

Annual Operating & Capital Budget

Fiscal Year Ending December 31, 2012

S a n A n t o n i o , T e x a s



Annual Operating and Capital Budget

Fiscal Year Ending December 31, 2012

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The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Antonio Water System, Texas** for its annual budget for the fiscal year beginning **January 1, 2011**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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CITY OF SAN ANTONIO
MAYOR AND CITY COUNCIL



Julián Castro
Mayor



Diego M. Bernal **District 1**



Ivy R. Taylor **District 2**



Leticia Ozuna **District 3**



Rey Saldaña **District 4**



David Medina, Jr. **District 5**



Ray Lopez **District 6**



Chris Medina **District 7**



W. Reed Williams **District 8**



Elisa Chan **District 9**



Carlton Soules **District 10**

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SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES



Berto Guerra Jr.
Chairman



Samuel E. Luna, Jr.
Assistant Secretary



Willie A. Mitchell
Vice Chairman



Elizabeth M. Provencio



Roberto Anguiano
Secretary



Louis E. Rowe, P.E.

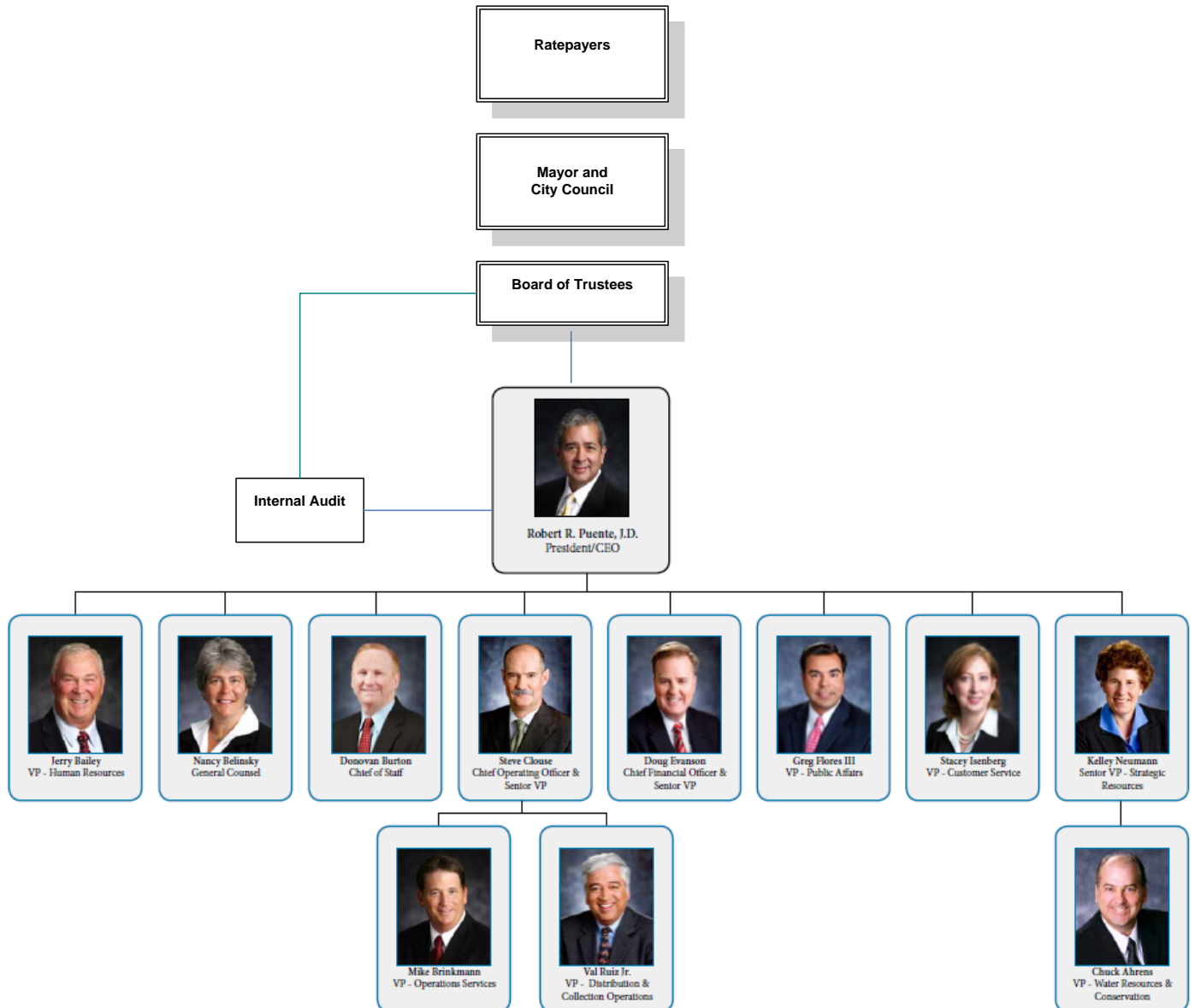


Mayor Julián Castro, ex Officio

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SAN ANTONIO WATER SYSTEM ORGANIZATIONAL CHART



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Refreshing Ideas 2015

Mission

Sustainable Affordable Water Services

Vision

To Be Leaders in Delivering Responsible
Water Services for Life

Values

Excellence, Integrity, and Respect

The mission and vision statements, combined with the SAWS' intrinsic core values, provide the compass which will serve to guide the activities, goals and objectives of SAWS' leadership team and workforce for the next five years.

SAWS' mission of sustainable, affordable water services defines its purpose in serving the ratepayers.

The vision statement – to be leaders in delivering responsible water services for life – along with the values of excellence, integrity and respect, make up SAWS' core philosophy, describing what we as an organization believe, where we stand today, and where we wish to be in the future.

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November 14, 2011

Mr. Berto Guerra, Jr., Chairman
Mr. Willie A. Mitchell, Vice Chairman
Mr. Roberto Anguiano, Secretary
Mr. Samuel E. Luna, Jr., Assistant Secretary
Ms. Elizabeth M. Provencio, Trustee
Mr. Louis E. Rowe, Trustee
Honorable Julián Castro, Mayor

Honorable Mayor and Trustees:

I am pleased to present the 2012 Annual Operating and Capital Budget of the San Antonio Water System (SAWS), which has been prepared in accordance with requirements of City Ordinance No. 75686.

As we have undertaken the budget process for fiscal year 2012, a number of operational and financial challenges have presented themselves in fiscal year 2011. Included among these challenges are the following:

- Extreme drought conditions making the eleven month period from October 2010 to August 2011 the driest October to August period in San Antonio recorded history with only 7.78 inches of rain. From the beginning of October 2010 to the end of August 2011, the level of the Edwards Aquifer observed at the J-17 well declined from 679.7 to 641.1 feet above sea level. At this level, the community has been observing Stage 2 drought restrictions. Entry into Stage 3 drought restrictions (once the J-17 well level goes below 640 feet) has been delayed over the past hot summer months thanks in large part to the retrieval and use of 40 million gallons a day of stored water from the SAWS Aquifer Storage & Recovery (ASR) facility.
- The warmest June to August period in San Antonio recorded history was experienced in 2011 with an average temperature of 88 degrees. Due in large part to the stress caused by the extreme hot and dry conditions, SAWS encountered a 120% increase in the number of water main breaks during the first eight months of 2011 (2,310), over those experienced during the same period in 2010 (1,051). Overall water distribution system maintenance expenses for all of 2011 are expected to be 18.5% higher than the same costs in 2010.
- Contraction in the regional economy as evidenced by the rise in the San Antonio unemployment rate from 7.6% at the end of July 2010 to 8.2% in July 2011 with national unemployment at 9.1% as of August 2011.

Similar to previous years, the 2012 Budget has been designed to assist in achieving the goals detailed in SAWS' mission and vision statements. Included among these goals is a commitment to the customers and communities we serve to provide courteous, quality and timely service at an affordable price, as well as a further commitment to execute our 50-year conservation and water supply strategy to ensure sufficient supplies are available both during normal conditions and critical drought periods. The 2012 Budget provides for the resources to achieve SAWS' goals through many ongoing operating initiatives and capital projects. Among these projects and initiatives are:

- **Additional Diverse Supplies** – SAWS will continue to invest in and prepare for significant water supply projects consistent with the Water Management Plan. Major projects that will proceed in 2012 include the Regional Carrizo Aquifer Water Project, the Brackish Water Desalination Project and the Request for Competitive Sealed Proposals (RFCSP) process.
 - The Regional Carrizo Aquifer Project will provide up to 17,237 acre-feet of water from western Gonzales County. Pumped water will be transported for treatment at the Schertz Seguin Local Government Corporation's (SSLGC) treatment plant in Guadalupe County and then transported through the SSLGC's existing pipeline to the SAWS Naco Pump Station. Water is expected to be delivered from this project beginning in late 2013.
 - Development of a brackish water desalination plant continues in southern Bexar County. Brackish groundwater could provide SAWS with a potential new source of water that can be developed close to San Antonio. The initial phase of the project is projected to treat 11,800 acre-feet per year. The treatment plant will be designed to accommodate additional upgrades and technologies. Future phases could develop brackish resources in neighboring counties and bring the total yield of the project up to 26,000 acre-feet annually.
 - The RFCSP program is a competitive proposal process initiated in 2011 intended to identify other potential sources of water to further supplement the SAWS water inventory to meet future demands. It is hoped that the process will result in a project that can provide a minimum of 20,000 acre-feet of additional water supply by 2020 increasing gradually by 1,500 acre-feet per year beginning in 2021.
- **Sanitary Sewer Overflow Reduction** - Active efforts to reduce the occurrence of Sanitary Sewer Overflows (SSOs) will continue to be a major priority in 2012. SAWS has been steadily increasing the number of miles of sewer line cleaned each year since 2008. In 2008, over 500 miles were cleaned and in 2012, it is projected that approximately 1,300 miles of sewer line will be cleaned.
- **Health Care Cost Initiatives** – In 2011, the SAWS Board approved significant measures to address the rising costs of providing health care benefits to active employees, retirees

and their dependents that will begin to be implemented in 2012. These measures include increasing the share of employee contributions and making eligibility requirements for retiree health care benefits more stringent. The proposed establishment of an external trust by the end of 2011 to provide more secure support for retiree health care benefits will also significantly reduce the unfunded liability for these benefits over the long term. Overall, the changes will place SAWS more in line with the employee health care benefits provided by the City of San Antonio, and are projected to reduce the long term unfunded liability for these benefits by hundreds of millions of dollars.

To meet the revenue requirements of the 2012 Budget, a combined increase in water supply, water delivery and wastewater rates of 7.9% is proposed for 2012 for the average residential customer. The primary drivers of the proposed rate increase are the financing needs of the capital improvement program to include the aggressive water supplies development efforts, and the need to ensure that debt coverage levels are consistent with rating agencies' expectations for issuing continued high ratings for SAWS debt issuances in support of the capital improvements program.

In summary, the 2012 Budget:

- Balances revenue requirements with available revenues and other funding sources
- Requires adjustments to rates of 3.4% for Water Delivery rates, 3.0% for Water Supply Fee rates, 3.4% for Recycled Water rates, and 13.6% for Wastewater rates.
- Requires rates adjustments to have a combined increase of 7.9% to Water Delivery, Wastewater, and Water Supply Fee rates for the average SAWS water and wastewater customer, assuming an average customer uses 7,788 gallons of water and discharges 6,178 gallons of wastewater per month
- The adjustments to the rates are proposed to be effective for consumption on or about January 1, 2012, and shall be applied to all billings after one complete monthly billing period on or about February 1, 2012
- Plans for an additional \$26.1 million in additional revenues generated from the adjustments to the Water Delivery, Recycled Water, Wastewater, and Water Supply Fee rates
- Plans for adjustments to the Special Services Fees, fees for services limited to groups of customers which benefit from the service provided
 - Adjustments anticipated to generate an additional \$1.5 million in revenues
 - Adjustments include a Fats, Oil and Grease (FOG) program fee, update to industrial waste associated fees, and new customer service related fees
- Assumes 2012 billed, adjusted water usage of 53.5 billion gallons based on normal weather conditions and combined customer growth of 1.2%: 1.2% for water and 1.3% for wastewater

- Provides for:
 - Continued planning and development of additional water resources to supplement and diversify our existing water supplies in accordance with the 2009 Water Management Plan Update, including funding for Regional Carrizo and Desalination projects, and the development of a pipeline to integrate new supplies into the system
 - Funding for operation and maintenance of existing production, distribution, collection and treatment facilities to support economic growth of the city
 - Adjustments for personal service costs to include performance pay and a 2.5% salary increase, effective April 1, 2012
 - A pass-through of the Edwards Aquifer Authority (EAA) permit fee to recover an estimated \$10.4 million permit fee
 - The EAA is currently considering an increase to the permit fee in order to fund the Edwards Aquifer Recovery Implementation Program (EARIP); the new fee amount will not be finalized until early 2012; once the new fee amount is known, the 2012 Budget will need to be amended to reflect increased fee revenues and increased fee payments to the EAA
- Includes estimated total sources of funds of \$448.9 million comprised of:
 - Operating revenues and non-operating revenues totaling \$421.6 million
 - Interest earnings of \$5.0 million
 - Draw on equity of \$0.3 million to fund Water Quality, Environmental Education and Enforcement (WICEE) and Evans Road Annual Monitoring funds
 - Capital Recovery Fees of \$22.0 million
- Provides for full funding of \$253.2 million in operations costs, with \$34.2 million related to capitalized charges. For 2012, net Operations and Maintenance expenses are \$219.0 million, reflecting a \$7.6 million or 3.6% increase when compared to the 2011 Budget
- Assumes funding sufficient for \$215.5 million of capital improvement projects
 - \$176.1 million in Water Delivery and Wastewater projects, consisting of approximately 56% replacement and growth related projects and 44% additional capacity projects
 - \$39.2 million in Water Supply projects including funding for the Desalination, Regional Carrizo, and integration pipeline projects
 - \$0.1 million in Chilled Water and Steam projects
- Provides for \$11.8 million in capital outlay funding for vehicles, equipment, and computer related capital
- Provides for \$156.1 million in funding for debt service and expenses, which is \$11.7 million or 8.1% higher than the prior year's budget for debt service and expenses
- Plans for senior lien debt coverage of 1.8 times
- Includes a transfer of \$11.0 million to the City of San Antonio

It must be noted that the Adopted Budget presented here reflects 2012 operational and capital expenses for SAWS only and does not include any costs related to the Bexar Metropolitan Water District (BexarMet) utility once it becomes the responsibility of SAWS in 2012. In June 2011, the Texas Legislature, via Senate Bill (SB) 341, authorized an election to be held within the boundaries of BexarMet to determine if the utility should be dissolved and responsibility for its operations transferred to SAWS. The election, conducted on November 8, 2011 resulted in a vote that favored of dissolution of BexarMet.

SB 341 also specified that in order to minimize the immediate impact upon the existing SAWS' ratepayers, SAWS would assume control of the BexarMet system and operate it as a "Special Project" for up to five years. Once SAWS assumes responsibility for BexarMet, separate operating and capital budgets for the Special Project will be prepared for SAWS Board of Trustees consideration.

The annual budget process is an effort to strike the appropriate balance between ensuring that rates remain affordable for SAWS' customers and ensuring the ongoing operational and financial integrity of the organization. The 2012 Annual Operating and Capital Budget will allow the San Antonio Water System to continue providing high quality water, wastewater, recycled water and heating and cooling services at reasonable costs, while also maintaining a healthy financial position.

