	1
Total Investments	$ 1,449,091	$ 1,449,104	100%		336

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

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, 2023 the longest remaining maturity for any investment was approximately four years with approximately 66% of the investment portfolio maturing in less than one year. At December 31, 2022, the longest remaining maturity for any investment was approximately four years with 56% 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, 2023 and 2022, 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, 2023, and 2022, the percentage of the investment portfolio for government-sponsored issuers that represent 5% or more of the total investments was as follows:

	December 31, 2023	December 31, 2022
Federal Home Loan Bank	25%	32%

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, 2023 and 2022.

(amounts in thousands)	December 31,	Fair Value Measurements Using		
	2023	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury Securities	$ 143,117	$ 143,117	$ -	$ -
U.S. Agency Notes	517,464	-	517,464	-
Municipal Bonds	165,827	-	165,827	-
Texas Term Investment Pool	25,000	-	25,000	-
Total investments measured at fair value	$ 851,408	$ 143,117	$ 708,291	$ -

(amounts in thousands)	December 31,	Fair Value Measurements Using		
	2022	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	$ -

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, 2023 and 2022.

(amounts in thousands)	December 31, 2023	December 31, 2022
Restricted for:		
Operations	$ 83,839	$ 78,553
Debt Service	75,083	81,106
Debt Service Reserve	12,887	13,072
Construction - accrued liabilities	75,404	55,967
Construction - capital recovery fees	149,299	192,883
Construction - bond proceeds	364,648	414,167
Total Restricted Cash & Investments	$ 761,160	$ 835,748

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, 2023 and 2022 based on the allocation of the funds between junior lien and senior lien bond requirements.

(amounts in thousands)	December 31, 2023	December 31, 2022
Restricted for Junior Lien Bonds	$ 12,887	$ 13,072
Restricted for Senior Lien Bonds	-	-
Total Cash & Investments - Debt Service Reserve	$ 12,887	$ 13,072

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, all funds collected through the adoption of impact fees are deposited in interest bearing accounts related to the relevant impact fee categories and service areas. These impact fees are used for the purposes of funding capital improvements related to growth. However, these funds may also be used to repay the costs incurred by ratepayers to fund capital improvements related to growth.

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).

SAWS maintains 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. In December 2023, the policy for SAWS OPEB Plan was modified to shift the investments to a greater percentage in fixed income securities. Beginning in 2024, the policy is to invest 30% to 70% of its assets in fixed income securities, 10% to 50% in equity securities, 1% to 5% in real assets. 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, 2023 and 2022.

December 31, 2023
(dollars in thousands)

Investment Type	SAWSRP	DSPRP	SAWS OPEB Plan	Total All Plans	Allocation Based on Fair Value
Collective, Pooled & Mutual Funds:					
Domestic Equity	$ 107,422	$ 3,699	$ 3,160	$ 114,281	34.8%
International Equity	49,602	1,534	4,622	55,758	17.0%
Domestic Debt	114,000	465	75	114,540	34.8%
Real Estate	18,958	-	-	18,958	5.8%
Balanced/Asset Allocation	22,842	-	-	22,842	6.9%
Annuity	113	-	-	113	0.0%
Standard Insurance Company:					
Guaranteed Long-term Fund	-	2,201	-	2,201	0.7%
Total Investments	$ 312,937	$ 7,899	$ 7,857	$ 328,693	100.0%

In addition to the fiduciary fund investments held at December 31, 2023, the SAWS OPEB Plan had $116,883,000 in trades pending settlement that have been classified as Cash and Cash Equivalents in the Statement of Fiduciary Net Position at December 31, 2023. Once these pending trades were settled in January 2024, the investment allocation was within SAWS policy guidelines.

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%

The Standard Insurance Company Guaranteed Long-term Fund and the SAWSRP Annuity contracts are reported at contract value as of December 31, 2023 and 2022, 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, 2023 and 2022.

(dollars in thousands) Investment Type	December 31, 2023	Fair Value Measurement Using Level 1	Level 2	Level 3
Collective and Pooled Funds				
Domestic Equity	$ 114,281	$ 110,582	$ 3,699	$ -
International Equity	55,758	54,224	1,534	-
Domestic Debt	114,540	114,075	465	-
Real Estate	18,958	18,958	-	-
Balanced/Asset Allocation	22,842	22,842	-	-
Total Investments	$ 326,379	$ 320,681	$ 5,698	$ -

(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	$ -

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, 2023 and December 31, 2022 were not rated. The Standard Insurance Company Guaranteed Long-term Fund had a rating of A by S&P Global Ratings at December 31, 2023 and A at December 31, 2022.

Concentration of Credit Risk: As of December 31, 2023, and 2022, 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, 2023
Principal Core Plus Bond Separate Account-Z	29.42%
Principal LargeCap S&P 500 Index Separate Account-Z	16.73%
Principal MidCap S&P 400 Index SA-Z	8.99%
Principal Diversified International Separate Account-Z	8.85%
Principal SmallCap S&P 600 Index SA-Z	6.50%
Principal Intl SmallCap Separate Account-Z	6.20%
Principal US Property	5.77%
Principal High Yield Separate Account-Z	5.24%

	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%

Interest Rate Risk: The effective duration of the Domestic Debt funds was 6.2 years at December 31, 2023 and 5.5 years at December 31, 2022. The Standard Insurance Company Guaranteed Long-term Fund had an effective duration of 5.4 years at December 31, 2023 and 5.8 years at December 31, 2022.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2023 and 2022:

(amounts in thousands)	2023	2022
Current:		
Receivable from customers	$ 87,557	$ 89,260
Unbilled revenue	29,358	28,120
Receivable from leases & governmental agencies	1,280	1,355
Less: Allowance for doubtful accounts	(30,000)	(32,673)
	88,195	86,062
Noncurrent:		
Receivable from leases	3,635	3,959
Total accounts receivable	$ 91,830	$ 90,021

NOTE E – CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2023 is as follows:

(amounts in thousands)

	December 31, 2022 As Restated	Increases	Transfers	Decreases	December 31, 2023
Capital assets, not being depreciated:					
Land	$ 173,669	$ -	$ 7,406	$ -	$ 181,075
Water rights purchased	248,881	-	-	-	248,881
Other intangible assets	370	-	-	-	370
Construction in progress	775,306	731,155	(667,285)	8,726	830,450
Total capital assets, not being depreciated/amortized	1,198,226	731,155	(659,879)	8,726	1,260,776
Capital assets, being depreciated					
Structures and improvements	1,074,541	60	21,733	-	1,096,334
Pumping and purification equipment	287,592	1,391	73	-	289,056
Distribution and transmission system	3,790,555	-	226,251	12,829	4,003,977
Treatment facilties	3,201,653	-	389,927	19,329	3,572,251
Equipment and machinery	515,153	9,928	13,560	4,763	533,878
Furniture and fixtures	6,591	-	-	-	6,591
Computer equipment	31,488	1,795	1,207	454	34,036
Software	59,450	105	7,128	-	66,683
Intangible subscription assets	6,892	-	-	-	6,892
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	8,975,269	13,279	659,879	37,375	9,611,052
Less accumulated depreciation					
Structures and improvements	(329,141)	(28,334)	-	-	(357,475)
Pumping and purification equipment	(113,355)	(9,624)	-	-	(122,979)
Distribution and transmission system	(996,903)	(76,188)	-	(12,829)	(1,060,262)
Treatment facilties	(949,305)	(66,611)	-	(19,328)	(996,588)
Equipment and machinery	(217,742)	(30,839)	-	(4,708)	(243,873)
Furniture and fixtures	(6,428)	(47)	-	-	(6,475)
Computer equipment	(24,228)	(2,839)	-	(436)	(26,631)
Software	(49,076)	(5,144)	-	-	(54,220)
Intangible subscription assets	(493)	(1,198)	-	-	(1,691)
Other intangible assets	(855)	(68)	-	-	(923)
Total accumulated depreciation	(2,687,526)	(220,892)	-	(37,301)	(2,871,117)
Total capital assets, being depreciated/amortized	6,287,743	(207,613)	659,879	74	6,739,935
Capital assets, net	$ 7,485,969	$ 523,542	$ -	$ 8,800	$ 8,000,711

In addition to the 2023 depreciation expense of $220,892,000, SAWS recorded $1,572,000 in amortization expense for the Asset Retirement Obligation. See Note L to the financial statements for more information.

A summary of capital asset activity for the year ended December 31, 2022 is as follows:

(amounts in thousands)	12/31/2021 As Restated	Increases	Transfers	Decreases	December 31, 2022 As Restated
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
Intangible subscription assets	1,545	5,347	-	-	6,892
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	8,616,869	14,654	392,097	48,351	8,975,269
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)
Intangible subscription assets	(65)	(428)	-	-	(493)
Other intangible assets	(787)	(68)	-	-	(855)
Total accumulated depreciation	(2,520,435)	(207,988)	-	(40,897)	(2,687,526)
Total capital assets, being depreciated/amortized	6,096,434	(193,334)	392,097	7,454	6,287,743
Capital assets, net	$ 7,118,528	$ 377,783	$ -	$ 10,342	$ 7,485,969

The capital asset balances at December 31, 2022 and December 31, 2021 were restated to reflect the adoption of GASB 96. Subscription assets of $6,892,000 and accumulated subscription amortization of $493,000 were added. For more information, see Note O to the financial statements. In addition to the 2022 depreciation expense of $207,988,000, SAWS recorded $902,000 in amortization expense for the Asset Retirement Obligation. See Note L to the financial statements for more information.

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 $8.7 million in 2023 and $2.9 million in 2022. Additionally, during 2022 SAWS wrote of the remaining $7.2 million book value of a water treatment plant. See Note P for additional discussion.

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 2023 and 2022 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, 2023	$ 15,632	$ 8,699	$ (7,547)	$ 16,784	$ 7,547
Year Ended December 31, 2022	$ 13,534	$ 9,122	$ (7,024)	$ 15,632	$ 7,024

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 $750,000 of medical claims per person during 2023 and $500,000 during 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, 2023	$ 8,513	21,709	(21,284)	$ 8,938	$ 8,938
Year Ended December 31, 2022	8,821	19,374	(19,682)	8,513	8,513
Year Ended December 31, 2021	8,205	24,234	(23,618)	8,821	8,821

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 $59,745,000 at December 31, 2023 and $64,385,000 at December 31, 2022 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 $3,987,000 at December 31, 2023 and $3,434,000 at December 31, 2022. 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 $1,591,000 at December 31, 2023 and $1,881,000 at December 31, 2022.

Credit Risk: SAWS was not exposed to credit risk on its outstanding swap at December 31, 2023 and 2022 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, 2023, and Aa2 by Moody's Investors Service, A+ by S&P Global Ratings, and AA by Fitch Ratings as of December 31, 2022. 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, 2023, $59,745,000 of outstanding commercial paper with current maturities of approximately 65 days was hedged by the interest rate swap. 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. 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, 2023, 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
2024	$ 4,850	$ 2,176	$ 175	$ 7,201
2025	5,070	1,983	159	7,212
2026	5,305	1,782	144	7,231
2027	5,540	1,572	127	7,239
2028	5,795	1,352	109	7,256
2029 - 2033	33,185	3,095	249	36,529
Total	$ 59,745	$ 11,960	$ 963	$ 72,668

NOTE H – LONG TERM DEBT

REVENUE BONDS

On May 15, 2023, SAWS deposited $42,525,000 from available cash on hand to the paying agent for the redemption of $42,525,000 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2013B. The redemption of these bonds reduced future debt service by approximately $56,347,000 between 2023 and 2034.

On August 17, 2023, SAWS issued $289,165,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund). The proceeds from the sale of the bonds were used (i) finance capital improvement projects (ii) refund $39,700,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (Series 2013E) and (iii) pay the cost of issuance. The refunding of the Series 2013E bonds reduced future debt service by approximately $2.2 million and resulted in an economic gain of approximately $2.2 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 November 15, 2023, SAWS deposited $47,120,000 from available cash on hand to the paying agent for the redemption of $47,120,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2014A. The redemption of these bonds reduced future debt service by approximately $53,190,000 between 2024 and 2029.

Senior lien water system revenue bonds outstanding consist of the Series 2009B and Series 2010B, outstanding in the amount of $101,835,000 at both December 31, 2023 and December 31, 2022. 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, 2023 and 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 $288,250,000 at

December 31, 2023 and $301,960,000 at December 31, 2022. Interest rates on the TWDB junior lien fixed rate bonds range from 0.00% to 3.39%.

As of December 31, 2023, the remaining junior lien fixed rate revenue bonds consist of 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), Series 2022B (No Reserve Fund), and Series 2023A (No Reserve Fund) is outstanding in the amount of $2,323,025,000. Interest rates on these junior lien fixed rate bonds range from 2.0% 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 both December 31, 2023 and 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.

The direct placement revenue bonds of $288,250,000 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.

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.

The junior lien fixed rate revenue bonds other than those placed direct with TWDB totaled $2,223,240,000 at December 31, 2022 and consisted 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). Interest rates on these junior lien fixed rate bonds ranged from 2.00% to 5.25%.

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, 2023, SAWS had a recorded arbitrage liability of $2,161,000 related to the Series 2019B, 2020B, 2020D and 2022B junior lien bonds. As of December 31, 2022, SAWS had a recorded arbitrage liability of $23,000 related to the Series 2018B junior lien bonds.

The following tables summarize revenue bond transactions for the years ended December 31, 2023, and 2022.

	Balance January 1, 2023	Additions	Reductions/ Amortization	Balance December 31, 2023	Due Within One Year
Revenue Bonds	$ 2,689,565	$ 289,165	$ 189,380	$ 2,789,350	$ 56,385
Direct Placement Bonds	301,960	-	13,710	288,250	13,835
Unamortized premium	301,304	26,661	34,971	292,994	
Unamortized discount	(249)	-	(47)	(202)	
Total Bonds Payable, Net	$ 3,292,580	$ 315,826	$ 238,014	$ 3,370,392	$ 70,220

(*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

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*
2024	$ 56,385	$ 115,870	$ 1,908	$ 113,962	$ 13,835	$ 4,554	$ -	$ 8,654
2025	60,790	113,088	1,875	111,213	13,980	4,408	-	8,966
2026	66,300	110,043	1,797	108,246	14,155	4,242	-	8,966
2027	63,880	106,764	1,716	105,048	14,315	4,062	-	10,934
2028	64,570	103,565	1,650	101,915	14,510	3,869	5,425	10,853
2029 - 2033	463,190	453,929	7,361	446,568	76,035	15,892	72,730	49,390
2034 - 2038	618,310	321,749	4,286	317,463	54,670	10,095	125,475	38,148
2039 - 2043	450,220	186,981	283	186,698	57,945	4,709	112,865	17,000
2044 - 2048	359,025	96,699	-	96,699	25,100	625	37,810	4,253
2049 - 2053	222,190	20,804	-	20,804	3,705	20	10,185	153
	$ 2,424,860	$ 1,629,492	$ 20,876	$ 1,608,616	$ 288,250	$ 52,476	$ 364,490	$ 157,317

‡ 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 payments through September 30 2030.

*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, 2026; and the Revolving Credit Agreement with Truist Bank in the amount of $100 million, supporting the Series B Notes expiring October 31, 2028.

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 $224,945,000 are outstanding as of December 31, 2023, with all notes issued under the Subseries A-1 Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2023 range from 3.65% to 3.95% and maturities range from 62 to 124 days. All outstanding notes combined had an average rate of 3.80% and averaged 94 days to maturity. Commercial paper notes of $229,585,000 were outstanding as of December 31, 2022, with $227,585,000 outstanding under the Subseries A-1 Notes, and $2,000,000 outstanding under the 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 averaged 61 days to maturity.

The following tables summarize the outstanding and available balance of the commercial paper program for the years ended December 31, 2023 and December 31, 2022.

Year Ended December 31, 2023 *(amounts in thousands)* Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Subseries A-1 Notes	$ 400,000	$ 224,945	$ 175,055
Series B Notes	100,000	-	100,000
Total	$ 500,000	$ 224,945	$ 275,055

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

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 $4,850,000 of commercial paper in 2024. 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, 2023 and 2022.