Respectfully submitted,



Douglas P. Evanson
Senior Vice President/Chief Financial Officer

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A high-speed photograph of a water droplet hitting a surface, creating a crown-shaped splash with many smaller droplets flying outwards. The background is a solid, vibrant blue.

Budget Summary

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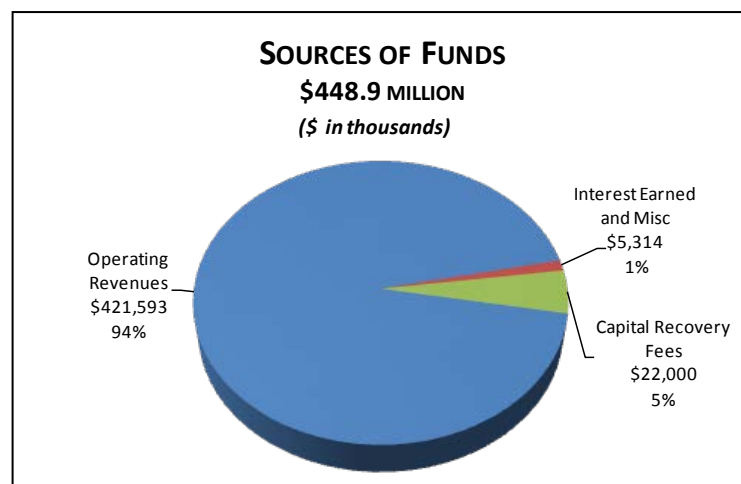
BUDGET SUMMARY

The 2012 Annual Operating and Capital Budget of the San Antonio Water System (SAWS) has been prepared in accordance with City of San Antonio Ordinance No. 75686. This ordinance mandates budgeting in accordance with prescribed funds flow requirements. The budget is designed to present a comprehensive projection of the operation of the System from January 1, 2012 through December 31, 2012.

The operating budget increases from \$437.5 million budgeted in 2011 to \$448.9 million for an overall increase of approximately 2.6%. The capital budget decreases from \$254.9 million in 2011 to \$215.5 million in 2012, primarily due to reduced spending requirements forecast for water supply projects.

ANNUAL OPERATING BUDGET OVERVIEW

SOURCES OF FUNDS



SAWS' total sources of funds are projected to be \$448.9 million, an increase of 2.6% over the 2011 budget level. The various sources of projected receipts are shown graphically in the chart above.

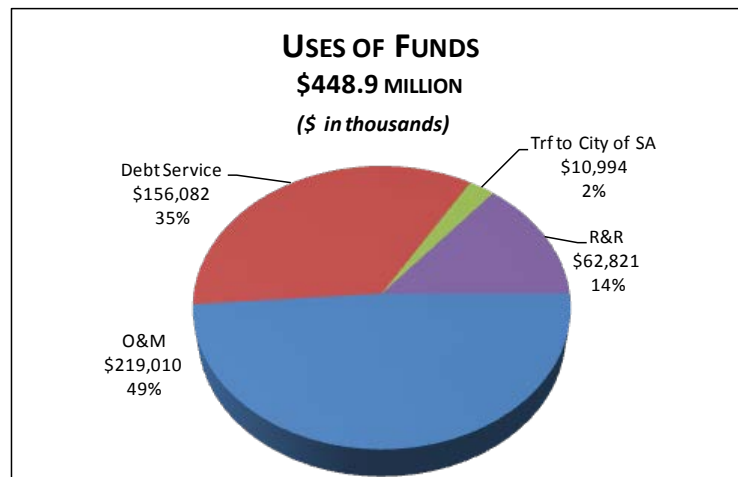
Operating revenues for 2012 are projected to be \$421.6 million or 93.9% of total receipts. This reflects an estimated increase of \$21.3 million or 5.3% over the 2011 budget. The increase in operating revenues reflects primarily a rate adjustment to be implemented in late 2011, which is anticipated to generate an additional \$26.1 million in revenues. Also serving to increase the forecasted revenue levels are projected increases in water and wastewater customers of 1.2% and 1.3%, respectively. SAWS' customer base continues to grow, but at a much slower rate than was experienced earlier this decade. Offsetting these projected revenue increases is a downward revision in the forecasted use per bill and average winter consumption estimates. These downward revisions reflect the impact of SAWS' ongoing conservation initiatives as well as changes in the rate structure designed to promote additional water usage efficiency.

Non-operating revenues are projected to be \$5.0 million, a decrease of \$0.2 million compared to the 2011 budget. This decrease reflects a reduction in the assumed yield on SAWS' investment portfolio in anticipation of a continuation of the extremely low interest rate environment of the last eighteen months. Partially offsetting this decrease is an increase in the subsidy payment to be received on SAWS' Build America Bonds (BAB's). SAWS completed a second BAB's issuance in late 2010 that is now reflected in the 2012 budget.

Revenues from capital recovery fees are projected to decrease by \$10.0 million or 31.3%. These fees, which represent payments from developers to connect new or expanded developments to SAWS water/wastewater systems, are estimated at \$22.0 million in 2012 compared to \$32.0 million budgeted for 2011. The decrease in the projected level of these fees reflects a continuation of the slower than anticipated development activity in San Antonio during 2011.

In 2012 a slight draw on equity of \$0.3 million is being utilized to fund Water Quality, Environmental Education and Enforcement (WQEE) and Evans Road Annual Monitoring programs.

USES OF FUNDS



The 2012 Operating Budget projects an \$11.4 million increase in total disposition of funds. This increase is attributable to a \$7.6 million increase in operation and maintenance costs and an \$11.7 million increase in bonded debt service. These increases are partially offset by a \$9.1 million reduction in the budgeted transfer to the SAWS Renewal and Replacement Fund.

Gross operation and maintenance costs are projected to increase to \$253.2 million with \$34.2 million related to capitalized charges. Net operation and maintenance costs of \$219.0 million reflect an increase of \$7.6 million or 3.6%. This increase is driven primarily by:

- A \$2.3 million increase in pension funding costs associated with a reduction in the assumed discount rate.
- \$2.2 million dedicated to the anticipated merit and performance pay adjustments of 2.5%.
- An additional \$2.0 million for increased OPEB trust funding

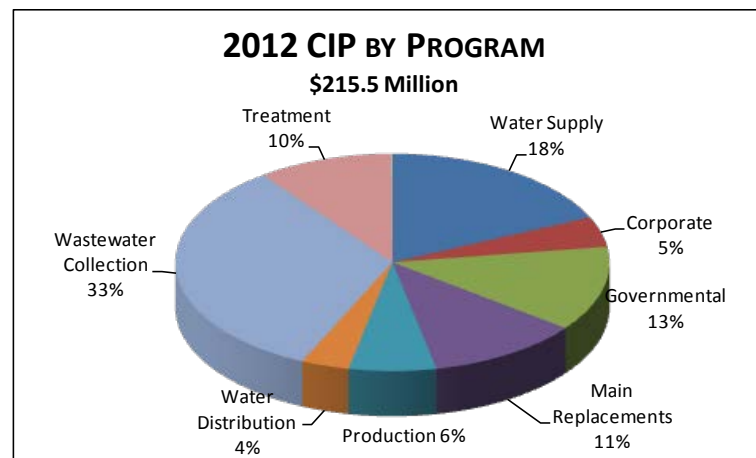
- \$1.5 million for increased utilities, fuel costs, and water supply reservation payments.

The 2012 Operating Budget also sets aside additional resources designated for capital outlay to continue efforts to upgrade the existing fleet of motorized vehicles and replace computers and other equipment.

Debt service costs are projected to increase by \$11.7 million to \$156.1 million in 2012. This increase can be attributed to the anticipated increase in debt associated with funding the \$215.5 million Capital Improvement Program, partially offset by a projected decrease in tax exempt commercial paper (TECP) interest expense due to declining interest rates.

The budgeted amount to be transferred to the Renewal and Replacement Fund for capital contributions is \$9.1 million lower than the 2011 budgeted amount. The reduction is being driven by the projected \$10.0 million decrease in capital contributions discussed previously.

ANNUAL CAPITAL BUDGET OVERVIEW



As part of the 2012 Capital Budget, the Water Delivery and Wastewater CIP's are funded at a combined total of \$176.1 million, while Water Supply capital funding totals approximately \$ 39.2 million. The Heating and Cooling CIP is funded at \$0.3 million for infrastructure and SCADA upgrades. The chart above reflects all programs combined.

Funding for the entire \$215.5 million capital program is projected to be accomplished through a combination of bonds, revenues and impact fees with approximately 26.3% of the funding forecast to be done with cash and the remainder to be financed with debt proceeds.

Infrastructure replacement and rehabilitation projects comprise approximately 56% of the Water Delivery and Wastewater 2012 capital budget, while additional capacity projects designed to support new growth and development comprise 44%. Almost \$59.6 million of additional capacity will be added to the wastewater system, while \$12.9 million of growth related additions will be made to the water delivery system.

The \$39.2 million of projected Water Supply capital spending consists primarily of expenditures associated with the development of well fields to support the brackish desalination water supply initiative. This amount also includes \$3.6 million worth of improvements and extensions to SAWS recycled water distribution network.



Community Profile

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COMMUNITY PROFILE



San Antonio is one of the country's major metropolitan centers. The city has a rich history dating back to the 1700's, when Spain staked its claim in the New World. What is now San Antonio was originally a Coahuiltecan Indian village along the southern edge of the Texas Hill Country. In 1718, the Franciscans constructed a mission, San Antonio de Valero, later called the Alamo, to serve as the economic core for the settlement. A customary accompanying presidio (fort), San Antonio de Bexar, protected mission endeavors. Spain later sent settlers from the Canary Islands to further establish their colonial presence and over the next few years, built four more missions along the San Antonio River. Today's city and county names derive from those 18th-century Spanish beginnings that predate founding of the United States by more than half-a-century.

LOCATION

San Antonio is located in south central Texas.

- 💧 Approximately 140 miles northwest of the Gulf of Mexico
- 💧 150 miles northeast of the city of Laredo on the Mexican Border
- 💧 80 miles south of Austin (state capital)
- 💧 280 miles from Dallas
- 💧 200 miles from Houston
- 💧 City encompasses approximately 368.6 square miles and is the county seat of Bexar County



POPULATION

- 💧 The San Antonio Metropolitan Statistical Area (MSA) consists of Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina and Wilson Counties and has a population of approximately 2.1 million.
- 💧 The City of San Antonio has a population of more than 1.3 million, making it the seventh largest city in the United States and second largest city in Texas

- 💧 The city's population has grown at an average of 1.2%, buoyed by both robust economic growth and the net immigration trends experienced in many areas of Texas
- 💧 The median of the age in San Antonio is just under 33 years old

The following table provides the population of the City, Bexar County, and the San Antonio Metropolitan Statistical Area(MSA)¹ as of April 1 for the years shown:

Year	City of San Antonio	Bexar County	San Antonio MSA
2010	1,327,407	1,714,773	2,100,000 ²
2000	1,144,646	1,392,931	1,711,703 ¹
1990	935,933	1,185,394	1,324,749
1980	786,023	988,971	1,088,881
1970	654,153	830,460	888,179
1960	587,718	687,151	736,066
1950	408,442	500,460	542,209
1940	253,854	338,176	376,093
1930	231,543	292,533	333,442
1920	161,379	202,096	238,639

¹ 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.)

² Provided by the American Community Survey.

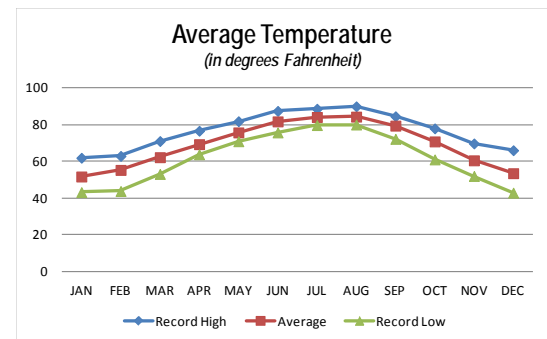
Sources: U.S. Census Bureau; City of San Antonio, Department of Planning and Development Services

CLIMATE

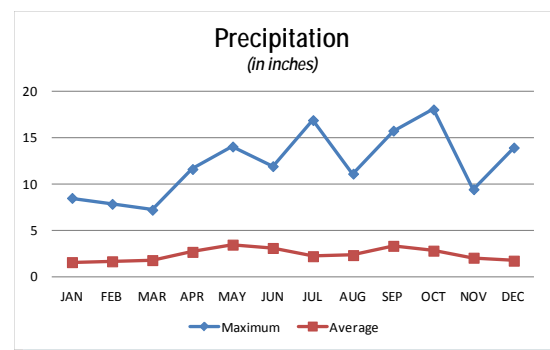
With its location on the northwest edge of the Gulf Coastal Plain, San Antonio experiences a modified subtropical climate.

Average temperatures range from 50 degrees in January to the mid-90s in July and August. While the summer is hot, with daily temperatures above 90 degrees over 80% of the time, extremely high temperatures (100 degrees and over) are rare. Mild weather prevails during the winter months, with temperatures below freezing occurring on an average of about 20 days per year.

Rainfall variations can be extreme, with some years coming in near 10 to 20 inches of rain, and other years producing near 50 inches of rain. Average yearly long term rainfall is near 29 inches. The extremes vary from 10.11 inches in 1917 to 52.28 inches in 1973.



Source: National Weather Service







Source: National Weather Service

ECONOMIC CONDITIONS AND EMPLOYMENT

The San Antonio economy has experienced robust, sustained growth since the mid-1990's. This economic growth coupled with the net in-migration trends experienced in many areas of Texas has resulted in population growth that has exceeded national averages. While not immune to the challenges being faced within the global economy, the diversity of the San Antonio economy does provide some stability through economic cycles. Specifically, San Antonio's strategic positions in the following key growth sectors contributes to this stability:

Healthcare and Bioscience

-  Remains one of the largest industries in the San Antonio economy.
-  Composed of related industries, such as research, pharmaceuticals, and medical device manufacturing contributing approximately the same economic impact as health services.
-  According to the Greater San Antonio Chamber of Commerce Economic Impact Report, in 2009, this industry posted an economic impact of \$18.9 billion and paid nearly \$6.5 billion in wages and salaries to more than 141,250 employees
-  Medical industry employees account for 17.2 percent of the local workforce.



Aerospace and Aviation




-  Includes establishments engaged in
 - manufacturing complete aircraft, missiles or space vehicles
 - manufacturing aerospace engines, propulsion units, auxiliary equipment or parts
 - developing and making aerospace product prototypes; aircraft conversion; complete aircraft or propulsion systems overhaul and rebuilding
 - flight training
 - air transportation and support activities for air transportation
-  In 2007, this industry supported a workforce of more than 9,400 employees, earning annual wages in excess of \$479 million, and is expected to employ at least 12,900 workers by 2016
-  \$3.8 billion annual economic impact



Photo courtesy of Kelly Aviation Center

Manufacturing






-  San Antonio has a large and diverse manufacturing industry, with a representation of every major sector of U.S. manufacturing present in the community, including materials and electricity, equipment and metal, transportation, and diversified products.
-  A 2006 Greater Chamber of Commerce *Economic Impact Report* revealed that manufacturers employed 52,786 workers and paid almost \$2.2 billion in salaries.
-  San Antonio is proud to be the home of one of Toyota's North American manufacturing facilities, Toyota Motor Manufacturing, Texas, Inc (TMMTX). Along with its onsite suppliers, TMMTX manufactures the Tundra and the Tacoma, both full-size pickups. Thus far, Toyota has invested \$1.5 billion into this facility, which employs over 2,800 workers. In total, about 4,000 people work at Toyota and the its supplier firms located in the car company's supplier park.






Photo courtesy of Toyota Motor Manufacturing, Texas



Finance

-  The Financial Services industry in San Antonio includes sectors such as banking and credit; investment activities; insurance; funds, trusts and other financial vehicles; accounting and bookkeeping.
-  In 2011, San Antonio's financial industry employed more than 65,400 people, and despite the harsh economic climate it reported revenue increases, positioning it as one of the city's most stable, promising and significant business sectors.

Military

-  The three military installations in the San Antonio area, Lackland Air Force Base, Randolph Air Force Base and Fort Sam Houston are now "Joint Base San Antonio", the largest installation in the military and one of 12 joint bases created by the Department of Defense Base Realignment and Closure (BRAC) law. At full operational capacity, Joint Base San Antonio will cover nearly 67 square miles and will be home to 80,000 military and civilian employees performing 211 missions.
-  Recognized as the largest economic development event in the city's history, BRAC will revolutionize military medical care, training and research.
-  By the end of 2011 BRAC is projected to have an estimated \$8.3 billion economic development impact and employ over 46,000 people.



Information Technology

- A study conducted in 2008 indicates that the Information Technology (IT) industry in San Antonio registered an overall economic impact of approximately \$8 billion and employs about 15,648 people with a total annual payroll of approximately \$882 million.
- San Antonio is particularly strong in information security and has come to be recognized as a national leader in this vital field, with the U.S. Air Force's Air Intelligence Agency, a large and growing National Security Agency presence, and the Center for Infrastructure Assurance and Security at the University Of Texas at San Antonio.
- San Antonio is also home to Rackspace Managed Hosting, the world's fastest-growing hosting and cloud computing company



Photo courtesy of Rackspace Hosting

Hospitality

- Top visitor and convention destination, with more than 21 million people choosing the Alamo City
- Over 103,000 persons employed in leisure and hospitality-related jobs
- The industry contributes more than \$8.7 billion annually to the local economy



The following table reflects the 10 largest employers within the San Antonio area as of January 2010:

Employer	Business	Employees	Rank	Percentage of Total City Employment ¹
Lackland Air Force Base	Military	35,026	1	4.30%
Fort Sam Houston	Military	28,082	2	3.45%
H.E.B. Food Stores	Super Market Chain	17,664	3	2.17%
United Services Automobile Association	Financial Services and Insurance	14,589	4	1.79%
Northside Independent School District	School District	12,597	5	1.55%
Randolph Air Force Base	Military	11,944	6	1.47%
City of San Antonio	City Government	11,017	7	1.35%
North East Independent School District	School district	10,223	8	1.25%
San Antonio Independent School District	School district	7,714	9	0.95%
Methodist Health Care System	Health care services	7,154	10	0.88%
Total		156,010		19.16%

Source: Economic Development Division, City of San Antonio, Texas, Greater San Antonio Chamber of Commerce, Economic Development Foundation, and US Census Bureau American FactFinder 2009 Data.

¹Percent based on an Employment Estimate of 814,900 of Non-Farm jobs in the San Antonio-New Braunfels Metropolitan Statistical Area as of January 2010. Figure provided by the Texas Workforce Commission.

Table provided courtesy of City of San Antonio Finance Department

A summary of San Antonio's nonagricultural employment by industry for the preceding ten years is as follows:

San Antonio MSA Non-Farm Employment by Industry										
as of December of each year	2010 *	2009	2008	2007	2006	2005	2004	2003	2002	2001
Natural Resources, Mining and Construction	49,200	48,800	55,200	55,800	50,600	49,300	46,100	44,600	44,500	46,700
Manufacturing	41,900	41,900	45,600	49,000	49,800	47,400	45,700	46,000	48,400	51,300
Trade, Transportation and Utilities	148,200	146,600	152,600	155,600	152,700	145,500	141,200	139,900	141,200	142,100
Information	17,900	18,900	20,600	21,500	21,900	21,100	21,000	22,500	22,400	24,900
Financial Activities	66,000	65,100	66,500	65,800	64,900	63,700	61,800	61,100	61,200	59,300
Professional and Business Services	99,000	98,000	104,400	107,300	104,000	101,100	89,400	88,400	87,800	85,500
Educational and Health Services	126,200	124,700	122,200	116,900	112,100	110,200	105,600	101,800	99,500	95,700
Leisure and Hospitality	96,500	95,900	99,100	95,700	91,300	87,200	84,200	81,400	80,000	77,200
Other Services	29,900	30,500	30,700	30,200	28,500	26,900	26,900	27,700	28,600	27,700
Government	164,000	161,400	158,200	154,100	150,000	146,900	144,300	144,000	144,600	141,900
Total Non-Farm Employment	838,800	831,800	855,100	851,900	825,800	799,300	766,200	757,400	758,200	752,300

Source: U.S. Bureau of Labor Statistics

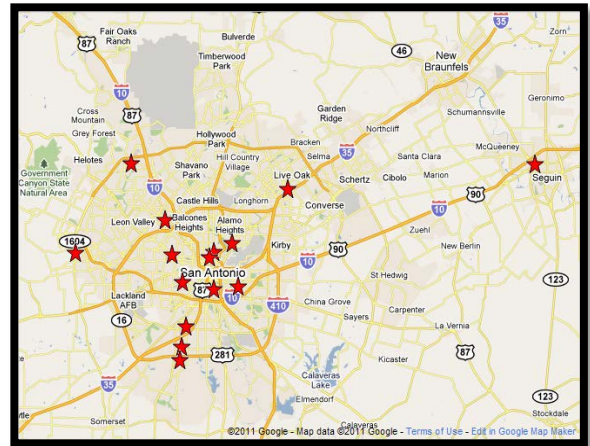
* Preliminary

EDUCATION

The San Antonio region has a wide array of institutions of higher learning which together are building a solid foundation for future individual enrichment and economic development. The community continues to work diligently to expand its existing institutions and to add new ones to make higher education more accessible. Major institutions in the San Antonio area and enrollment are shown in the following table:

Institution	Certified in Fall 2010 (headcount)
University of Texas at San Antonio	30,258
San Antonio College	25,269
Northwest Vista College	15,921
St. Philip's College	10,828
Palo Alto College	8,965
University of the Incarnate Word	7,214
St. Mary's University	4,082
The University of Texas Health Science Center at San Antonio	3,270
Our Lady of the Lake University	2,703
Trinity University	2,498
Texas A&M University San Antonio	3,120
Wayland Baptist University - San Antonio Campus	1,763 (Fall 2009)
Texas Lutheran University	1,337
Northeast Lakeview College	1,312

Source: San Antonio Economic Development Foundation



A high-speed photograph of a water droplet hitting a surface, creating a crown-shaped splash with many smaller droplets flying upwards and outwards. The background is a solid, light blue color.

San Antonio Water System Profile

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SAN ANTONIO WATER SYSTEM PROFILE

HISTORY

San Antonio Water System (SAWS) is the largest municipally-owned water, wastewater, chilled water, steam, and recycled water utility in Bexar County. SAWS currently provides potable water service to approximately 360,000 customer connections which represent about 80% of the water utility customers in Bexar County, while providing wastewater services to more than 400,000 customer connections representing approximately 92% of the wastewater customers in Bexar County. As of December 31, 2010, SAWS employed 1,647 personnel.

The origin of the Alamo City's municipally owned water utility dates back to 1925, when the City of San Antonio acquired the San Antonio Water Supply Company, which had been a privately owned company. The beginnings of wastewater service date back to 1896 when the City Council created the City Wastewater System. A major sewer system expansion began in 1960 with bond proceeds for new treatment facilities and an enlargement of the wastewater system.

In 1992, the San Antonio City Council determined that it was in the best interest of the citizens of San Antonio and the customers served by the water and wastewater systems to consolidate all water systems, agencies and activities into one institution. The predecessor agencies which were consolidated were the City Water Board, the Wastewater Department of the City of San Antonio and the Alamo Water Conservation and Reuse District. This action was taken due to a myriad of issues confronting the City related to the development and protection of its water resources. Such consolidation provided the City a singular voice of representation for promoting or defending the City's goals and objectives related to water resource planning and development with local, regional, state and federal water authorities and officials.

BACKGROUND

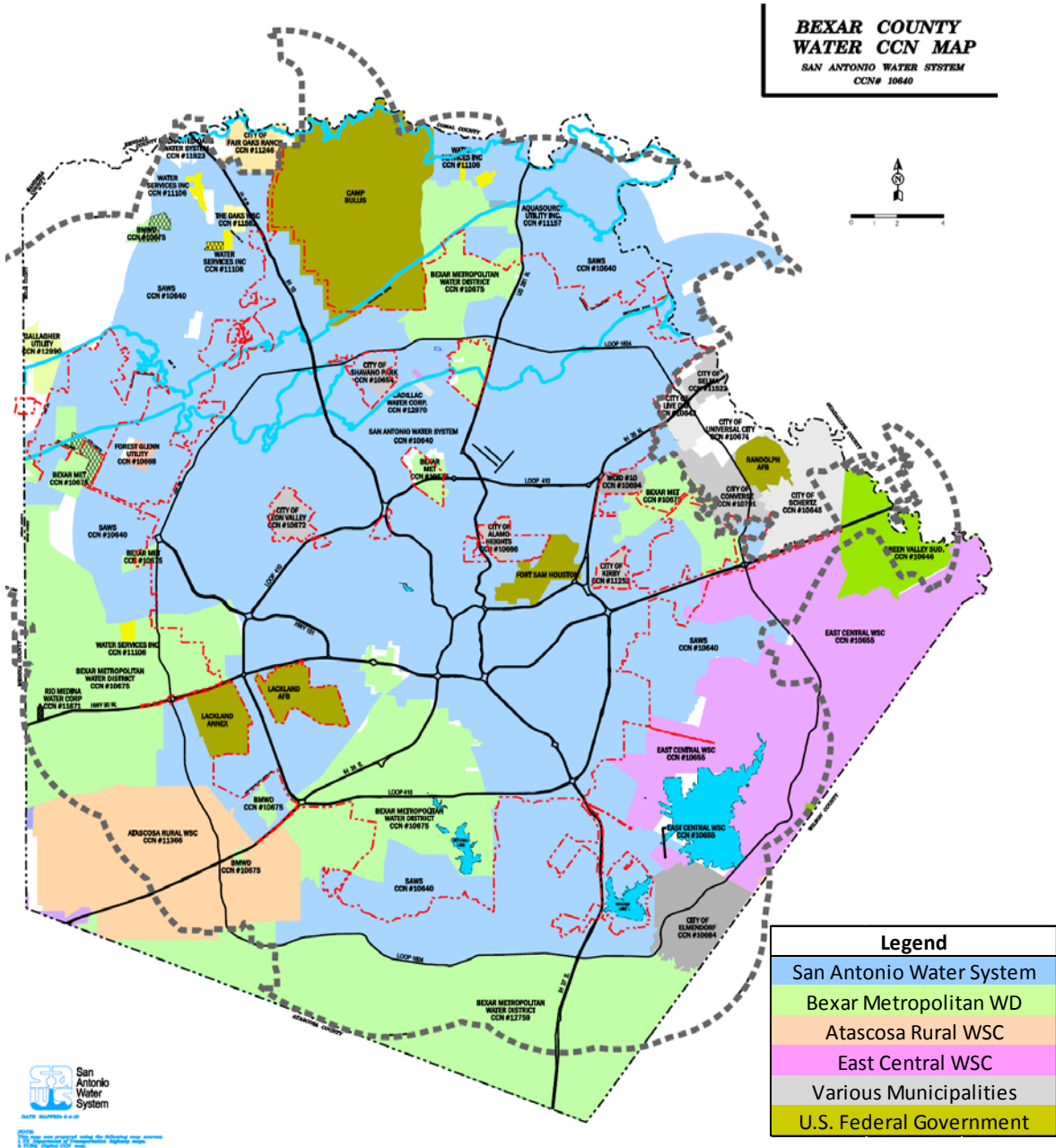
Complete management and control of SAWS is vested in a Board of Trustees consisting of the mayor and six members who are appointed by the San Antonio City Council, and serve staggered four-year terms. The mayor of San Antonio serves as an ex officio voting member. The general operations of the utility are under the supervision of the President/Chief Executive Officer.

Today, the San Antonio Water 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 collection and treatment of wastewater, including the distribution of recycled water. Additionally, SAWS owns and operates six thermal energy facilities providing chilled water and steam services to governmental and private entities.

SAWS delivers potable groundwater from the Edwards, Trinity, and Carrizo aquifers and surface water from Canyon Lake to domestic, commercial, industrial, governmental and agricultural customers. SAWS also collects, conveys, and processes wastewater and recycled water generated in the service area.

SERVICE AREA

WATER SYSTEM



SAWS' service areas are established by its permits from state regulatory authorities. The service area for water distribution includes large portions of the city of San Antonio, several suburban municipalities, and adjacent parts of Bexar County. SAWS' water service area currently extends over approximately 627 square miles, making it the largest water purveyor in Bexar County. SAWS provides potable water service to residential, commercial, multifamily, industrial and

wholesale customers and serves approximately 80% of the water utility customers in Bexar County. As of December 31, 2010, SAWS

- Provides potable water service to approximately 357,000 customer connections.
- Utilizes 42 elevated storage tanks and 38 ground storage reservoirs, of which 12 act as both, with combined storage capacities of 192 million gallons.
- Has installed 4,936 miles of distribution mains, ranging in size from 4 inches to 60 inches in diameter, the majority of which are between 6 inches and 12 inches in diameter.
- Maintains 27,115 fire hydrants in service.