Year Ended December 31, 2023 *(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	$ 227,585	$ 2,000	$ 4,640	$ 224,945	$ 4,850
Subseries A-2 Notes (Direct Placement)	2,000	-	2,000	-	-
Total	$ 229,585	$ 2,000	$ 6,640	$ 224,945	$ 4,850

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 C Notes (Direct Placement)	100,000	-	100,000	-	-
Total	$ 234,020	$ 100,000	$ 104,435	$ 229,585	$ 4,640

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 102.20x at December 31, 2023 and 30.19x at December 31, 2022. The current annual combined debt coverage ratio was 1.99x at December 31, 2023 and 2.20x at December 31, 2022.

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, 2023, 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, 2023, 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 2024 and others continuing until 2028. The annual cost per acre foot ranges from $100 to $140. Under these various agreements, SAWS paid $2.8 million in 2023 and $2.9 million 2022.

The future commitments under these agreements are as follows:

(dollars in thousands)	2024	2025	2026	2027	2028	Thereafter
Edwards Aquifer - lease payments	$ 1,298	$ 1,255	$ 1,263	$ 655	$ 337	$ -
Edwards Aquifer - acre feet leased	10,226	10,226	10,226	5,459	2,987	-

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 2024 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 $1,232 per acre foot in 2024 to approximately $1,839 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 $830 to $855 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 $1,326 in 2024 to $1,409 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 2024 and projects payments to landowners will be $1,600,000. 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 $532 per acre foot in 2024 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 2024 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 annually of untreated water from Medina Lake. Due to low lake levels and poor water quality, SAWS has not taken water form Medina Lake since 2015 and has paid around $3 million per year pursuant to the contract which was originally entered into by the former Bexar Metropolitan Water District. 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, 2023 was $175 per acre foot. The agreement has been amended several times with the current expiration of the agreement in 2049. During 2023, SAWS invoked the facilitated mediation process outlined within the agreement. These mediation efforts were not successful, and SAWS is now seeking a judicial declaration that the agreement is void on various grounds.

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 2024 through 2028 and 6,800 acre feet annually from 2029 to 2047. The average cost ranges from $1,079 to $1,543 per acre foot.

Total payments under these water purchase agreements were $27.6 million in 2023 and $28.9 million in 2022. 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)

	2024	2025	2026	2027	2028	Thereafter
Purchased water payments - fixed	$ 25,798	$ 26,035	$ 25,847	$ 26,373	$ 26,813	$ 519,896
Acre feet purchased - fixed	42,507	41,907	41,307	41,307	41,307	827,390
Purchased water payments - variable	$ 17,617	$ 17,496	$ 17,313	$ 10,162	$ 3,268	$ 29,106
Acre feet purchased - variable	13,756	13,129	12,505	6,999	1,995	12,841

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 $109 million in 2023 and $102.1 million in 2022 was spent 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.

Since the start of the contract in 2020, SAWS has paid for approximately 9,125 acre-feet of water that it was not able to receive. Consistent with the terms of the Agreement, SAWS recorded a prepaid asset at both December 31, 2023 and December 31, 2022 of $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 well fields, pumping and related treatment facilities and the pipeline, collectively known as 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 2023, 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 $868.9 million as of December 31, 2023. 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	*(Amounts in thousands)* Interest	Total
2024	$ 17,708	$ 43,920	$ 61,628
2025	18,398	43,061	61,459
2026	19,169	42,290	61,459
2027	19,977	41,482	61,459
2028	20,881	40,746	61,627
2029-2033	118,455	189,009	307,464
2034-2038	147,445	160,019	307,464
2039-2043	186,792	120,671	307,463
2044-2048	244,245	63,387	307,632
2049-2050	75,871	3,436	79,307
Total	$ 868,941	$ 748,021	$ 1,616,962

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, 2023, 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

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately $835.9 million as of December 31, 2023. 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 are estimated to be approximately $1.3 billion. As with any estimate, the actual amounts incurred could differ materially.

Through December 31, 2023, capital expenditures related to the Consent Decree totaled approximately $1.2 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 146 in 2023.

Mitchell Lake and adjacent wetlands cover approximately 600 acres which are legacy remnants of 19th-century wastewater reuse and disposal practices. With the passage of time, Mitchell Lake has become a unique and environmentally sensitive natural facility that is a wildlife refuge and an active destination attraction for birdwatchers from around the world. 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.

As a result of its past use as a waste management center for San Antonio, the EPA regulated discharges from Mitchell Lake, which can occur after significant rainfall events. In 2016, SAWS received an Administrative Order from the EPA that alleged SAWS violated its then existing Texas Pollutant Discharge Elimination System (wastewater) 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. SAWS was also successful in changing the wastewater permit to a Municipal Separate Storm Sewer System (stormwater) permit.

The EPA had accepted SAWS' proposed solution and established a deadline for completion of March 31, 2026; however, in early 2024, the EPA provided notice that it was withdrawing the Administrative Order. The EPA also advised that with the withdrawal of the Administrative Order, oversight of the wetlands project would transition to the TCEQ pursuant to its authority under the stormwater permit. Withdrawal of the Administrative Order removes EPA's enforcement authority, ability to assess penalties, and SAWS' potential liability associated with the Administrative Order. At this time, SAWS has provided notice to TCEQ of the withdrawal of the Administrative

Order and will work with EPA and TCEQ to develop an appropriate schedule of activities for the project going forward. Projected costs for the wetlands project are estimated to be approximately $72 million.

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 909 active 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 annual comprehensive 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 2022 and 2021 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, 2022	December 31, 2021
Active employees	1,722	1,680
Retirees and beneficiaries currently receiving benefits	1,405	1,377
Inactive members	899	823
Total	4,026	3,880

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 3.61% and 3.64% in calendar years 2023 and 2022, respectively. SAWS' contributions to TMRS totaled $5,267,000 and $4,510,000 for the years ended December 31, 2023 and 2022, respectively. These contributions equaled the required contributions.

SAWS Net Pension Liability for the TMRS plan as of December 31, 2023 and 2022 was measured as of December 31, 2022 and 2021, 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, 2022 and 2021 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 2023 and 2022, 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 2023 and 2022 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, 2023		December 31, 2022	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.0%	7.70%	35.0%	7.55%
Non-Core Fixed Income	20.0%	8.70%	20.0%	5.68%
Real Estate	12.0%	5.80%	12.0%	6.85%
Other Public & Private Markets	12.0%	8.10%	12.0%	7.22%
Private Equity	10.0%	11.80%	10.0%	10.00%
Core Fixed Income	6.0%	4.90%	6.0%	2.00%
Hedge Funds	5.0%	6.90%	5.0%	5.35%
Total	100.0%		100.0%	

The discount rate of 6.75% was used to measure the Total Pension Liability in the December 31, 2023 and 2022 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.

The following table summarizes the changes in the TMRS Net Pension Liability for the year ended December 31, 2023 and 2022 based on the measurement date of December 31, 2022 and 2021, respectively.

Changes in Net Pension Liability - TMRS
($ in thousands)

	2022 Increase (Decrease)			2021 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,	$ 255,314	$ 252,643	$ 2,671	$ 242,093	$ 225,619	$ 16,474
Changes for the year:						
Service Cost	6,318	-	6,318	6,068	-	6,068
Interest	17,061	-	17,061	16,200	-	16,200
Differences between expected and actual experience	2,221	-	2,221	1,214	-	1,214
Changes in assumptions	-	-	-	-	-	-
Contributions - employer	-	4,510	(4,510)	-	4,450	(4,450)
Contributions - employee	-	3,717	(3,717)	-	3,569	(3,569)
Net investment income	-	(18,429)	18,429	-	29,401	(29,401)
Benefit payments	(11,442)	(11,442)	-	(10,261)	(10,261)	-
Administrative expense	-	(159)	159	-	(136)	136
Other charges	-	190	(190)	-	1	(1)
Net Changes	14,158	(21,613)	35,771	13,221	27,024	(13,803)
Balances at December 31, *	$ 269,472	$ 231,030	$ 38,442	$ 255,314	$ 252,643	$ 2,671

*Based on measurement date of December 31, 2022 and December 31, 2021 respectively

The following table presents the Net Pension Liability for the TMRS plan as of December 31, 2023 and December 31, 2022 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, 2023	$ 72,594	$ 38,442	$ 10,006
December 31, 2022	$ 35,408	$ 2,671	$ (24,559)

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, 2023 and 2022 is presented in the following tables.