Key operating and capital indicators of the water system for each of the years from 2001 through 2010 are provided in the table below:

Operating and Capital Indicators – Water System

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)
Rainfall (Inches)	37.39	30.69	13.76	47.25	21.34	16.45	45.34	28.45	46.27	25
Customers/Connections (b)	356,546	352,059	348,834	344,168	336,434	325,944	315,000	306,363	300,742	297,661
Water Pumpage (Million Gallons)										
Annual Water Pumped (e)	68,750	66,195	71,328	61,744	66,350	63,357	53,040	55,039	52,691	36,883
ASR Recharge (c) (e)	8,322	5,549	3,805	6,701	2,962	4,367	1,809	n/a	n/a	n/a
ASR Net Production (c) (e)	549	466	125	143	2,095	302	207	n/a	n/a	n/a
Annual Pumped for Usage (e)	60,428	60,646	67,523	55,043	63,388	58,990	51,231	55,039	52,691	36,883
Average Daily (e)	188	181.4	194.9	169.2	181.8	172.6	145.3	150.8	144.4	172.2
Maximum Daily (e)	266.02	243.5	299.1	224.0	269.0	278.1	197.9	304.8	229.5	274.0
Maximum Hour (Daily Rate) (e)	357.75	388.0	399.1	296.0	410.7	395.5	295.2	390.9	369.0	423.1
Metered Usage (Million Gallons)	52,578	55,295	58,828	49,511	57,724	55,005	49,366	50,576	51,850	34,716
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights (f)	85,035	81,923	71,738	69,505	69,505	65,007	67,799	n/a	n/a	n/a
Non-Edwards supply (g)	6,132	6,256	6,256	4,171	4,171	1,140	1,140	n/a	n/a	n/a
Stored in ASR (h)	29,244	21,832	16,772	13,092	6,534	5,667	1,602	n/a	n/a	n/a
Total water available for production	120,411	110,011	94,766	86,768	80,210	71,814	70,541	n/a	n/a	n/a
Number of Wells in Service	144	140	136	126	113	102	94	95	83	90
Overhead Storage Capacity (Million Gallons)	73.9	66.5	65.2	64.2	69.0	60.0	64.8	53.5	53.5	53.5
Total Storage Capacity (Million Gallons)	180.8	166.2	165.0	164.0	166.0	142.0	161.5	145.0	121.2	149.7
Miles of Water Main Installed	106	97	160.80	167	143	103	90	109	104	63
Miles of Water Main Replaced and Abandoned	36	34	32	19	22	23	17	20	17	20
Miles of Water Main in Place	4,936	4,866	4,802	4,673	4,525	4,404	4,324	4,251	4,162	4,076
Water Main Breaks (d)	1,475	3,212	2,594	1,392	3,073	2,577	1,305	1,480	1,395	n/a
New Services Installed	4,208	3,590	7,565	17,274	13,903	12,730	10,759	10,626	7,933	3,978
Fire Hydrants Installed (Net of Hydrants removed)	516	644	971	1,040	752	521	574	654	648	375
Fire Hydrants in Place	27,115	26,599	25,955	25,004	23,964	23,212	22,691	22,117	21,463	20,815

(a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.

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

(c) SAWS opened its Aquifer Storage & Recovery (ASR) facility in 2004. Prior to this time, all water pumped was pumped for usage.

(d) Amount reported is for the calendar year.

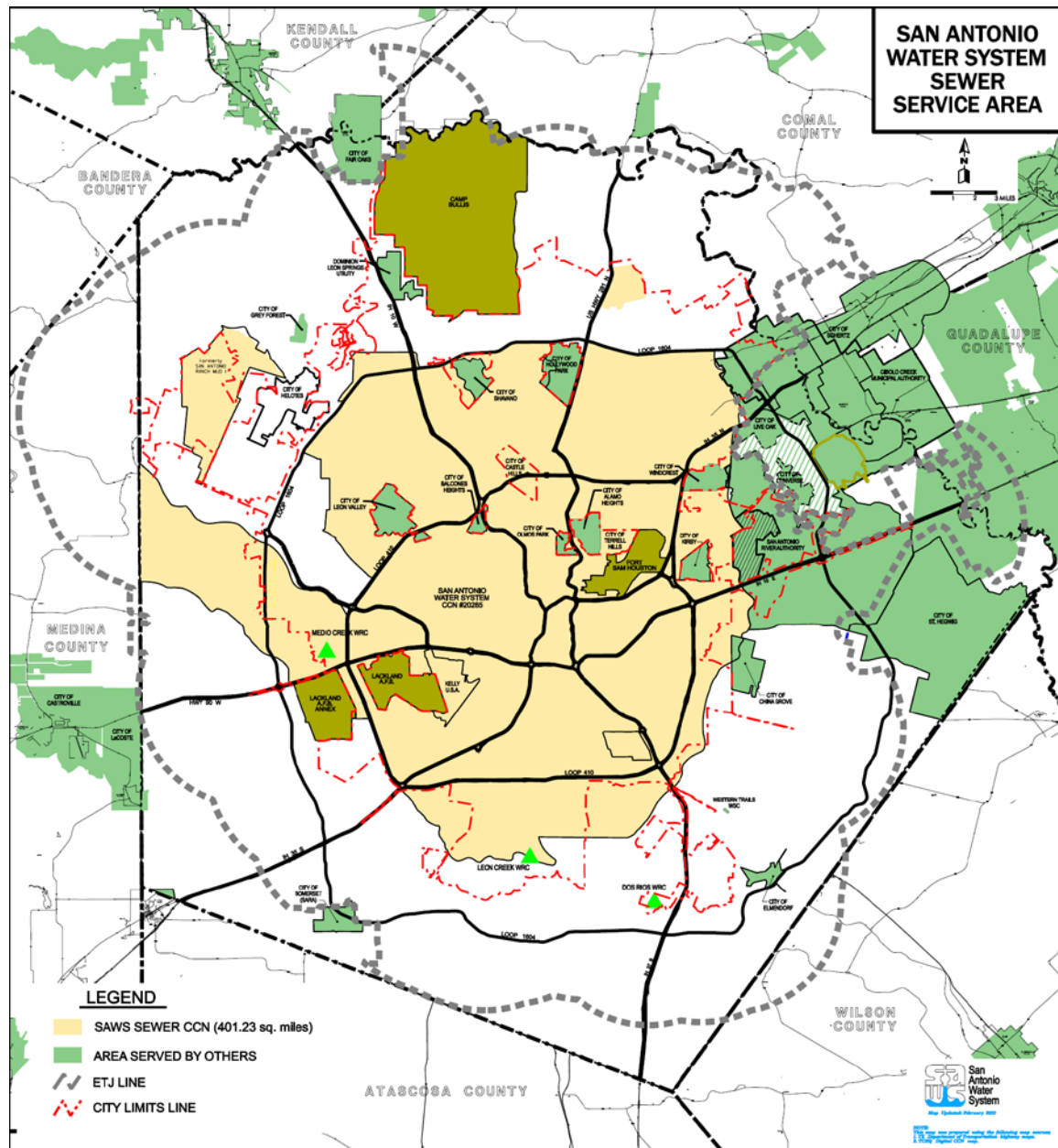
(e) Amounts have been revised from previously published data.

(f) Based on permitted rights authorized by the Edwards Aquifer Authority (EAA) as of December 31st. Authorized amounts prior to 2004 are not presented as they reflect a high level of variability related to EAA's permitting process. Under current EAA rules, authorized amounts are subject to reductions of 20% to 40% during drought conditions.

(g) Includes water from the Trinity Aquifer and Canyon Lake available under water purchase agreements and water from the Carrizo Aquifer based on groundwater rights associated with land owned by SAWS.

(h) Represents net amount stored in ASR (Recharge - Net production)

WASTEWATER SYSTEM



A larger and somewhat different area, following natural watersheds, is defined for wastewater collection and treatment. SAWS is the largest sewage treatment agency in this area providing wastewater collection and treatment services to a substantial portion of the residents of the City of San Antonio, 18 governmental entities and other customers outside the corporate limits of the City. SAWS has certain prescribed boundaries that currently cover an area of approximately 642 square miles. As of December 31, 2010, SAWS provides wastewater services to approximately 400,000 customers.

The Wastewater System is composed of approximately 5,118 miles of mains and three major treatment plants: Dos Rios, Leon Creek and Medio Creek. All three plants are conventional activated sludge facilities. SAWS holds Texas Pollutant Discharge Elimination System (TPDES)

wastewater discharge permits, issued by the TCEQ, for 187 million gallons per day (MGD) in treatment capacity. Permitted flows from the wastewater system's three regional treatment plants represent approximately 98% of the municipal discharges within the City's Extraterritorial Jurisdiction (ETJ).

To meet anticipated future growth in wastewater flows at the Dos Rios Water Recycling Center, a plan has been established for construction and rerating of the facility. This plan will increase the permitted annual average flow from the current 125 million gallons per day to 217 million gallons per day. The plan is designed to convert the plant from a two-stage, in series process to a single stage, parallel process - thereby maximizing the use of the available biological system capacity. A series of construction projects are currently planned to be conducted between 2011 and 2021. The total cost of the projects is anticipated to total approximately \$200 million.

Key operating and capital indicators of the wastewater system for each of the years from 2001 through 2010 is provided in the table below:

Operating and Capital Indicators – Wastewater System

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)
Customers/Connections (b)	400,096	395,161	389,894	379,962	368,401	354,878	342,813	330,072	334,434	297,661
Effluent Volumes For Major Facilities (million gallons per day)										
Dos Rios										
Permit Flow	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Average Annual Flow	86.47	74.37	76.53	93.34	64.00	59.58	61.16	56.53	60.08	53.12
Maximum Monthly Average Flow	103.66	89.36	81.43	131.98	74.37	73.98	78.74	65.65	82.52	57.92
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)	38.83	34.99	34.71	40.26	32.63	34.48	35.34	33.81	37.56	35.58
Maximum Monthly Average Flow (two outfalls)	45.30	64.74	38.62	55.49	34.28	41.79	42.40	36.18	49.16	39.83
Medio Creek										
Permit Flow	16.00	16.00	16.00	8.50	8.50	8.50	8.50	8.50	8.50	6.50
Average Annual Flow	7.53	6.32	5.87	6.94	5.13	5.21	5.60	5.53	6.44	5.60
Maximum Monthly Average Flow	8.71	7.45	6.57	10.51	5.63	6.58	6.63	7.09	8.33	5.88
Salado (c)										
Permit Flow	n/a	n/a	n/a	n/a	46.00	46.00	46.00	46.00	46.00	46.00
Average Annual Flow	n/a	n/a	n/a	n/a	11.38	33.80	35.86	33.24	34.26	32.97
Maximum Monthly Average Flow	n/a	n/a	n/a	n/a	21.11	40.40	44.00	36.39	41.21	35.52
Total										
Permit Flow	187.00	187.00	187.00	179.50	225.50	225.50	225.50	225.50	225.50	223.50
Average Annual Flow	132.83	115.68	117.11	140.54	113.14	133.07	137.96	129.11	138.34	127.27
Maximum Monthly Average Flow	157.67	161.55	126.62	197.98	135.39	162.75	171.77	145.31	181.22	139.15
Amount Treated Annually (millions of gallons)	48,151	51,987	50,347	49,218	53,268	49,287	49,593	49,669	52,180	29,561
Amount Treated Peak Day (millions of gallons)	258	194	174	294	169	212	297	201	390	175
Miles of Sewer Main Installed	33	84	125	137	132	74	76	122	75	47
Miles of Sewer Main In Place (d)	5,118	5,085	5,001	4,877	4,739	4,607	4,533	5,088	4,967	4,892
Number of Manholes Installed	659	1,514	2,922	2,775	2,661	1,538	1,504	1,686	1,625	996
Number of Manholes In Place	96,200	95,541	94,027	91,105	88,330	85,669	84,131	67,277	65,591	63,966
Number of Lift Stations	158	164	162	167	164	150	150	150	150	150

(a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.

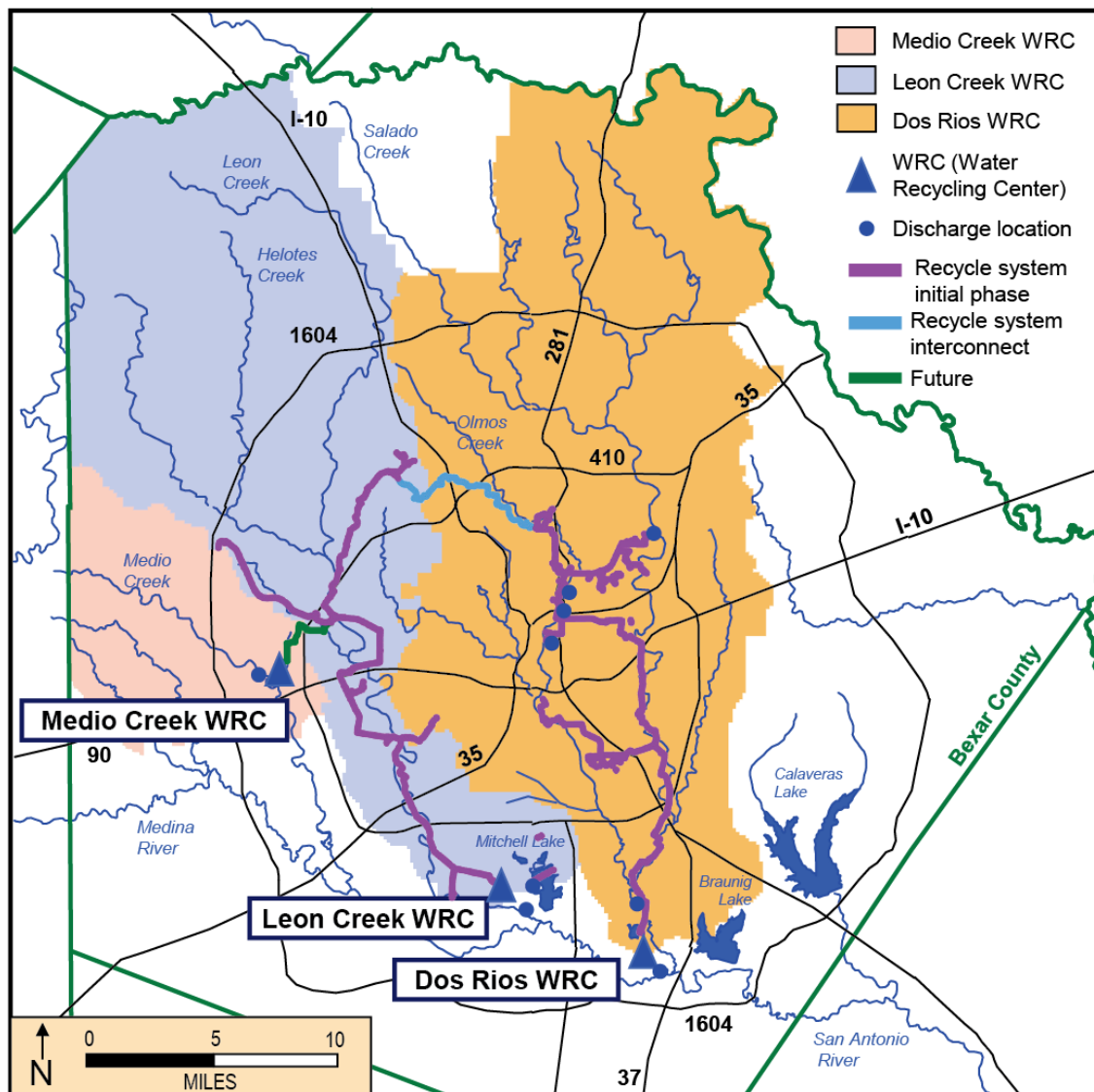
(b) Number of customers at end of fiscal year.

(c) The Salado treatment plant was closed in August 2006 and all wastewater flows diverted to the Dos Rios treatment facility.

(d) Prior to 2004, the miles of sewer main in place were estimated. Utilizing GPS tracking, more accurate data was obtained and maintained starting in 2004.

RECYCLED WATER SYSTEM

San Antonio Water System is permitted to sell Type I (higher quality) recycled water from its wastewater treatment plants and has been doing so since 2000. This system is comprised of two north/south transmission lines. In 2008, an interconnection of these two lines was constructed at the north end of the lines, providing additional flexibility with respect to this valuable water resource. The SAWS water recycling program currently has a supply of 25,000 acre-feet per year of recycled water available for commercial and industrial businesses in San Antonio. Approximately 130 miles of pipeline deliver highly treated effluent to 50 customers consisting of golf courses, parks, and commercial and industrial customers throughout the city. The system was also designed to provide base flows in the upper San Antonio River and Salado Creek, and the result has been significant and lasting environmental improvements for the aquatic ecosystems in these streams.



CHILLED WATER AND STEAM SYSTEM

The Chilled Water and Steam system owns and operates six thermal energy facilities providing chilled water and steam (heating and cooling) services to 29 governmental and private entities. Two of the facilities, located in the eastern part of downtown San Antonio, provide chilled water and/or steam to 23 customers in downtown San Antonio. Various City of San Antonio facilities, including the Henry B. Gonzales Convention Center and the Alamodome constitute approximately 60% of the downtown system's chilled water and steam annual production requirements. The remaining four thermal facilities provide chilled water to large industrial customers located in the Port Authority of San Antonio industrial area (formerly Kelly USA). SAWS' chilled water producing capacity places it as one of the largest producers of chilled water in south Texas

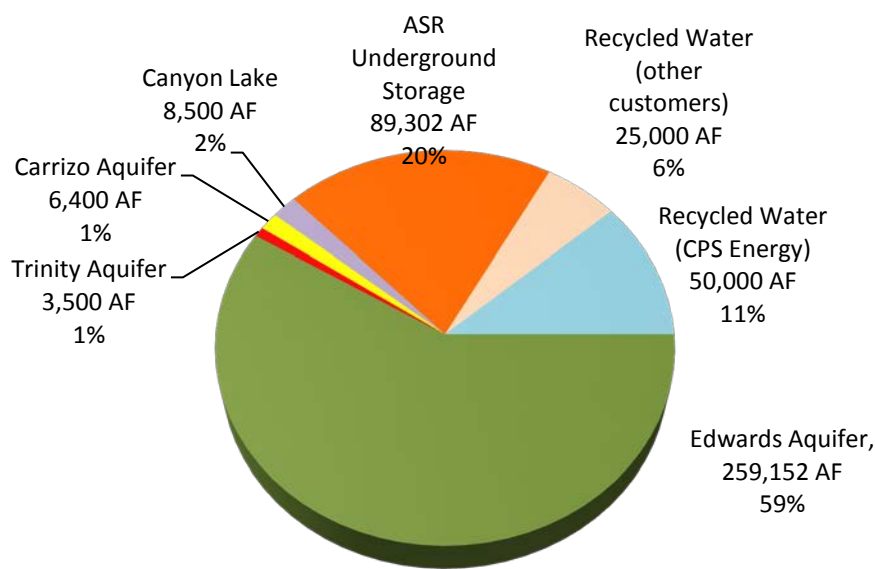
WATER SUPPLY

As population growth continues to transform our community, SAWS is looking at many different solutions to secure additional future water sources. Currently, SAWS uses ground water, surface water and recycled water to meet customer demand. In May 2009, SAWS completed a comprehensive analysis of its existing water supplies and developed a series of conservation and water resource strategies that will enable it to provide adequate water supplies, even during critical drought periods, for the San Antonio residents of today, tomorrow, and fifty years from now.

The strategies outlined in the *2009 Water Management Plan*, build on the previous plan revision approved in August 2005. The plan is a continuation of the process that began in 1996 to maintain a fifty-year plan considering the feedback of various stakeholder groups in both the community and region at large.

The *2009 Water Management Plan* outlines a diversified portfolio of San Antonio's current and future water supplies. While the Edwards Aquifer will always be the cornerstone of San Antonio's water supply, SAWS has already successfully developed several alternative water sources, such as Canyon Lake, the Trinity Aquifer, and the Carrizo Aquifer. In addition, SAWS' recycled water program provides highly treated wastewater to CPS Energy and other industrial and landscape customers who would otherwise use potable water. SAWS' underground Aquifer Storage and Recovery (ASR) reservoir allows for collection and storage of yearly surplus permitted Edwards Aquifer water for use during times of drought. The ASR defers the necessity to build more expensive water supply options in the short-term.

Funded by SAWS customers through the Water Supply Fee, these successful projects represent an investment of more than \$664 million over the last 10 years. The following chart illustrates SAWS' water supply sources under non-drought conditions as of July 2011.

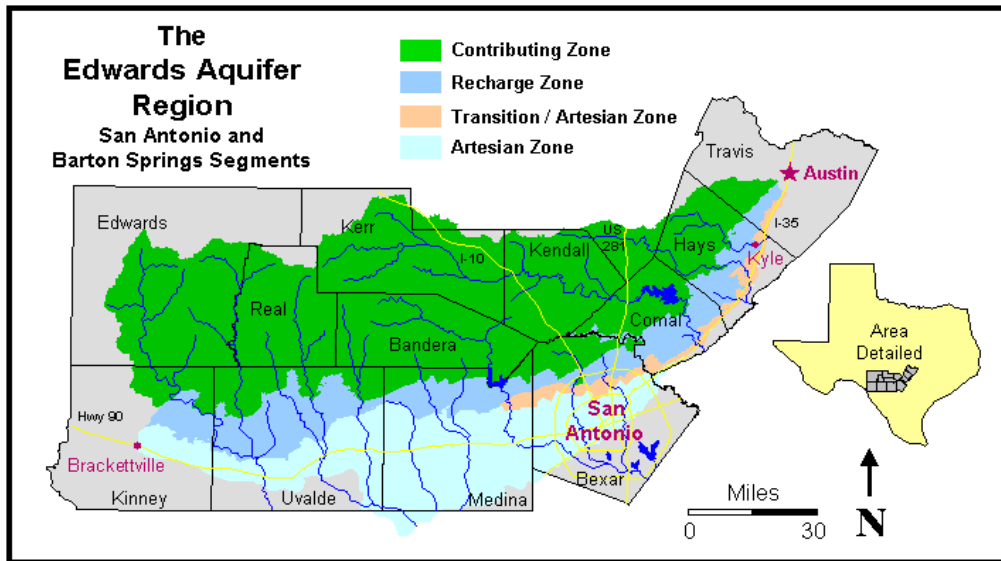


Existing water supplies under non-drought conditions

SAWS has made significant progress toward meeting future needs for water through the acquisition and lease of additional Edwards Aquifer permits. The critical importance of the need for additional water supplies and sensible water conservation has been heightened by the fact that during the period October 2010 to August 2011, extreme drought conditions made it the driest October to August period in San Antonio recorded history with only 7.78 inches of rain.

CURRENT SOURCES OF WATER SUPPLY

EDWARDS AQUIFER



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

Much of the Edwards Aquifer region consists of agricultural land, but it also includes areas of population ranging from communities with only a few hundred residents to the City of San Antonio, which serves as a home for well over one million residents. In 2009, the Edwards Aquifer directly supplied 90% of the potable water for municipal, domestic, industrial, and commercial needs in the greater 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 Federally-protected aquatic life.

The Edwards Aquifer is recharged by streams and by precipitation infiltrating directly into the cavernous, honeycombed, limestone outcroppings in its north and northwestern area. Practically continuous recharge is furnished by spring-fed streams, with stormwater runoff

adding additional recharge, as well. The historical average annual recharge to the aquifer, from 1934 to the present, is approximately 684,700 acre-feet. The average annual recharge over the last four decades is approximately 797,900 acre-feet. The lowest recorded recharge was 43,000 acre-feet in 1956, while the highest was 2,485,000 acre-feet in 1992. Recharge has been increased by the construction of recharge dams over an area of the Edwards Aquifer exposed to the surface known as the recharge zone. The recharge dams, or flood-retarding structures, slow floodwaters and allow much of the water that would have otherwise bypassed the recharge zone to infiltrate the Edwards Aquifer.

In 1993, the Texas Legislature created the Edwards Aquifer Authority (EAA) as a conservation and reclamation district. 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 aquifer. Among other charges, the EAA was directed to limit groundwater withdrawals from the Edwards Aquifer through a permitting system. The EAA was also directed by the Texas Legislature to ensure that, not later than December 31, 2012, the continuous minimum springflows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species. To date, the EAA's exercise of power has been primarily limited to managing Edwards Aquifer withdrawals, although the EAA has initiated efforts in recent years to regulate water quality.

In 2007, the Texas Legislature passed Senate Bill 3, which established a new annual pumping limit, or 'cap,' and placed restrictions on supply availability during drought periods into State statute. Senate Bill 3 established this annual regional pumping cap at 572,000 acre-feet per year. As of July 31, 2011, through permitting, purchases, and leases, SAWS has access to 259,152 acre-feet of Edwards Aquifer groundwater withdrawal rights, which is approximately 45% of the regional pumping cap. Approximately 225,000 acre-feet of this inventory is owned and the remainder leased. The *2009 Water Management Plan* also identified the potential purchase or lease of 19,500 acre-feet of additional Edwards Aquifer water in the period between 2014 and 2034 if alternate water sources such as the Regional Carrizo Project or additional brackish groundwater resources are not available as expected. 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.

Senate Bill 3 incorporates restrictions on supply availability during drought periods into State statute, thus making these restrictions State law. Under current law, when aquifer levels and springflow fall to certain trigger points, pumping allocations are reduced by 20% to 40% depending on the severity of the drought. In February 2009, City ordinances were revised to ensure that restrictions on customers' water usage commence in close proximity to the occurrence of these restrictions on pumping. These restrictions affect primarily outdoor water use – water used for indoor domestic, commercial, and industrial purposes is never restricted.

From October 2010 to August 2011, the City experienced significantly lower than normal rainfall, receiving 7.78 inches of rain (or less than 27% of the normal total for the same period of 29.2 inches). The State of Texas has experienced the driest 12 months ever through July 2011 according to the Texas State Climatologist. During this time, the Edwards Aquifer level initially dropped, but then stabilized after the conclusion of the growing season for irrigated agricultural croplands, which share access to the aquifer, primarily in the counties to the west of the City. On April 12, 2011, the Edwards Aquifer dropped below 660 feet at the monitoring well, and

Stage One restrictions were declared. The Edwards Aquifer continued to drop and on May 31, 2011, Stage Two restrictions were declared. Stage Two restrictions remain in effect until the Edwards Aquifer levels rise above 650 feet for more than 30 days and it is determined conditions warrant termination of Stage Two. Conditions will determine if all restrictions are terminated or if a previous less restrictive stage will apply. Because of the uncertainty of future weather, SAWS is unable to determine the long-term implications of this drought on its financial performance, but has measures that could be implemented to mitigate any immediate effects.

EDWARDS AQUIFER RECOVERY IMPLEMENTATION PROGRAM

In addition, to support ongoing efforts to identify and evaluate methods to protect threatened and endangered species, the Texas Legislature prescribed the Edwards Aquifer Recovery Implementation Program (EARIP) for the Edwards Aquifer region. The EARIP, which is being undertaken in coordination with the U.S. Fish and Wildlife Service, is intended to help the region meet the needs of endangered species, while respecting and protecting the legal rights of water users. This process is rapidly finalizing its recommendations to the Edwards Aquifer Authority.

The recommendations of the EARIP are likely to involve a suite of Aquifer management techniques, including:

- a Dry Year Option to compensate Edwards irrigators to temporarily sideline the water demands of their crops during deep droughts
- an enhanced Municipal and Exempt Well-owner Conservation Program to extend lessons-learned in water conservation and drought management in the larger urban areas to smaller municipalities throughout the region which are wholly reliant on the Edwards
- an innovative use of the SAWS Twin Oaks ASR facility in deep droughts to supply SAWS customers with water stored in the ASR on behalf of the region
- an emergency Stage 5 pumping restriction

Taken together, this suite of Aquifer management techniques will support an application for a Habitat Conservation Plan (HCP) to the United States Fish and Wildlife Service which will provide long-term regulatory and water supply certainty for all users who rely on the Edwards Aquifer, as well as achieving a sustainable balance between human water use and the long-term protection of threatened and endangered species associated with the Edwards Aquifer.

If accepted by the U.S. Fish and Wildlife Service, the Habitat Conservation Plan (HCP) will be the basis for a 15-year permitted program to implement the above Aquifer management techniques. The first year cost of the program is expected to be \$20.4 million, with an average annual cost over the 15-year term of \$17.4 million. To obtain the needed resources, the Edwards Aquifer Authority (EAA) is expected to add \$50 per acre-foot to its Aquifer Management Fee beginning in 2012 bringing it to a total of \$97 per acre-foot. This fee may be adjusted in four-year intervals to reflect actual costs of the EARIP conservation measures over the period of the program. Based on a projected SAWS inventory of approximately 262,000 acre-feet of Edwards Aquifer groundwater withdrawal rights, the impact of the increase to SAWS will be \$18 million during each year of the program if the EAA does not adjust the fee further. The estimated impact of the projected EAA fee increase to the average residential customer's monthly bill in 2012 is \$4.04 (assuming 7,788 gallons monthly consumption).

RECYCLED WATER

SAWS has been recognized as an innovative national leader in wastewater effluent treatment, recycling, and reuse for irrigation and industry. SAWS has built the nation's largest recycled water delivery system. The Recycled Water project has a capacity of 25,000 acre-feet per year and is now a driver of economic development in San Antonio (Toyota's Tundra pickup truck manufacturing and assembly plant and a Microsoft data center are notable examples).

Currently, approximately 24,500 acre-feet per year are under contractual commitment for non-potable water uses including golf courses and industrial uses that were previously being supplied from the Edwards Aquifer. This represents approximately 20% of SAWS current usage. Recycled water is delivered for industrial processes, cooling towers, and irrigation, which would otherwise rely on potable water withdrawn from the Edwards.

The Recycled Water project also directly benefits the entire region and the natural environment. For example, up to 75,000 acre-feet per year of pumping demand on the Edwards Aquifer has been alleviated through supplying cooling water to CPS Energy electrical generation facilities (50,000 acre-feet of indirect reuse through a bed-and-banks conveyance permit). Recycled water has also been used to convert parks, recreational fields, golf courses, and landscaping from potable to recycled water use and also benefits Salado Creek and other tributaries of the San Antonio River with the guarantee of clean river flows even during drought. Absent a source of recycled water, these facilities and activities would place further demand on limited potable supplies. For these reasons, Recycled Water, though non-potable, is an important part of SAWS diversification successes.

Combined with the 50,000 acre-feet per year used by CPS, this is the largest reuse water project in the country. SAWS recently amended its contract with CPS Energy to extend the term through 2060 for provision of such reused water.

SAWS TWIN OAKS AQUIFER STORAGE AND RECOVERY FACILITY

An Aquifer Storage and Recovery (ASR) project involves injecting ground or surface water into an underground 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 and may be expanded to inject water from currently planned future water supply projects.

SAWS began a study of an ASR project in 1996, acquired over 3,200 acres in southern Bexar County and has completed construction of two phases of the \$247.5 million ASR project and the integration facilities to transport this water into the System's distribution system. Phase I of the project was dedicated on June 18, 2004 and gave SAWS the ability to inject or recover up to 30,000 acre-feet of Edwards Aquifer water per year.

In 2008, SAWS continued capital improvements to complete Phase II of the project, which involved well field expansion through the completion of thirteen additional wells, the addition of a 7.5 million gallon storage tank, and the addition of various pumping facilities, among other improvements. The Phase II expansion was completed in 2009 and effectively doubled SAWS ability to inject or recover Edwards Aquifer to approximately 55,000 acre-feet per year. While underway, SAWS continued to store water in the ASR. During the droughts of 2008, 2009, and 2011, ASR water was again recovered and returned to SAWS distribution system when the

Edwards Aquifer Authority implemented water restrictions. The ASR facility was recognized in 2007 by the National Groundwater Association as the "2007 Outstanding Groundwater Project".