San Antonio Water System Retirement Plan
Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2023			December 31, 2022		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Assets						
Investments	$ 288,282	$ 24,655	$ 312,937	$ 260,949	$ 16,899	$ 277,848
Total Assets	288,282	24,655	312,937	260,949	16,899	277,848
Liabilities	-	-	-	-	-	-
Net position restricted for pension benefits	$ 288,282	$ 24,655	$ 312,937	$ 260,949	$ 16,899	$ 277,848

San Antonio Water System Retirement Plan
Changes in Net Position Restricted for Pension Benefits
(amounts in thousands)
For the years ended

	December 31, 2023			December 31, 2022		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Additions						
Employer Contributions	$ 6,136	$ 2,775	$ 8,911	$ 7,000	$ 2,049	$ 9,049
Employee Contributions	2,290	2,149	4,439	2,165	1,745	3,910
Investment Income	31,598	3,582	35,180	(43,416)	(3,210)	(46,626)
Total additions/(deductions)	40,024	8,506	48,530	(34,251)	584	(33,667)
Deductions						
Pension payments/distributions	12,401	683	13,084	11,654	1,186	12,840
Administrative Expenses	290	67	357	264	54	318
	12,691	750	13,441	11,918	1,240	13,158
Increase (Decrease) in net position	27,333	7,756	35,089	(46,169)	(656)	(46,825)
Net position restricted for pension benefits - beginning	260,949	16,899	277,848	307,118	17,555	324,673
Net position restricted for pension benefits - ending	$ 288,282	$ 24,655	$ 312,937	$ 260,949	$ 16,899	$ 277,848

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,	
	2023	2022
Active employees	837	895
Retirees and beneficiaries currently receiving benefits	1,235	1,198
Inactive members	563	563
Total	2,635	2,656

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 2023 and 2022 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/Liability for the defined benefit component of the SAWSRP as of December 31, 2023 and 2022 was measured as of January 1, 2023 and 2022, 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, 2023 and 2022 valuations included the following actuarial assumptions:

	January 1, 2023	January 1, 2022
Annual Inflation	2.40%	2.25%
Rate of Return on Investments	6.25%	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, 2023 and January 1, 2022 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, 2023 and January 1, 2022 valuations were based on MP-2021, the most recent MI scale published by the SOA in October 2021.

For the 2023 and 2022 valuations, the interest rate was developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of broad asset classes' arithmetic returns of the plan's target asset allocation, and then converted to the geometric under lognormal distribution assumption. The 2023 valuation used the assumptions updated in November 2022 and the 2022 valuation used the assumptions updated in May 2021. Due to the long-term nature of pension obligations, the investment horizon for the CMA is 20 years. The November 2022 and May 2021 CMAs were interim updates 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, 2023 and January 1, 2022 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, 2023 and December 31, 2022 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 Liability/(Asset) for the year ended December 31, 2023 and 2022 based on the measurement date of January 1, 2023 and January 1, 2022, respectively.

Changes in Net Pension Asset - SAWSRP
($ in thousands)

	2023 Increase (Decrease)			2022 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at January 1,	$ 286,217	$ 307,118	$ (20,901)	$ 272,187	$ 274,885	$ (2,698)
Changes for the year:						
Service Cost	4,933	-	4,933	5,036	-	5,036
Interest	17,869	-	17,869	17,026	-	17,026
Differences between expected and actual experience	(1,814)	-	(1,814)	2,224	-	2,224
Changes in assumptions	-	-	-	413	-	413
Contributions - employer	-	7,000	(7,000)	-	6,136	(6,136)
Contributions - employee	-	2,165	(2,165)	-	2,219	(2,219)
Net investment income	-	(43,417)	43,417	-	34,840	(34,840)
Benefit payments	(11,654)	(11,654)	-	(10,669)	(10,669)	-
Administrative expense	-	(264)	264	-	(293)	293
Net Changes	9,334	(46,170)	55,504	14,030	32,233	(18,203)
Balances at December 31,*	$ 295,551	$ 260,948	$ 34,603	$ 286,217	$ 307,118	$ (20,901)

*Based on measurement date of January 1, 2023 and January 1, 2022 respectively

The following table presents the Net Pension Liability/(Asset) associated with the defined benefit component of the SAWSRP calculated at December 31, 2023 and December 31, 2022 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, 2023	$ 71,552	$ 34,603	$ 3,810
December 31, 2022	$ 15,602	$ (20,901)	$ (51,259)

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, 2023, SAWS made contributions to participants' individual retirement accounts totaling $2,775,000, net of forfeitures of $30,000 and employees contributed $2,149,000. 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.

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.

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, 2023 and 2022 is presented in the following tables.

District Special Project Retirement Income Plan
Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2023	December 31, 2022
Assets		
Investments	$ 7,899	$ 7,203
Total Assets	7,899	7,203
Liabilities	-	-
Net position restricted for pension benefits	$ 7,899	$ 7,203

District Special Project Retirement Income Plan
Changes in Net Position Restricted for Pension Benefits
(amounts in thousands)

	December 31, 2023	December 31, 2022
Additions		
Employer Contributions	$ 134	$ 138
Investment Income (Loss)	924	(1,034)
Total additions/(deductions)	1,058	(896)
Deductions		
Pension payments/distributions	356	370
Administrative Expenses	6	6
	362	376
Increase/(Decrease) in net position	696	(1,272)
Net position restricted for pension benefits - beginning	7,203	8,475
Net position restricted for pension benefits - ending	$ 7,899	$ 7,203

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,	
	2023	2022
Active employees	82	84
Retirees and beneficiaries currently receiving benefits	14	13
Inactive members	38	40
Total	134	137

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 2023 and 2022. 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, 2023 and 2022 was measured as of January 1, 2023 and 2022, 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, 2023 and 2022 valuations included the following actuarial assumptions:

	January 1, 2023	January 1, 2022
Annual Inflation	3.00%	2.25%
Rate of Return on Investments	5.75%	6.25%

For 2023, mortality rates are based on the SOA RP-2014 table projected on a fully generational basis using mortality improvement scale MP-2020. For 2022, 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, 2023 and January 1, 2022 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, 2023 was 5.75% and at December 31, 2022 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.

The following table summarizes the changes in the DSPRP Net Pension Asset for the year ended December 31, 2023 and 2022 based on the measurement date of January 1, 2023 and 2022 respectively.

Changes in Net Pension Asset - DSPRP
($ in thousands)

	2023 Increase (Decrease)			2022 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,	$ 6,955	$ 8,475	$ (1,520)	$ 6,766	$ 7,636	$ (870)
Changes for the year:						
Service Cost	201	-	201	209	-	209
Interest	426	-	426	420	-	420
Differences between expected and actual experience	(285)	-	(285)	(62)	-	(62)
Changes in assumptions	36	-	36	-	-	-
Contributions - employer		138	(138)	-	175	(175)
Net investment income		(1,034)	1,034	-	1,049	(1,049)
Benefit payments	(371)	(371)	-	(378)	(378)	-
Administrative expense	-	(5)	5	-	(7)	7
Net Changes	7	(1,272)	1,279	189	839	(650)
Balances at December 31,*	$ 6,962	$ 7,203	$ (241)	$ 6,955	$ 8,475	$ (1,520)

*Based on measurement date of January 1, 2023 and January 1, 2022 respectively

The following table presents the DSPRP Net Pension Liability/(Asset) assuming the discount rate used to measure the total pension liability calculated at December 31, 2023 and December 31, 2022, as well as a discount rate that is one percentage point lower or one percentage point higher than the rate used to measure the total pension liability.

DSPRP Net Pension Liability/(Asset) *($ in thousands)*

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
December 31, 2023	$ 445	$ (241)	$ (835)
	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
December 31, 2022	$ (1,046)	$ (1,520)	$ (1,927)

Other Pension Disclosures

For the years ended December 31, 2023 and December 31, 2022, SAWS recognized pension expense under the TMRS, SAWSRP and DSPRP plans as follows:

Pension Expense / (Credit)
($ in thousands)
Year-ended December 31,

	2023	2022
TMRS	$ 7,942	$ (1,037)
SAWSRP - defined benefit	6,651	(6,565)
SAWSRP - defined contribution	2,775	2,049
DSPRP	45	(253)
	$ 17,413	$ (5,806)

Amounts payable to the pension plans by SAWS for contributions totaled $201,000 at December 31, 2023 and $209,000 at December 31, 2022.

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, 2023 and 2022.

($ in thousands)	December 31, 2023			December 31, 2022		
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	$ 23,684	$ 38,442	$ 64	$ 5,724	$ 2,671	$ 15,201
SAWSRP	34,308	34,603	958	8,515	(20,901)	30,153
DSPRP	1,100	(241)	809	689	(1,520)	1,767
Total - All Plans	$ 59,092	$ 72,804	$ 1,831	$ 14,928	$ (19,750)	$ 47,121

At December 31, 2023, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS pension plans related to the following sources:

December 31, 2023

($ in thousands)	TMRS Deferred Outflows of Resources	TMRS Deferred Inflows of Resources	SAWSRP Deferred Outflows of Resources	SAWSRP Deferred Inflows of Resources	DSPRP Deferred Outflows of Resources	DSPRP Deferred Inflows of Resources	All Plans Deferred Outflows of Resources	All Plans Deferred Inflows of Resources
Contributions made after the measurement date	$ 5,267	$ -	$ 6,136	$ -	$ 134	$ -	$ 11,537	$ -
Differences between expected and actual experience	2,446	64	331	958	253	809	3,030	1,831
Effects of changes in assumption	23	-	61	-	186	-	270	-
Net Difference between projected and actual earnings on pension plan investments	15,948	-	27,780	-	527	-	44,255	-
	$ 23,684	$ 64	$ 34,308	$ 958	$ 1,100	$ 809	$ 59,092	$ 1,831

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

($ in thousands)	TMRS Deferred Outflows of Resources	TMRS Deferred Inflows of Resources	SAWSRP Deferred Outflows of Resources	SAWSRP Deferred Inflows of Resources	DSPRP Deferred Outflows of Resources	DSPRP Deferred Inflows of Resources	All Plans Deferred Outflows of Resources	All Plans 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

Contributions made after the measurement date of $11,537,000 will be recognized as a reduction of the Net Pension Liability for the year ending December 31, 2024. 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	SAWSRP	TMRS	DSPRP	Combined
	($ in thousands)			
2024	$ 130	$ 1,497	$ (157)	$ 1,470
2025	5,598	4,664	(34)	10,228
2026	8,975	4,930	94	13,999
2027	12,511	7,262	279	20,052
2028	-	-	(25)	(25)

The following table summarizes the components of the Net Pension Liability/(Asset) at December 31, 2023 and 2022 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, 2023 (a)		December 31, 2022	
($ in thousands)	SAWSRP	DSPRP	SAWSRP	DSPRP
Total pension liability	$ 310,314	$ 6,822	$ 295,551	$ 6,962
Plan fiduciary net position	288,281	7,899	260,948	7,203
Net pension liability / (asset)	$ 22,033	$ (1,077)	$ 34,603	$ (241)
Plan fiduciary net position as a percentage of the total pension liability	92.9%	115.8%	88.3%	103.5%

(a) Actuarial valuation performed at January 1, 2023 was rolled forward to December 31, 2023

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, 2023 and December 31, 2022 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, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 116,883	$ 217
Investments	7,857	107,363
Total assets	124,740	107,580
Liabilities	-	-
Net position restricted for other post employment benefits	$ 124,740	$ 107,580

Changes in Net Position Restricted for Post Employment Benefits
For the year ended December 31,
(amounts in thousands)

	2023	2022
Additions		
Employer contributions	$ 5,160	$ 9,300
Investment income/(loss)	16,479	(18,871)
Total additions/(deductions)	21,639	(9,571)
Deductions		
Benefit payments	4,310	4,200
Administrative expenses	169	169
Total deductions	4,479	4,369
Increase in net position	17,160	(13,940)
Net position restricted for other post employment benefits - beginning	107,580	121,520
Net position restricted for other post employment benefits - ending	$ 124,740	$ 107,580

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, 2023 and 2022 consisted of the following:

	January 1, 2023	January 1, 2022
Active Employees	821	878
Retired Employees	789	771
Total	1,610	1,649

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 $1,050,000 in 2023 and $1,747,000 in 2022.

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. Going forward, SAWS intends to fund current benefit payments from the trust assets. Future contributions to the trust will be based on the actuarially determined annual required contributions for these benefits.

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 Methods and Assumptions

Actuarial Valuation Date	January 1, 2023	January 1, 2022
Actuarial Value of Assets	Market Value	Market Value
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Method	11 Years - Closed	12 Years - Closed
Actuarial Assumptions		
Investment Rate of Return	6.25%	6.25%
Inflation Rate	2.50%	2.50%
Healthcare Cost Trend:		
Initial	6.80%	6.00%
Ultimate	4.14%	3.94%

Mortality rates for the January 1, 2023 and January 1, 2022 valuations 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.

The following table summarizes the changes in the Net OPEB Liability/(Asset) for the year ended December 31, 2023 and 2022 based on the measurement date of January 1, 2023 and 2022, respectively.

Changes in Net OPEB Liability/(Asset) - SAWS OPEB Plan

($ in thousands)

	2023 Increase (Decrease)			2022 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/(Asset) (a) - (b)
Balances at January 1,	$ 82,481	$ 121,520	$ (39,039)	$ 120,795	$ 104,337	$ 16,458
Changes for the year:						
Service Cost	1,170	-	1,170	1,712	-	1,712
Interest	5,099	-	5,099	7,491	-	7,491
Differences between expected and actual experience	(14,196)	-	(14,196)	(5,859)	-	(5,859)
Changes in assumptions	(7,173)	-	(7,173)	(3,799)	-	(3,799)
Changes in terms	-	-	-	(32,517)	-	(32,517)
Contributions - employer	-	9,300	(9,300)	-	10,442	(10,442)
Net investment income	-	(18,870)	18,870	-	12,260	(12,260)
Benefit payments	(4,200)	(4,200)	-	(5,342)	(5,342)	-
Administrative expense	-	(170)	170	-	(177)	177
Net Changes	(19,300)	(13,940)	(5,360)	(38,314)	17,183	(55,497)
Balances at December 31,*	$ 63,181	$ 107,580	$ (44,399)	$ 82,481	$ 121,520	$ (39,039)

*Based on measurement date of January 1, 2023 and January 1, 2022 respectively

The following table presents the change in the SAWS OPEB Plan Net OPEB Liability/(Asset) calculated at December 31, 2023 and 2022 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, 2023	$ (46,010)	$ (44,399)	$ (42,618)
December 31, 2022	$ (41,841)	$ (39,039)	$ (35,941)

The target allocation and best estimates of arithmetic real rates of return for each major asset class for January 1, 2023 and January 1, 2022 are summarized in the following table. The Long-term Expected Real Rate of Return amounts do not include inflation.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income - Core Bond	37.0%	1.42%
Domestic Equity - Large Cap	30.4%	6.54%
Foreign Equity - Developed International	11.3%	5.93%
Domestic Equity - Small Cap	6.4%	8.06%
Domestic Equity - Mid Cap	6.3%	7.36%
Foreign Equity - Emerging Markets	3.1%	8.28%
Fixed Income - High Yield	3.0%	4.14%
Real Estate	2.5%	6.14%
Total	100.0%	

The discount rate used to measure the Total OPEB Liability at December 31, 2023 and December 31, 2022 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, 2023 and December 31, 2022 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, 2023	$ (37,061)	$ (44,399)	$ (50,511)
December 31, 2022	$ (30,819)	$ (39,039)	$ (45,989)

SAWS recognized ($12,591,000) in OPEB expense for the fiscal year ended December 31, 2023 based on a measurement date of December 31, 2022 and ($44,318,000) in OPEB expense for the fiscal year ended December 31, 2022 based on a measurement date of December 31, 2021.

The following table summarizes Deferred Outflows of Resources and Deferred Inflows of Resources associated with the SAWS OPEB Plan at December 31, 2023 and December 31, 2022 from the following sources.