In the *2009 Water Management Plan*, ASR's role has been expanded with the decision to transition this facility to a long-term storage reserve. In addition, *the 2009 Water Management Plan* refers to expansion of ASR storage capability as a long-term strategy to optimize available water resources. By April 30, 2011, SAWS had amassed net storage of more than 95,949 acre-feet of water to be utilized in drought situations to help meet its water needs. This is nearly six months of supply for the entire City. In an attempt to slow the level of decline of the Edwards Aquifer, in March 2011, SAWS began withdrawing water from the ASR for customer use. From March 2011 through July 2011, more than 7,000 acre-feet had been returned to the SAWS distribution system for customer use.

The SAWS Twin Oaks Aquifer Storage and Recovery facility is an exciting component of the regional Edwards Aquifer management suite of activities supporting the EARIP Habitat Conservation Plan, which will ensure the long-term balance, predictability, stability, and environmental sustainability of water resources in the Edwards Aquifer region (see *Current Sources of Supply: Edwards Aquifer* above)

WESTERN CANYON PROJECT

The Western Canyon Project is a successful alliance project between GBRA and water purveyors in Comal, Kendall and Bexar counties. This project is an additional step toward diversification of SAWS water supplies to meet future demands in the region.

San Antonio Water System, Comal and Kendall County participants, and the Guadalupe-Blanco River Authority (GBRA) collaborated on the Western Canyon Project for the delivery of water from Canyon Lake Reservoir. GBRA is required through the contract to divert, treat and deliver the water to the SAWS distribution system. SAWS was initially to receive almost 9,000 acre-feet per year for service to northern Bexar County. Over time, this amount will decline to 4,000 acre-feet, as GBRA's in-district participants in the project complete infrastructure necessary to enable them to obtain supplies and anticipated population growth causes the participants to more fully utilize their allotments of reserved water from the project.

SAWS began receiving water from this project in April 2006. Through July, 2011, SAWS has received approximately 44,000 acre-feet of supplies from this project. Pursuant to the terms of the contract with GBRA, this contract will terminate at the end of 2037, with an option to extend until 2077 under new payment terms.

Project Highlights

- The Winwood storage tank project represents a capital investment of \$3.8 million, funded by SAWS customers through the monthly Water Supply Fee.
- The Oliver Ranch Storage Tank and pump station represents a capital investment of \$7 million funded by SAWS customers through the Water Supply Fee. This water storage tank/pump station serves both the Western Canyon Water Project and the Trinity Aquifer projects.
- The Western Canyon Project adds another 8,500 acre-feet per year to San Antonio's water supply.

- SAWS initial take was 9,000 acre-feet per year prior to the smaller purveyors taking their full contracted quantity.
- SAWS will always receive a minimum of 4,050 AF/yr during the term of the contract (40-years). Over the term of the contract, SAWS average take is approximately 7,100 AF/yr.

LOCAL CARRIZO AQUIFER

A provision of the 2002 Water Resource Protection and Management Agreement with the Evergreen Underground Water Conservation District gives SAWS the ability to withdraw up to 2 acre-feet of Carrizo Aquifer water per surface acre of land owned or leased (controlled). This equates to approximately 6,400 acre-feet of Carrizo Aquifer production per year. Thus, in 2006, SAWS initiated the Local Carrizo Program at the ASR site with two dual goals in mind. The first was to provide SAWS with access to approximately 6,400 acre-feet of Carrizo Aquifer water, while the second was to counter the natural south-southeast drift of the stored Edwards Aquifer water away from the ASR wellfield with water wells drilled north-northwest of the stored Edwards Aquifer water.

The approximately \$17 million Local Carrizo Water Supply program is comprised of two phases: an ASR onsite phase and an ASR offsite phase. The onsite phase began production in August 2008, with production of 383 acre-feet in 2008. Total production during 2009 was 5,934 acre-feet.

The offsite phase was completed in August 2010. While this additional phase will reduce the effects of the naturally occurring movement of water and provide increased operational flexibility of recovering the stored water, no additional production capacity accompanies the offsite plan

TRINITY AQUIFER

Introduced in 2002 as a new source for San Antonio's water supply, the Trinity Aquifer was the first non-Edwards Aquifer drinking water delivered through SAWS distribution system. Although relatively small, two projects – Oliver Ranch and Bulverde Sneckner Ranch – stemming from the Trinity program, play a major role in providing additional sources to enhance the region's water supply

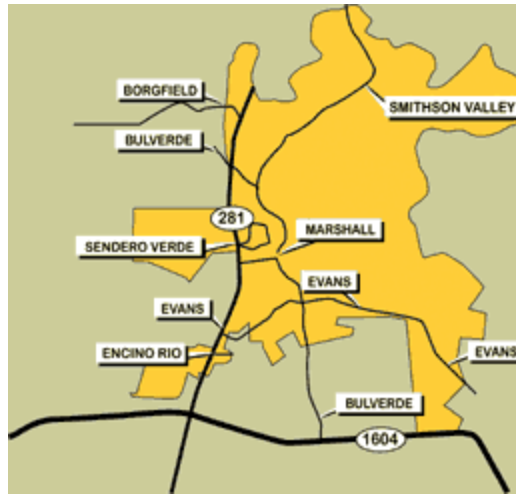
- **Oliver Ranch Project**

The Oliver Ranch project is located in North-Central Bexar County where it provides Trinity Aquifer water to SAWS service areas. Water from this project was the first non-Edwards water to enter the SAWS distribution system. Under an initial 10-year contract, delivery of water to the SAWS system began in February 2002. A new 15-year contract was signed, effective July 1, 2010, with the option to extend for an additional 10 years. Currently, water is produced and chlorinated on the Oliver Ranch site, and pumped to the SAWS Indian Springs Storage tank.

- **BSR Project**

The Bulverde Sneckner Ranch (BSR) project, also in North Bexar County, is adjacent to the Oliver Ranch project. A total of four wells were completed on the property with the water provided from these wells being chlorinated at the Oliver Ranch facility site. Delivery of water to the SAWS system began in June 2003. The contract has an initial term of five years with three 5-year renewal options.

The following map shows the area that began receiving water from the Trinity Aquifer in February 2002.



In 2007, combined production from the Oliver Ranch and BSR projects was 3,126 acre-feet, with an additional 3,422 acre-feet produced in 2008. As a result of the severe drought conditions experienced across the region, 2009 production totaled 1,736 acre-feet. The *2009 Water Management Plan* identifies that 3,500 acre-feet of water will be obtained from Trinity Aquifer sources in normal rainfall years. In severe droughts, the *2009 Water Management Plan* acknowledges that the Trinity Aquifer water will not be relied upon to satisfy customer demands given its hydrogeological characteristics and other existing demands on the Trinity Aquifer. Instead, other water resources will be supplied to this area during severe droughts.

FUTURE WATER SUPPLY PROJECTS

In addition to the existing sources of water supply previously discussed, SAWS is moving forward with water supply projects that provide ratepayers with the most viable and affordable options to secure current and future water supplies. These project recommendations are outlined in the *2009 Water Management Plan*. The plan, which includes population projections, per capita consumption goals, aggregate demand forecasts, and supply development options, outline strategies to:

- Provide adequate water supplies, even during critical drought periods
- Postpone dependence on more costly resource supplies
- Promote greater use of non-Edwards Aquifer supplies in the long-term
- Fulfill the needs of San Antonio customers, while providing the region with the option to utilize SAWS as the regional wholesale provider
- Recognize the reality that future supplies must be affordable.

A summary of the potential future water supply needs identified in the 2009 *Water Management Plan*, as well as the projects identified to meet these needs is summarized in the following chart.



*Assuming the single worst year of a drought of record given projected population growth.

SHORT TO MID-RANGE POTENTIAL FUTURE SUPPLIES

BRACKISH GROUNDWATER DESALINATION

The Texas Water Development Board has confirmed that a vast supply of brackish groundwater — water too salty to drink — exists in this region which has yet to be developed. Brackish groundwater is a plentiful, previously-untapped local source of water that will help diversify San Antonio's supplies.

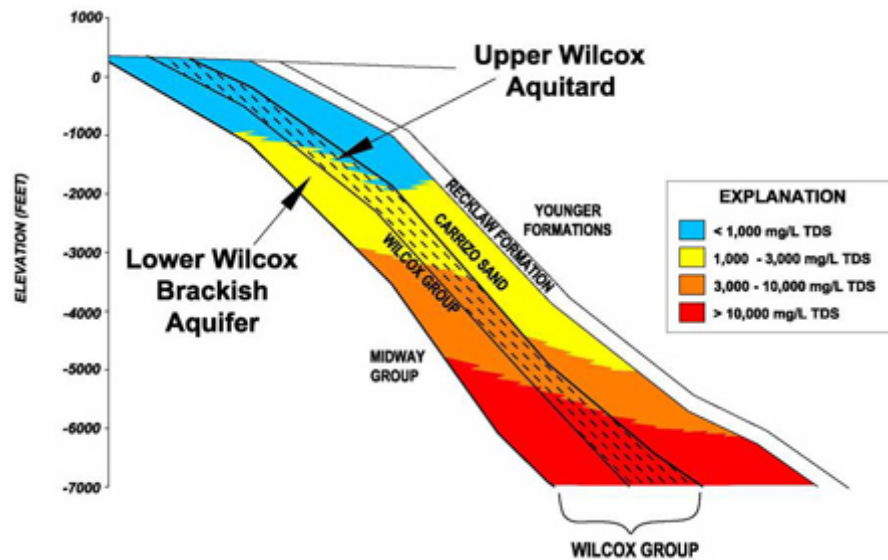
San Antonio Water System is currently developing a brackish groundwater desalination program in southern Bexar County. The first phase of the desalination facility will generate about 10 million gallons of water per day or 11,800 acre-feet per year from the Wilcox Aquifer. The plant will be located at the existing SAWS Twin Oaks Aquifer Storage & Recovery site.

The brackish desalination program is part of SAWS 2009 *Water Management Plan*, designed to meet the city's water needs over the next 50 years while reducing dependency on the Edwards Aquifer.

Feasibility studies confirm that there is sufficient quantity and quality of brackish groundwater available in the Wilcox Aquifer to support the SAWS desalination program. Brackish water, which contains dissolved solids, will be treated to drinking standards using a reverse osmosis treatment facility.

Brackish water in the Wilcox is expected to range from 1,300-1,500 mg/L Total Dissolved Solids. Pilot testing confirms that reverse osmosis treatment is suitable for the SAWS project. In addition, SAWS has completed tests and studies to define:

- Well field productivity
- Long-term water quality
- Treatment plant operation
- Pretreatment and post treatment requirements



The proposed desalination facility location at the Twin Oaks Aquifer Storage & Recovery site is close to the brackish water source and also near the proposed areas for brine disposal.

The first phase of the program includes development of a production well field, well field collection system, and reverse osmosis treatment plant. Brine disposal will be accomplished through the use of Class I injection wells located on SAWS property in nearby Wilson County. The treatment facility also will be designed to accommodate additional capacity and technology upgrades in the future.

Other engineering and construction components include:

- Geotechnical testing
- Site work preparations
- Administrative building
- Laboratory, treatment and storage buildings
- Well pumps
- Paved access roads
- On-site yard piping

Phase I is expected to be complete in 2016.

As the program progresses, SAWS has participated in the following activities to support the future design, construction, and operation of the brackish desalination program:

- **Land Acquisition:** In 2010, SAWS acquired the necessary property to support production wells for phase I of the program.
- **Production Wells:** Eight Wilcox production wells are anticipated to be drilled in 2011-2012. These wells will assist in the design and construction of the brackish desalination program by providing additional information such as production rates and water quality.
- **Injection Well Testing:** SAWS is expected to complete the testing of a concentrate disposal well in the second or third quarter of 2012. Results from this test well will supply water quality, depth, injection pressures and characteristics of the disposal formation. This information will assist in the permitting, design, and construction of the remaining injection wells.
- **Additional Membrane Pilot Testing:** In 2010, the Texas Commission on Environmental Quality (TCEQ) approved the first Membrane Pilot Study report. SAWS will continue the pilot study program throughout 2011 to test several membranes that could be used in the full scale plant. Testing and approval of three reverse osmosis membranes by TCEQ will create a more competitive environment for purchasing when the plant becomes operational.

REGIONAL CARRIZO

The 2009 Water Management Plan includes the Regional Carrizo Project to obtain 11,688 acre-feet from the Carrizo Aquifer in Gonzales County in time to supply water needed by the growing SAWS customer base.

Recent approval of permits by the Gonzales County Underground Water Conservation District will allow SAWS to produce and transport up to 11,688 acre-feet of Carrizo Aquifer groundwater from Gonzales County to San Antonio.

The Regional Carrizo Project is located in western Gonzales County, approximately 50 miles from San Antonio.



Water produced from this well field will be transported by pipeline at rates up to 13 million gallons per day (mgd) to an integration point in northeast San Antonio, where it will enter the SAWS distribution system. Instead of building a new pipeline, SAWS plans to "rent" available capacity in an existing pipeline owned and operated by Schertz-Seguin Local Government Corporation (SSLGC). The project is estimated to cost \$131 million, with water for approximately 40,000 households expected to start flowing to San Antonio by late 2013. This cost estimate has been reduced by approximately \$90 million through the utilization of the excess SSLGC pipeline capacity.

Project Benefits:

- The Regional Carrizo Project will assist in diversifying San Antonio's water supply, reducing dependence on existing Edwards Aquifer supplies.
- Project will provide water to help meet San Antonio's short- and mid-term water needs, beginning in 2013.
- Up to 5,550 acre-feet of additional supply could be added to the total project through purchase agreements with other utilities, for a total supply to San Antonio of up to 17,237 acre-feet per year.

EDWARDS AQUIFER RECHARGE INITIATIVES

Recharge dams are structures that retain rainfall runoff water for short periods of time over the Edwards Aquifer Recharge Zone. Recharge dams detain storm runoff and retain it long enough to allow for a larger volume of water to enter into the Edwards Aquifer. During storm events storm runoff flows at a faster rate than what can be accepted by the recharge features located in the stream channels. Recharge dams allow for a longer runoff water retention time, thus allowing more water to filter into the Edwards Aquifer and increase recharge amounts.

SAWS is evaluating the feasibility of recharge structure development in the Cibolo Creek Watershed and the Nueces River Basin in concert with a host of local agencies, including the Guadalupe-Blanco River Authority, San Antonio River Authority, Nueces River Authority, City of Corpus Christi, Edwards Aquifer Authority, and the U.S. Army Corps of Engineers. Feasibility analyses continued to refine sites for potential dams, evaluate surface water storage potential, evaluate potential additional recharge, and prepare for environmental permitting.

The *2009 Water Management Plan* calls for SAWS to continue to cooperate with other Regional entities to complete the studies and construct a Recharge Project to produce over 13,400 acre-feet of firm water in the 2020s. This project will be contingent on the outcome of a number of studies and regulatory agency policies.

WATER RESOURCES INTEGRATION PIPELINE

The *2009 Water Management Plan* addresses the operating challenge of co-locating the Brackish Groundwater Project, Local Carrizo and Aquifer Storage and Recovery Projects at a single site (Twin Oaks in southern Bexar County) by expediting the Water Resources Integration Pipeline Project. It will bring water to the fast-growing western and south-western parts of the City to match the System's current capability to bring water to the eastern part of the City. The first phase of the project will be completed in 2016 with the second phase online by 2021.