	2023		2022	
($ in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$ 5,160	$ -	$ 9,300	$ -
Differences between expected and actual experience	-	20,840	-	17,147
Effects of changes in assumption	836	7,927	1,254	4,145
Net Difference between projected and actual earnings on OPEB plan investments	12,823	-	-	11,601
	$ 18,819	$ 28,767	$ 10,554	$ 32,893

Contributions made after the measurement date of $5,160,000 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)*
2024	$ (12,725)
2025	(6,570)
2026	(1,136)
2027	5,323
Thereafter	-

The components of the Net OPEB Asset for the SAWS OPEB Plan at December 31, 2023 and 2022 were as follows:

	December 31,	
($ in thousands)	2023(a)	2022
Total OPEB liability	$ 69,051	$ 63,181
Plan fiduciary net position	124,740	107,580
Net OPEB asset	$ (55,689)	$ (44,399)
Plan fiduciary net position as a percentage of the total OPEB liability	180.6%	170.3%

(a) Actuarial valuation performed at January 1, 2023 was rolled forward to December 31, 2023

As discussed further in Note C, in late 2023, the investment policy for SAWS OPEB Plan was modified to reflect a more conservative asset allocation.

NOTE L – ASSET RETIREMENT OBLIGATIONS (AROs)

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 $50,729,000 at December 31, 2023 and $40,305,000 at December 31, 2022. 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 and 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 $48,779,000 at December 31, 2023 and $38,920,000 at December 31, 2022. 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 2023 and 2022 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 $1,088,000 at December 31, 2023 and $868,000 at December 31, 2022. 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 were no USTs removed in 2023 and one UST removed in 2022.

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 $862,000 at December 31, 2023 and $517,000 at December 31, 2022. The December 31, 2023 liability was based on an engineer's estimate from 2022. The December 31, 2022 liability is based on data from past contracts for well plugging from 2012 to 2018 to estimate the costs to plug the various wells currently in service. The data from the contracts was inflated to 2023 and 2022 dollars, respectively. The cost includes a 10% design allowance.

The following table summarizes the ARO activity for 2023 and 2022.

	(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, 2023	$ 40,305	$ 10,424	$ -	$ 50,729	$ -
Year Ended December 31, 2022	$ 36,191	$ 4,255	$ 141	$ 40,305	$ -

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 21 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 2023, SAWS recognized, $305,000 as lease Revenue and $123,000 as interest revenue. During 2022, SAWS recognized $288,000 as lease revenue and $132,000 in interest revenue.

NOTE N – SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS(SBITAs)

Effective January 1, 2023, SAWS implemented GASB Statement No. 96, *Subscription Based Information Technology Agreements*. A SBITA is defined as a contract that conveys control of the right to use another party's information technology software as specified in the contract for a period of time in an exchange transaction. The statement does not cover software maintenance agreements or perpetual licenses.

SAWS has various contracts with information technology vendors for cloud-based software. The terms of the SBITA contracts range from four to five years, including options to extend that are considered to be reasonably certain. The intangible assets and associated accumulated amortization related to SBITAs are reported in capital assets as reported in Note E – Capital Assets to the financial statements.

Liabilities under SBITAs due within the next year is reported in Sundry Payable and Accruals on the Statement of Net Position while liabilities due after one year is reported as Subscriptions Payable.

The following table lists all future payments under the SBITAs as of December 31, 2023:

(Amounts in thousands)

Year Ended December 31,	Principal	Interest	Total Payment
2024	$ 1,249	$ 27	$ 1,276
2025	1,313	20	1,333
2026	1,364	12	1,376
2027	779	4	783
	$ 4,705	$ 63	$ 4,768

NOTE O – RESTATED NET POSITION

GASB Statement No. 96, *Subscription Based Information Technology Agreements* required requires the effects of the accounting change be applied retroactively by restating the financial statements. SAWS adopted GASB Statement No. 96 in 2023 and accordingly, has restated amounts of the affected balances within the financial statements for the fiscal year ending December 31, 2022 as follows:

($ in thousands)	As Originally Reported	As Restated	Effects of Change
Statement of Net Position			
Unrestricted Current Assets			
Other Current Assets	$ 21,245	$ 20,596	$ (649)
Noncurrent Assets			
Utility plant in service	8,968,377	8,975,269	6,892
Less allowance for depreciation	2,687,033	2,687,526	493
Total Assets and Deferred Outflows of Resources	$ 9,188,897	$ 9,194,647	$ 5,750
Current Liabilities To Be Paid From Unrestricted Assets			
Sundry payables and accruals	1,392	2,535	1,143
Noncurrent Liabilities			
Subscriptions Payable	-	4,705	4,705
Total Liabilities & Deferred Inflows of Resources	4,709,294	4,715,142	5,848
Net Position			
Net investment in capital assets	3,521,405	3,521,956	551
Unrestricted	549,562	548,913	(649)
Total Net Position	$ 4,479,603	$ 4,479,506	$ (98)
Statement of Revenues, Expenses and Changes in Net Position		9,194,648	
Operating Expenses			
Contractual Services	$ 216,418	$ 216,121	$ (297)
Depreciation and amortization expense	208,462	208,891	429
Non-Operating Revenue/(Expenses)			
Interest expense on revenue bonds and commerical pape	(92,582)	(92,590)	(8)
Change In Net Position	416,919	416,779	(140)
Net Position, Beginning of Year	4,062,684	4,062,726	42
Net Position, End of Year	$ 4,479,603	$ 4,479,505	$ (98)

($ in thousands)	As Originally Reported	As Restated	Effects of Change
Statement of Cash Flows			
Cash Flows from Operating Activities			
Cash paid to vendors for operations	$ (254,252)	$ (253,306)	$ 946
Cash Flows from Capital and Related Financing Activities			
Payment for principal on subscriptions payable	-	(938)	(938)
Payment of interest on contract and subscription payable	(45,116)	(45,124)	(8)
Net Decrease in Cash and Cash Equivalents	$ (63,940)	$ (63,940)	$ -

NOTE P – 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, concerns about the availability and quality of the water provided by BMA, and the projected costs to rehabilitate the facility, 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 Q – SUBSEQUENT EVENTS

On March 28, 2024, SAWS issued $116,480,000 under its commercial paper program with a settlement date of April 1, 2024. Those proceeds were then deposited into an irrevocable trust on April 1, 2024 for the legal defeasance of $115,560,000 plus accrued interest of its Series 2019A Bonds that have a mandatory tender date of May 1, 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	$ 6,318	$ 6,068	$ 6,233	$ 5,733	$ 5,551	$ 5,332	$ 4,979	$ 4,810	$ 4,379
Interest	17,061	16,200	15,448	14,670	13,952	13,268	12,623	12,480	11,960
Differences between expected and actual	2,221	1,214	(189)	499	240	54	29	(1,311)	(1,717)
Changes of assumptions	-	-	211	-	-	-	433	-	
Benefit payments	(11,442)	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)	(7,461)
Net change in pension liability	14,158	13,221	11,198	11,721	10,783	10,322	9,445	9,075	7,161
Total pension liability at beginning of year	255,314	242,093	230,895	219,174	208,391	198,069	188,624	179,549	172,388
Total pension liability at end of year (a)	$ 269,472	$ 255,314	$ 242,093	$ 230,895	$ 219,174	$ 208,391	$ 198,069	$ 188,624	$ 179,549
Plan fiduciary net position									
Contributions - Employer	$ 4,510	$ 4,450	$ 4,440	$ 4,095	$ 4,059	$ 3,852	$ 3,609	$ 3,953	$ 3,721
Contributions - Employee	3,717	3,569	3,660	3,412	3,291	3,149	2,935	2,892	2,722
Net investment income	(18,429)	29,401	16,073	28,632	(5,773)	23,639	10,909	239	8,818
Benefit payments	(11,442)	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)	(7,461)
Administrative expenses	(159)	(136)	(104)	(162)	(111)	(123)	(123)	(146)	(92)
Other	190	1	(4)	(5)	(6)	(6)	(7)	(7)	(8)
Net change in plan fiduciary net position	(21,613)	27,024	13,771	26,580	(7,500)	22,179	9,137	(406)	7,700
Plan fiduciary net position at beginning of year	252,643	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)	$ 231,030	$ 252,643	$ 225,619	$ 211,848	$ 185,268	$ 192,768	$ 170,589	$ 161,452	$ 161,858
Net pension liability (a) - (b)	$ 38,442	$ 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	85.7%	99.0%	93.2%	91.8%	84.5%	92.5%	86.1%	85.6%	90.1%
Covered payroll	$ 123,985	$ 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	31.0%	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 9 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 5,267	$ 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	5,267	4,510	4,450	4,440	4,095	4,059	3,852	3,609	3,953	3,721
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (281)	$ -
Covered payroll	$ 145,905	$ 123,985	$ 118,981	$ 121,984	$ 113,750	$ 109,703	$ 104,960	$ 97,818	$ 96,389	$ 90,721
Contributions as a percentage of covered payroll	3.61%	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 2023, the remaining amortization period is 23 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 2023, 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: No benefit changes during the year. The data in this schedule is based on SAWS' fiscal year end.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
($ in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service Cost	$ 4,689	$ 4,933	$ 5,036	$ 5,187	$ 5,464	$ 5,629	$ 5,859	$ 5,724	$ 5,004	$ 5,204
Interest	18,414	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	4,061	(1,814)	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	(12,401)	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)	(6,318)	(5,796)
Net change in pension liability	14,763	9,334	14,030	10,371	12,554	18,694	11,997	18,365	15,771	13,266
Total pension liability at beginning of year	295,551	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)	$ 310,314	$ 295,551	$ 286,217	$ 272,187	$ 261,816	$ 249,262	$ 230,568	$ 218,571	$ 200,206	$184,435
Plan fiduciary net position										
Contributions - Employer	$ 6,136	$ 7,000	$ 6,136	$ 9,131	$ 9,131	$ 7,923	$ 7,982	$ 7,367	$ 7,890	$ 10,339
Contributions - Employee	2,290	2,165	2,219	2,095	2,528	2,434	2,484	2,533	2,357	-
Net investment income / (loss)	31,598	(43,417)	34,840	31,582	38,722	(7,767)	30,741	6,971	1,215	15,695
Benefit payments	(12,401)	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)	(6,318)	(5,796)
Administrative expenses	(290)	(264)	(293)	(294)	(309)	(360)	(380)	(195)	(17)	-
Net change in plan fiduciary net position	27,333	(46,170)	32,233	32,424	40,714	(6,385)	32,853	9,393	5,127	20,238
Plan fiduciary net position at beginning of year	260,948	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)	$ 288,281	$ 260,948	$ 307,118	$ 274,885	$ 242,461	$ 201,747	$ 208,132	$ 175,279	$ 165,886	$160,759
Net pension liability/(asset) (a) - (b)	$ 22,033	$ 34,603	$ (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	92.9%	88.3%	107.3%	101.0%	92.6%	80.9%	90.3%	80.2%	82.9%	87.2%
Covered payroll	$ 69,346	$ 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	31.8%	50.2%	-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, 2023 is based on a rollforward of the January 1, 2023 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 2023, 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 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Contributions (Unaudited)
($ in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,412	$ 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	6,136	7,000	6,136	9,131	9,131	7,923	7,982	7,367	7,890	10,339
Contribution deficiency/(excess)	$ (1,724)	$ (2,572)	$ -	$ (1,408)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 69,346	$ 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	8.8%	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 2023.

San Antonio Water System Retirement Plan - Defined Benefit Component
Schedule of Investment Returns (Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	12.18%	-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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	$ 124	$ 201	$ 209	$ 241	$ 245	$ 257	$ 108	$ 71	$ 124	$ 123
Interest	397	426	420	409	371	388	424	418	446	424
Benefit payments	(356)	(371)	(378)	(408)	(330)	(485)	(776)	(324)	(261)	(230)
Changes in assumptions	-	36	-	-	219	6	15	224		
Difference between expected and actual experience	(305)	(285)	(62)	375	(466)	(622)	101	(381)	18	153
Net change in Total Pension Liability	(140)	7	189	617	39	(456)	(128)	8	327	470
Total Pension Liability - beginning	6,962	6,955	6,766	6,149	6,110	6,566	6,694	6,686	6,359	5,889
Total Pension Liability - ending (a)	$ 6,822	$ 6,962	$ 6,955	$ 6,766	$ 6,149	$ 6,110	$ 6,566	$ 6,694	$ 6,686	$ 6,359
Fiduciary Net Position										
Employer contributions	$ 134	$ 138	$ 175	$ 400	$ 400	$ 400	$ 315	$ 280	$ 308	$ 414
Net investment income / (loss)	924	(1,034)	1,049	998	1,049	(75)	764	306	18	394
Benefit payments	(356)	(371)	(378)	(408)	(330)	(485)	(776)	(324)	(261)	(230)
Administrative expenses	(6)	(5)	(7)	(6)	(6)	(7)	(7)	(8)	(6)	(11)
Net change in Fiduciary Net Position	696	(1,272)	839	984	1,113	(167)	296	254	59	567
Fiduciary Net Position - beginning	7,203	8,475	7,636	6,652	5,539	5,706	5,410	5,156	5,097	4,530
Fiduciary Net Position - ending (b)	$ 7,899	$ 7,203	$ 8,475	$ 7,636	$ 6,652	$ 5,539	$ 5,706	$ 5,410	$ 5,156	$ 5,097
Net Pension Liability (Asset) (a) - (b)	$ (1,077)	$ (241)	$ (1,520)	$ (870)	$ (503)	$ 571	$ 860	$ 1,284	$ 1,530	$ 1,262
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	115.8%	103.5%	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	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	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, 2023 is based on a rollforward of the January 1, 2023 actuarial valuation.

Changes in assumptions: In 2023, the investment rate of return was decreased to 5.75%. In 2020, the investment rate of return was changed to 6.25%. In 2023, the improvement mortaility improvement scale was changed to MP-2021. 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 investment rate of return was modified from 7% to 6.5%.

Other: No other changes to the plan or assumptions for 2023.

District Special Project Retirement Income Plan
Schedule of Contributions (Unaudited)
($ in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 84	$ -	$ 138	$ 290	$ 388	$ 247	$ 315	$ 279	$ 274	$ 307
Contributions in relation to the actuarially determined contribution	134	138	175	400	400	400	315	280	308	414
Contribution deficiency/(excess)	$ (50)	$ (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	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	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	In 2023, the amortization period was changed to 10 years, 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 2023.

District Special Project Retirement Income Plan
Schedule of Investment Returns (Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	13.04%	-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)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service Cost	$ 845	$ 1,170	$ 1,712	$ 1,750	$ 1,913	$ 2,220	$ 2,428
Interest	3,869	5,099	7,491	7,688	9,112	9,429	9,221
Changes of benefit terms	-	-	(32,517)	-	-	-	-
Differences between expected and actual experience	79	(14,196)	(5,859)	(8,867)	(18,580)	(11,970)	(3,358)
Changes of assumptions	5,387	(7,173)	(3,799)	2,089	(3,237)	2,817	(351)
Benefit payments	(4,310)	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Net change in OPEB liability	5,870	(19,300)	(38,314)	(3,481)	(17,103)	(5,312)	1,731
Total OPEB liability at beginning of year	63,181	82,481	120,795	124,276	141,379	146,691	144,960
Total OPEB liability at end of year (a)	$ 69,051	$ 63,181	$ 82,481	$ 120,795	$ 124,276	$ 141,379	$ 146,691
Plan fiduciary net position							
Contributions - Employer	$ 5,160	$ 9,300	$ 10,442	$ 13,641	$ 13,811	$ 15,308	$ 13,709
Net investment income / (loss)	16,479	(18,870)	12,260	13,747	13,264	(3,164)	7,127
Benefit payments	(4,310)	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Administrative expenses	(169)	(170)	(177)	(187)	(175)	(159)	(144)
Net change in plan fiduciary net position	17,160	(13,940)	17,183	21,060	20,589	4,177	14,483
Plan fiduciary net position at beginning of year	107,580	121,520	104,337	83,277	62,688	58,511	44,028
Plan fiduciary net position at end of year (b)	$ 124,740	$ 107,580	$ 121,520	$ 104,337	$ 83,277	$ 62,688	$ 58,511
Net OPEB liability (a) - (b)	$ (55,689)	$ (44,399)	$ (39,039)	$ 16,458	$ 40,999	$ 78,691	$ 88,180
Plan fiduciary net position as a percentage of the total OPEB liability	180.6%	170.3%	147.3%	86.4%	67.0%	44.3%	39.9%
Covered employee payroll	$ 66,975	$ 62,161	$ 65,898	$ 67,557	$ 68,894	$ 78,348	$ 79,417
Net OPEB liability as a percentage of total covered payroll	-83.1%	-71.4%	-59.2%	24.4%	59.5%	100.4%	111.0%

Notes to Schedule:

(a) Total OPEB liability at December 31, 2023 is based on a rollforward of the January 1, 2023 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.