RECHARGE AND RECIRCULATION

SAWS partnered with the EAA to fund *Recharge and Recirculation: Edwards Aquifer Optimization Program, Phase III and IV Report*. This report indicates that considerable potential exists to extend the concept of recharge of the Edwards Aquifer to the idea of applying recharge at specific places in the Aquifer where, because of the geologic characteristics of these locations, this recharge will provide long-term enhancement of Edwards Aquifer water levels and springflow.

Increased Edwards Aquifer levels and springflow during drought periods could decrease the necessity of declaring drought restrictions by the Edwards Aquifer Authority through increased

(higher) aquifer water levels and provide minimum springflow to help protect endangered species. SAWS could be rewarded for building a Recharge and Recirculation Project by receiving access to increased Edwards Aquifer water during drought periods.

Costs and extent of the water resources that will be available from this project are undetermined at this time, but the potential is high enough that the Recharge and Recirculation Project is included as a Project for consideration in the 2015 – 2034 mid-range period in the *2009 Water Management Plan*.

This project is necessarily subject to the outcome of additional studies, refinement of the modeled and conceptual understanding of the hydraulic architecture of the Edwards Aquifer, and regulatory agency rules and policies.

OTHER POTENTIAL WASTER SUPPLY PROJECTS

In January 2011, SAWS issued a Request for Competitive Sealed Proposal (RFCSP) for new water supply projects. Through this competitive proposal process, SAWS hopes to identify additional projects to supplement the utility's already-diverse portfolio of supplies, to meet San Antonio's long-term water needs.

To help achieve the goal of diversified supply for San Antonio, proposed projects cannot include the sale or lease of Edwards Aquifer Authority permitted Edwards Aquifer water that could be pumped from existing SAWS infrastructure. SAWS will consider the full project proposal before making recommendations, including firm cost estimates, design work, water control and yield, and status of required permits and land acquisition

Nine proposals were received and are currently being reviewed and evaluated. It is anticipated that a decision will be reached in the first half of 2012.





Financial Policies

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FINANCIAL POLICIES

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). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, SAWS applies all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions and Accounting Research Bulletin's issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. SAWS presents its financial statements in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under this approach, all assets and liabilities of SAWS are reported in the balance sheet, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

RECOGNITION OF REVENUES

Revenues are recorded when earned. Customers' water 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 CLASSIFICATIONS

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. SAWS principal operating revenues are derived from charges to customers for water supply, water delivery, wastewater, and chilled water and steam services. Operating expenses include the cost 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.

RATES AND CHARGES

In accordance with City of San Antonio, Texas Ordinance No. 75686 requirements, SAWS must establish and maintain rates and charges to produce sufficient Gross Revenues in each Fiscal Year:

- a) To pay maintenance and operating expenses
- b) To produce Pledged Revenues sufficient to pay:
 - a. 1.25 times the Annual Debt Service Requirements and
 - b. The amounts required to be deposited in any reserve or contingency fund created for the payment and security of Senior Lien obligations
- c) To produce Net Revenues sufficient to pay outstanding debt service obligations

- d) To produce Net Revenues to fund the transfers to the City of San Antonio and matching transfers to the Renewal and Replacement fund
- e) To pay any other Debt payable from the Net Revenues and/or secured by a lien on the System

FLOW OF FUNDS

In accordance with City of San Antonio, Texas Ordinance No. 75686 requirements, Gross Revenues shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown to:

1. Pay Operations and Maintenance expenses, including a two-month Operating Reserve
2. Deposit into Debt Service Fund the amount required for Senior Lien debt obligations
3. Deposit into Reserve Fund
4. Deposit into Debt Service Fund for Junior Lien debt obligations
5. Deposit into Debt Service Fund for Subordinate Lien debt obligations
6. Deposit into Debt Service Fund for Inferior Lien debt obligations
7. Equal payments to the City of San Antonio's General fund and to SAWS Renewal and Replacement Fund
8. Deposit of any remaining funds into the Renewal and Replacement Fund

TRANSFER TO THE CITY OF SAN ANTONIO'S GENERAL FUND

In accordance with City of San Antonio, Texas Ordinance No. 75686 requirements, SAWS will transfer to the City of San Antonio each month after making all other payments required by the Ordinance. The amount of the transfer is determined by City Council from time to time and cannot exceed 5%. Currently SAWS transfers 2.7% of Gross Revenues to the City. Transfers to the City are reported as non-operating expense in the financial statements.

ANNUAL BUDGET

Sixty (60) days prior to the beginning of each fiscal year, the SAWS' Board of Trustees approves an annual budget prepared on an accrual basis to serve as a tool in controlling and administering the management and operation of SAWS. The annual budget shall reflect an estimate of Gross Revenues and an estimate of the disposition of these revenues in accordance with the funds flow requirements of Ordinance No. 75686. The annual budget should be a balanced budget that projects Gross Revenues sufficient to fund estimated financial requirements. The annual budget is prepared on a comprehensive basis and includes all water supply, water delivery, wastewater and chilled water and steam operations as well as a capital budget. The Board of Trustees may subsequently modify its approved budget by giving notice thereof to the City.

The basis of budgeting used is the same as the basis of accounting, with the exception of budgeting for employee benefits and capital asset impairment. Employee benefits are budgeted on a pay-as-you-go basis, rather than accrual basis. Periodically SAWS review its capital assets for possible impairment. As these write-offs do not require the outlay of cash, they do not meet the definition of operating and maintenance costs of SAWS in accordance with Ordinance No. 76586.

Encumbrances are not formally recorded in the accounting system, however, SAWS monitors and controls spending by utilizing budget variance reports for each accounting unit, which are formally reviewed by the President/CEO.

FUND STRUCTURE

Within SAWS' enterprise fund accounts, separate self-balancing sub-funds are maintained to account for resources for various purposes, thereby distinguishing balances restricted by City Ordinance or other enabling legislation from unrestricted resources.

Funds established by City Ordinance No. 75686 (adopted April 30, 1992):

- **System Fund** – All gross revenues shall be credited to this fund upon receipt, unless otherwise provided in City Ordinance No. 75686. All current expenses of operation and maintenance shall be paid from this fund as a first charge against the gross revenues so credited. Before making any deposits to other funds required to be made from the System Fund, the Board of Trustees shall retain in the System Fund at all times an amount at least equal to two months of the amount budgeted for the current fiscal year for current maintenance and operation expenses.
- **Debt Service Fund** – The sole purpose of this fund is for the payment of principal and interest on all bonds which are payable from pledged revenues.
- **Reserve Fund** – This fund shall be used to pay the principal and interest on any bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any bonds.
- **Project Fund** – This fund shall be used to account for:
 1. The proceeds of Senior Lien and Junior Lien Obligations and commercial paper notes
 2. Any premium thereon
 3. Investment earnings thereon issued for the purpose of paying the costs of capitalized interest on Senior Lien Obligations during the extension, construction, improvement or repair of the System, the costs of issuance of Senior Lien and Junior Lien Obligations, or any other lawful purpose
- **Renewal and Replacement Fund** – This fund shall be used for the purpose of:
 1. Paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures, or
 2. Paying the costs of unexpected or extraordinary repairs or replacements for which System Funds are not available
 3. Paying unexpected or extraordinary expenses of operation and maintenance for which System Funds are not otherwise available
 4. Depositing any funds received by SAWS pursuant to the CPS Energy contract
 5. Paying bonds or other SAWS' obligations for which other System revenues are not available

6. Making up any shortfall in the Payment to the City General Fund as required by Section 17 of Ordinance 75686, and
7. For any other lawful purpose

DEBT MANAGEMENT

CAPITAL PLANNING

A five-year Capital Improvement Plan is developed and updated annually, including anticipated funding sources. During the annual budgeting process, the current years' proposed capital improvement projects are reviewed and prioritized to ensure consistency with SAWS' goals and objectives.

CAPITAL FINANCING

Capital financing will typically include two types of funding, pay as you go financing and debt financing.

1. Pay as you go financing is an integral part of the overall capital-financing plan. Pay as you go financing is defined as all sources of funding other than debt issuance, i.e. fund balance contributions, developer contributions, investment earnings, and grants.
2. The use of debt financing will be based, in part, on SAWS' long-term needs and the amount of funds available for pay as you go financing. The following criteria will be used to evaluate pay as you go versus debt financing:
 - Factors which favor pay as you go financing:
 - Current revenues and adequate liquidity are available;
 - Project phasing when feasible;
 - Debt levels would adversely affect SAWS' credit rating or market conditions are unstable or present difficulties in marketing debt.
 - Factors which favor debt financing include:
 - Revenues available for debt service are considered sufficient and reliable so that debt financing can be marketed with the appropriate credit rating;
 - The project for which financing is being considered is of the type that will allow SAWS to maintain an appropriate credit rating;
 - Market conditions present favorable interest rates and demand for municipal financings;
 - A project is mandated by State or Federal requirements and current revenues and liquidity are insufficient to pay project costs;
 - A project is immediately required to meet or relieve capacity needs;
 - The life of the project is five years or longer.

DEBT LIMIT

There is no statutory debt limitation on the issuance of revenue indebtedness by the San Antonio Water System, acting on behalf of the City of San Antonio, Texas. SAWS has established its own policies regarding the utilization of debt instruments.

The currently outstanding bond ordinances impose conditions precedent on the issuance of additional revenue bonds and require Net Revenues of 125% of maximum annual debt service in order to issue first lien revenue bonds and 100% of average annual debt service in order to issue junior lien revenue bonds in a public offering.

DEBT POLICY

- Debt Financing should only be used to fund capital projects and should not be used for operating purposes.
- SAWS shall maintain rates and charges sufficient to pay 1.25 times the Annual Debt Service Requirements for the current fiscal year on SAWS' outstanding Senior Lien Obligations as required by the bond indenture. SAWS' target is to maintain a 2.00 times Annual Senior Lien Debt Service and 1.50 times Annual Total Debt Service to ensure the required debt coverage in times of revenue fluctuations and to ensure a balanced pay as you go Capital Improvement Program.
- SAWS shall analyze each new debt issue to ensure compliance with SAWS' debt policies and determine the impact of the new debt issue on SAWS' overall debt capacity.
- SAWS may maintain a variable rate component of debt of no more than 30% of its outstanding debt.
- SAWS shall employ an interest rate mitigation strategy to mitigate interest rate risk associated with variable rate debt.
- SAWS seeks to maintain or improve its current credit rating to ensure continued access to capital markets and minimize borrowing cost.
- A capital projects' financing term should not exceed the expected useful life of the asset being financed

RESERVE POLICIES

- An operating reserve shall be maintained in the SAWS' Revenue Fund consisting of a two-month reserve of the current year's budgeted Maintenance and Operating Expenses. This reserve will provide sufficient expenditure flexibility during times of revenue fluctuations.
- The Debt Service Fund will be funded with revenues sufficient to pay the principal and interest of SAWS' bonded debt as it becomes payable.
- Deposits shall be made to the Renewal and Replacement Fund in amounts equal to the amount payable to the City of San Antonio pursuant to the bond indenture. These funds will typically be used to fund capital improvements.

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, overhead, and interest capitalized during construction. Included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas and development costs for internally generated computer software. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through capital leases are recorded on the cost basis and included in utility plant in service. Assets acquired through contributions, such as those from developers, are recorded at estimated fair market value at

date of donation. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized. Capital assets are depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains and intangible assets. Groups of mains are depreciated on the straight-line method using rates estimated to fully depreciate the costs of the asset group over their estimated average useful lives. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. All capital assets are periodically reviewed for potential impairment.

A high-speed photograph of a water droplet hitting a surface, creating a crown-shaped splash. The water is clear and bright against a solid blue background. Numerous small droplets are suspended in the air around the main splash, creating a sense of motion and energy.

Financial Planning Process

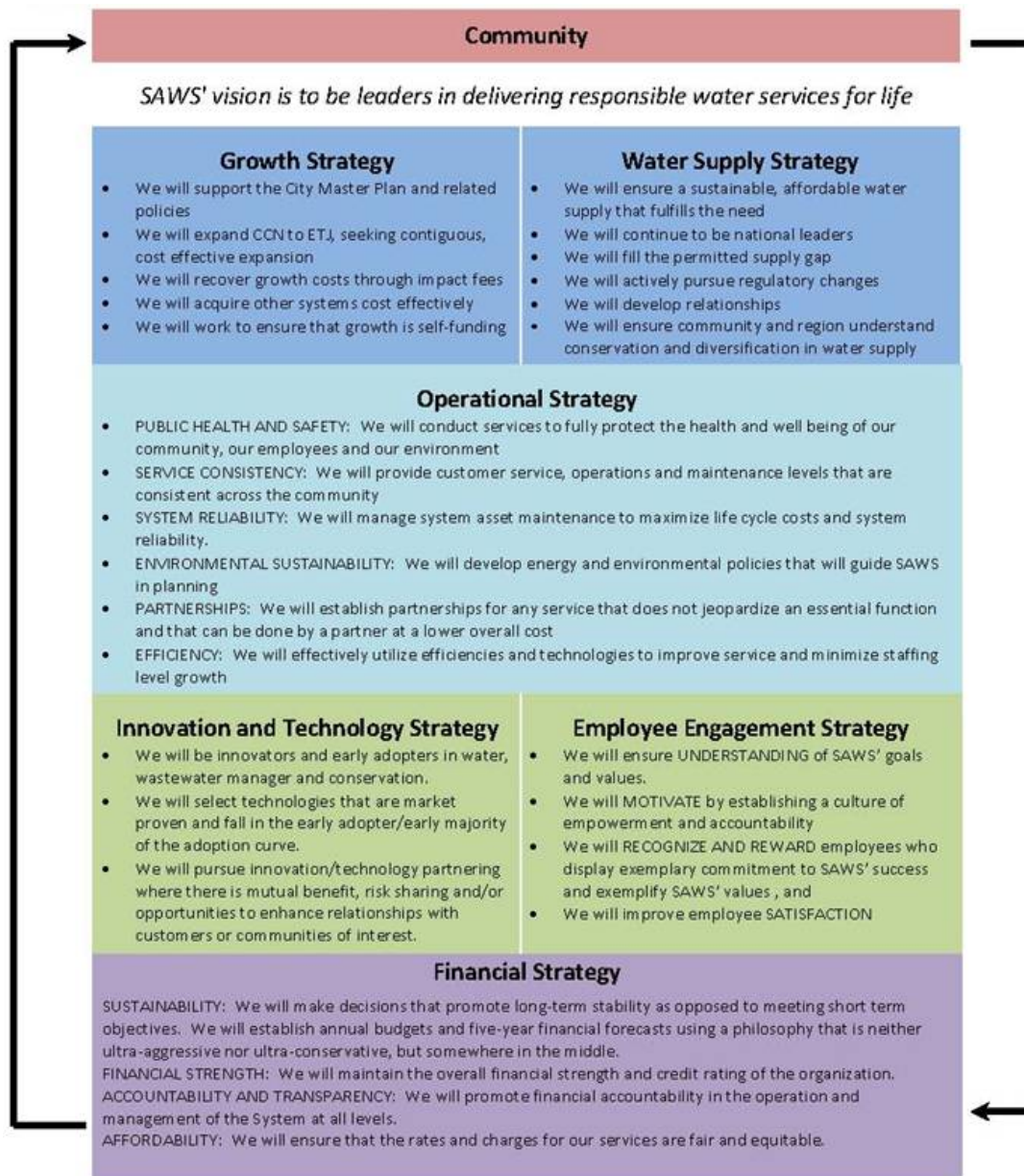
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FINANCIAL PLANNING PROCESS

STRATEGIC PLAN

Confirming its dedication to providing ratepayers with sustainable and affordable water services, San Antonio Water System Board of Trustees expanded its commitment and formally adopted our Refreshing Ideas 2015 Strategic Plan in April 2011.