Changes in assumptions: For 2022 and 2023, the MP-2021 mortality table was used. 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 7 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)

	2023	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	5,160	9,300	10,442	13,641	13,811	15,308	13,709
Contribution deficiency/(excess)	$ (5,160)	$ (9,300)	$ (6,736)	$ (7,302)	$ (3,404)	$ (3,916)	$ (2,293)
Covered employee payroll	$ 66,975	$ 62,161	$ 65,898	$ 67,557	$ 68,894	$ 78,348	$ 79,417
Contributions as a percentage of covered payroll	7.7%	15.0%	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:	For 2022 and 2023, the improvement table MP-2021 was used. 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 2023, 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	6.8% - Pre-65						
Plan Year	2023	2022	2021	2020	2019	2018	2017
Ultimate trend rate	4.14%	2.94%	4.04%	4.04%	3.94%	3.84%	4.14%
Ultimate year	2076	2075	2075	2075	2075	2075	2074
Investment rate of return	In 2020, the investment rate of return was changed to 6.25% from 6.50%						
Remaining amortization period - years	11	12	13	14	15	16	17

GASB 74 requires 10 years of data to be provided in the Schedule of Contributions. Since SAWS implemented GASB 74 in 2017, only 7 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)

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	15.27%	-15.24%	11.51%	15.88%	19.96%	-5.11%	14.69%

APPENDIX C

UNAUDITED FINANCIAL STATEMENTS (THROUGH JUNE 30, 2024)

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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,	
	2024	2023	2024	2023
Revenues				
Water Supply	$ 143.5	$ 137.0	$ 328.0	$ 313.4
Water Delivery	104.8	102.8	231.7	231.5
Wastewater	150.3	148.7	301.0	295.8
Chilled Water & Steam	6.2	5.5	12.8	11.8
Total operating revenues	404.8	394.0	873.5	852.5
Non-operating revenue	31.4	28.9	74.6	29.7
Total revenues	436.2	422.9	948.1	882.2
Expenses				
Operating and maintenance	211.3	200.9	433.0	347.3
Depreciation & Amortization expense	112.8	109.0	226.2	214.2
Interest and debt related	77.3	73.4	156.2	146.4
Transfer to City of San Antonio	16.3	15.7	35.1	33.8
Other	(0.1)	(0.9)	(0.1)	(1.0)
Total expenses	417.6	398.1	850.4	740.7
Special Item - Plant Impairment	-	-	-	(7.2)
Income before capital contributions	18.6	24.8	97.7	134.3
Capital Contributions	143.6	213.1	275.4	373.8
Change in Net Position	162.2	237.9	373.1	508.1
Beginning Net Position	4,928.3	4,479.5	4,717.4	4,209.3
Ending Net Position	$ 5,090.5	$ 4,717.4	$ 5,090.5	$ 4,717.4

San Antonio Water System (SAWS)
Summary of Net Position Information - Unaudited
(All amounts in millions)

	June 30, 2024	June 30, 2023
Assets		
Current Assets	$ 947.9	$ 894.1
Noncurrent Assets	472.3	566.4
Capital Assets, Net	8,180.5	7,723.2
Total Assets	9,600.7	9,183.7
Deferred Outflows of Resources	139.6	91.3
Total Assets and Deferred Outflows of Resources	9,740.3	9,275.0
Liabilities		
Current Liabilities	246.3	225.7
Long Term Liabilities - Benefits, AROs & SBITAs	136.5	66.7
Long Term Liabilities - Contract Payable	841.9	862.2
Long Term Debt, Net	3,382.4	3,310.7
Total Liabilities	4,607.1	4,465.3
Deferred Inflows of Resources	42.7	92.3
Total Liabilities and Deferred Inflows of Reources	4,649.8	4,557.6
Net Position		
Net Investment in Capital Assets	4,103.0	3,792.4
Restricted	340.9	359.9
Unrestricted	646.6	565.1
Total Net Position	$ 5,090.5	$ 4,717.4

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.

SECTION 9: 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 any bonds (including refunding bonds), notes (including commercial paper 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 other Subordinate Lien Obligations, by a lien on and pledge of the Net Revenues of the System that is subordinance and inferior to the liens thereon and pledges thereof securing the repayment of the Senior Lien Obligations and the Junior Lien Obligations (but senior and superior to the lien on and pledge of Net Revenues that secures the repayment of any Inferior Lien Obligations), as determined by the City Council, in accordance with any applicable law, and all as further provided in Section 21.

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 $265,075,000 "CITY OF SAN ANTONIO, TEXAS WATER SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2024B (NO RESERVE FUND)," dated October 1, 2024, 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, a form of which is included as Exhibit C hereto and hereby approved.

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 Executive 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; and (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 May 15, 2025, 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 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;

(2) "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;

(3) "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;

(4) "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;

(5) "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;

(6) "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;

(7) "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;

(8) "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;

(9) "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;

(10) "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;

(11) "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;

(12) "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;

(13) "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;

(14) "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;

(15) "City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund)," dated October 1, 2022 in the original principal amount of $258,235,000;

(16) "City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund)," dated August 1, 2023 in the original principal amount of $289,165,000;

(17) 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 March 21, 2024.

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 and Refunding Bonds, Series 2015B (No Reserve Fund)," dated February 1, 2015, in the original principal amount of $303,235,000;

(2) “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

(3) 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);

(2) "City of San Antonio, Texas Water System Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2024A," dated September 1, 2024 in the original principal amount of $165,310,000 (the *Series 2024A Bonds*); 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 Bonds, Series 2024B (No Reserve Fund) 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 15B, 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 payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the liens thereon and pledges thereof made to secure payment of the Senior Lien Obligations and Junior Lien Obligations, upon satisfying each of the conditions precedent contained in the City ordinances authorizing the issuance of Senior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations, and upon satisfying each of the following conditions precedent:

(1) a Designated Financial Officer (or other official of the City having primary responsibility for the fiscal affairs of the City or the System) shall have executed a certificate stating that (a) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Subordinate 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 form and secured by a lien on and pledge of the Net Revenues of the System and (b) 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) a Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the System, the Net Revenues of the System for the most recent Fiscal Year for which the System has received its audited financial statements or for any 12 consecutive months out of the 18 months immediately preceding the month the City ordinance authorizing the Additional Subordinate Lien Obligations is adopted (determined without regard to revenue received by the City under any interest rate hedge agreement entered into in connection with Senior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations) are at least equal to 100% of the average annual Debt Service Requirements for all Senior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations in any future Fiscal Year while the Additional Subordinate Lien Obligations then proposed to be issued are to be outstanding, after giving effect to the issuance of such Additional Subordinate Lien Obligations (and, in making a determination of the Net Revenues, such Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 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 the certification based on such change in rates and charges being in effect for the entire period covered by such Designated Financial Officer's certificate); and

(3) the ordinance authorizing the issuance of the Additional Subordinate Lien Obligations provides for monthly deposits to be made to a debt service fund for such obligations in amounts sufficient to pay the principal of and interest on the Additional Subordinate Lien Obligations when due.

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.

E. Notwithstanding the provisions of Subsection 21A above, or the provisions of any other City ordinance authorizing the issuance of any Senior Lien Obligations, Junior Lien Obligations, or other Subordinate Lien Obligations, the City shall not, for so long as the Series 2024A Bonds remain Outstanding in an interest mode other than a fixed mode, issue any Additional Senior Lien Obligations other than Additional Senior Lien Obligations whose sole purpose is the refunding of then-outstanding Senior Lien Obligations for gross debt service savings.

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 Chapter 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 38: 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 38 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 39: 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, 2028, Marilu Reyna, currently serving a term ending on May 31, 2026, 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.

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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 Bonds, Series 2024B (No Reserve Fund)" (the *Bonds*), dated October 1, 2024 in the aggregate principal amount of $265,075,000, 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 2026 through 2047, unless optionally 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, 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., Austin, Texas, 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 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 on a limited basis, 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 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.   Kassahn & Ortiz, P.C.

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