SAWS has framed six specific strategies that will provide employees with leadership and direction through 2015. Designed to transform our service to ratepayers, the strategies address:



MULTI-YEAR FINANCIAL PLAN

Financial Planning is critical for SAWS to accomplish its mission. In order to adequately plan for water sources and appropriate infrastructure, financial models have been developed to analyze the impacts of various growth and replacement scenarios on the company's financial position. Some of these models have a short-term focus, some are mid-range models, and some are long-term.

Short term planning is mainly focused in two areas, cash management and expense tracking. Mid-range planning mainly focuses on the next year's activities. A comprehensive financial plan is developed using updated revenue forecasts, operating and maintenance estimates, capital requirements and obligations to bond holders.

Long-range planning is the heart of SAWS' planning activities. Statistical models are used to estimate customer growth and water usage patterns. These are fed into a revenue model that incorporates the various rate class prices to produce detailed revenue forecasts. Simultaneously, the company produces capital and operating and maintenance budgets, from which twenty-year estimates are developed. Upon receiving these inputs, the financial planning model uses a debt optimization process to determine the correct balance and timing of funding sources.

The multi-year financial plan serves as a foundation supporting SAWS' strategic and financial objectives. It provides long-term forecasts of revenues and expenditures for both operating and capital investment activities.

The overriding goal of financial planning, analysis, and strategy development is to increase our financial position and resources in order to meet the short term and long term operational and strategic objectives of SAWS, while providing the highest quality water and wastewater services at the lowest cost possible to our customers. A crucial component of the San Antonio Water System's financial management strategy is the Multi-Year Financial Plan (MYFP). The development of the MYFP incorporates a comprehensive 20-year financial model that provides management with timely information, analysis, and strategy on the planned uses of the financial, operational, and capital resources of the system.

A critical benefit of the financial model is the ability of SAWS to perform scenario, simulation, and constraint analysis and modeling on the projected resources of the system to include financial forecasts of revenues, operations and maintenance expense, capital expenditures, capital financing including cash and debt financing, and rate requirements. Key financial statistics are reviewed during the budget process and incorporated into the model for analysis. These financial statistics include: debt coverage ratios on all debt; percentage of capital financed with cash; and cash balances.

The fundamental structure of the MYFP is the calculation of the flow of funds and rate adjustment requirements based on the enabling ordinance of SAWS, Ordinance 75686 adopted in April 30, 1992. This ordinance outlines important financial requirements and calculations that SAWS uses in the financial model to calculate rates and charges, flow of funds, pledged revenues toward debt service and rate requirements, minimum debt coverage ratios, and fund requirements. The financial model and MYFP incorporate forecasts and requirements by each

core business of SAWS: Water Supply; Water Delivery; Wastewater; and Chilled Water and Steam.

The annual financial planning process begins with updating the financial plan. As a part of this process, Financial Planning Division staff review SAWS' financial activity, levels of service provided, customer growth and consumption patterns, weather trends and financial market trends. In addition to review and analysis of the various trends, the following are also evaluated:

- Available funding
- Financial risk
- Regulatory requirements
- Level of services that can be sustained
- Level at which capital investment can be made
- Future commitments and resource demands
- Possible variables that could cause a change in the level of revenue

In developing the financial plan, concerns of all stakeholders are considered. Various scenarios and potential risks are evaluated in reaching the optimum balance of limited resources with organizational needs and stakeholder concerns, as summarized in the chart below. Multiple scenarios are researched and exhaustive iterations are performed to develop an array of sound financial solutions.

Revenues	Potential Risks	
Operating Revenues	Weather changes	Customer growth decline
	Price elasticity	Drought restrictions
Nonoperating Revenues	Interest rate changes	Investment base decline
Draw on Equity (Conservation)	Non-Availability of funds	
Capital Recovery Fees	Does not fund current expenses - used for future CIP financing	
Expenses		
Operations and Maintenance	Over budget; utility costs	
Debt Service & Expenses	Interest rate increase	Liquidity/credit markets
Transfer to COSA	Insignificant risk	
Capital Outlay	Minimal \$ risk	
Available for R & R and Other	Used as funding for CIP; reserve cash	

Financial Planning staff and Executive Management review the resulting financial plan to ensure that forecasted revenues are sufficient to meet projected financial needs. In developing the Financial Plan, if it becomes evident that forecasted revenues are not sufficient to address operations, maintenance, infrastructure and water supply needs, then the Financial Planning staff evaluates rate scenarios to calculate the optimum rate adjustment that will balance affordable and competitive rates with the need to continue providing necessary services.

ANNUAL BUDGET PROCESS

OPERATION AND MAINTENANCE BUDGET

The 2012 budget process began with identifying the following budget goals:

- Enable continued development of alternative water supplies
- Improve/maintain existing infrastructure
- Ensure adequate funding for critical initiatives
- Attract and retain high performance employees
- Maintain affordability of rates while ensuring long-term financial stability
- Continue to improve SAWS' customer service

The budget development process involved the following phases:

- Operation and Maintenance (O&M) departmental budget targets were developed using 2011 budgets as a baseline and adjusted for known changes:
 - Current workforce
 - Employee benefits costs
 - Utility and fuel rates
- Budget objectives, general guidelines, and timelines were communicated to management at the June 2011 Leadership Team meeting
- Vice presidents/department directors reviewed current programs, activities and current levels of service provided to their customers. Additionally, they evaluated and prioritized future departmental needs.
- The executive management team (EMT) conducted a comprehensive review of O&M, Capital Outlay and CIP budget submittals. During this review, all requests for additional funding were prioritized and were approved or denied based on this prioritization. This review by Executive Management further ensured that departmental budgets were aligned with corporate goals and objectives.
- Financial Planning staff revised the Multi-Year Financial Plan to incorporate the final Operating and Maintenance budget and Capital Improvement Program budget.
- Several review sessions were held with the City of San Antonio Public Utilities office to discuss the budget inputs and assumptions.

CAPITAL IMPROVEMENTS PROGRAM BUDGET

The annual capital improvement program budget process occurs concurrently with the O&M budget process. Proposed capital improvements program projects were generated by the Treatment, Production, Master Planning, Facilities Engineering and Distribution and Collection Departments based on the Master Plan and operational needs. The CIP review team, consisting of managers and directors from the submitting departments, prioritized projects based on the following:

- Risk evaluated using FRAPPE (FMEA method used previously)
 - Focused

- Risk
 - Analysis (for)
 - Project
 - Prioritization (and)
 - Evaluation
- Compare each major category to Level of Investment model (2% per year for 50 years)
- Executability (staff resources)
- Funding
 - Impact fees (Growth vs. R&R)
 - Cash
 - Bonds
 - Low cost loans (TWDB)

Other criteria considered in prioritizing projects included available design capacity, coordination with outside agencies, potential savings to the annual Maintenance and Operations budget, improved customer service, regulatory mandates, criticality, and priority in relation to other projects.

BOARD OF TRUSTEES AND EXECUTIVE MANAGEMENT REVIEW

The Executive Management Team (EMT) then reviewed and prioritized all known requirements for the budget year to ensure the highest priority requirements were addressed in a timely and fiscally responsible manner.

The EMT conducted a comprehensive review of O&M, Capital Outlay and CIP budget submittals. During this review, all requests for additional funding were evaluated in relation to priorities identified by the Board of Trustees and Executive Management. Out of the total of 26 competing priorities, the Board and Executive Management identified the following priorities to be the most crucial for 2012:

- Wastewater Main Replacement
- Wastewater Collection Renewal & Replacement
- Public Health and Safety
- Water Main Replacement
- Water Supply Diversification
- System Reliability
- Water Supply Acquisition
- Wastewater Treatment Renewal & Replacement
- Maintenance of Existing Credit Rating
- Water Production Renewal & Replacement
- Employee Compensation

This review by Executive Management further ensured that departmental budgets were aligned with corporate goals and objectives.

2012 BUDGET TIMELINE

		2011												2012
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Develop Multi-Year Financial Plan	Review financial outlook													
	Compile assumptions for Multi Year Financial Plan (MYFP)													
	Review budget and rates plan with key internal stakeholders													
	Review budget and rates plan with key internal stakeholders													
	Management review and approval of MYFP													
	Develop revenue forecast													
Establish Executive Directives	Review policy and guideline statements													
	Provide guidance on employee compensation issues													
	Establish O&M and CIP planning assumptions													
	Identify budget priorities													
Budget Development	Review and update CIP needs													
	Update budget software application													
	Develop workforce budget from current workforce data													
	Develop budget targets (Modified 2011 budget)													
	Develop CIP budget													
	Financial Planning staff and CFO review and analysis of budget submittals													
	Executive Mgt review and prioritization of O&M and CIP budget requests													
Rate Development	Determine Water/Wastewater rate adjustments													
	Develop and implement communication outreach plan for ratepayers, elected officials and other stakeholders													
	Customer notification													
Review and Analysis	Review O&M and CIP budgets by Financial Planning staff													
	Review O&M and CIP budgets by Executive Mgt.													
	Review O&M and CIP budgets with City of San Antonio Public Utilities Ofc													
	Briefings with individual Board members													
Develop Budget Documents	Prepare Budget / Rates presentation													
	Develop proposed Budget document													
	Prepare Board Resolutions and Memos													
Board Review and Approval	Budget review sessions for Board of Trustees													
	Formal Board approval of - Water supply, water delivery, wastewater rate adjustments - 2012 annual budget													
	Submit Budget to City Council for review and consultation													
Rate Approval and Implementation	Brief City Council on proposed rate structure change and rate adjustments													
	City Council action on proposed rate structure change and rate adjustments													
	2012 O&M and CIP budgets become effective													
	New billing rates become effective													

A high-speed photograph of a water droplet hitting a surface, creating a crown-shaped splash with many smaller droplets flying outwards. The background is a solid, light blue color.

Long Range Financial Plan

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LONG-RANGE FINANCIAL PLAN

Each year, the San Antonio Water System develops a 20-year financial plan as a critical tool to evaluate the operational and capital needs of the system, and the financial resources necessary to fund them. The financial plan includes annual forecasts for sources and uses of funds, revenue adjustments, and operations and capital funding in accordance with City Ordinance 75686, which established the founding of the San Antonio Water System.

The financial plan is organized into three distinct planning horizons in order to facilitate management of the system: Short Term, Medium Term, and Long Term. All three planning horizons play an important role in implementing the strategic plan and priorities of the system.

The Short Term planning horizon is the basis for implementing, through the formalized budget, short term goals and objectives in support of the strategic plan.

The Medium Term planning horizon is a five year forecast that sets the course of financial, operational, and capital resource allocation to fund the strategic priorities of the system. Major strategic priorities include, but are not limited to, water supply, system expansion, environmental sustainability, system reliability and service consistency, innovation and technology, financial strength, and human resource development. All priorities are planned through operational, capital, and financial resource assessment and allocation, with a projection of revenues and any required revenue adjustments to fund the strategic priorities.

The Long Term planning horizon focuses on the planning horizon after five years, and depending on the program, can be planned for as long as sixty years. Major strategic policy guidelines are emphasized such as long term water supply needs and infrastructure replacement goals.

MEDIUM TERM 5-YEAR FORECAST

For the Medium Term sources and uses of funds, 2012 – 2016, the primary driver in uses of funds is debt service. The capital improvement program is primarily funded with debt, thus the principal and interest payment on the debt are a requirement for funding from the current revenue stream.

\$ in Millions	2011 Adopted	2012 Budget	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast
Sources of Funds						
Revenues, incl. prior adjustments	\$400.3	\$395.5	422.9	463.1	507.8	539.2
Rate Adjustment, Incremental	0.0	26.1	37.1	41.2	27.3	32.3
Nonoperating Revenues	5.2	5.0	5.0	6.5	7.5	8.9
Draw on Equity	0.0	0.3	0.0	0.0	0.0	0.0
Capital Recovery Fees	32.0	22.0	22.0	22.0	22.0	22.0
TOTAL	\$437.5	\$448.9	\$487.0	\$532.8	\$564.6	\$602.4
Uses of Funds						
Operations and Maintenance	211.4	219.0	227.8	242.9	246.9	260.9
Debt Service & Expenses	144.4	156.1	174.2	194.1	212.5	230.4
Transfer to City of San Antonio	10.4	11.0	12.0	13.3	14.1	15.1
Available for R & R - Restricted	32.0	22.0	22.0	22.0	22.0	22.0
Available for R & R and Other	39.3	40.8	51.0	60.5	69.1	74.0
TOTAL	\$437.5	\$448.9	\$487.0	\$532.8	\$564.6	\$602.4

The growth in debt service is a reflection of the allocation of capital resources toward major strategic priorities of infrastructure replacement, system growth, and sustainability. The five year 2012 – 2016 capital improvement program is projected at \$1.4 billion. A significant priority is wastewater capital replacement and growth related projects.

CIP (millions)	2012	2013	2014	2015	2016	Total
Water Supply	\$ 39.2	\$ 107.7	\$ 106.9	\$ 44.2	\$ 32.6	\$ 330.6
Water Delivery	54.0	50.3	55.9	63.3	66.1	289.6
Wastewater	122.1	147.2	173.4	185.3	177.4	805.4
Chilled Water & Steam	0.1	1.8	0.1	0.1	0.1	2.2
Total	\$ 215.5	\$ 307.0	\$ 336.3	\$ 292.9	\$ 276.2	\$1,427.9

Projected funding for the five year capital improvement program is from renewal & replacement, impact fees, investment income, and bond funds. During the five year forecast, the percentage of the capital improvement cash funding is projected to be less than the target of 35% due to a higher growth in the program level than the projected growth in renewal and replacement cash generated from projected revenues.

CIP					
	2012	2013	2014	2015	2016
CIP Budget	\$ 215.5	\$ 307.0	\$ 336.3	\$ 292.9	\$ 276.2
Funding					
	2012	2013	2014	2015	2016
Revenue/Renewal & Replacement	19.5%	10.1%	12.0%	17.4%	20.9%
Impact Fees	6.7%	7.2%	6.5%	7.5%	8.0%
Investment Income	0.1%	0.0%	0.0%	0.1%	0.1%
Bonds/TECP	73.7%	82.7%	81.5%	75.0%	71.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Cash Funding	\$ 56.7	\$ 53.0	\$ 62.4	\$ 73.3	\$ 80.2
Debt Funding	\$ 158.8	\$ 254.0	\$ 273.9	\$ 219.6	\$ 196.0

Increases in operations expenses through 2016 are driven by water supply operations cost increases, with the anticipated start-up of the Regional Carrizo and Brackish Water Desalination projects, and the development of a pipeline to integrate the new supplies into the system.

Additional operations and maintenance drivers are general inflationary cost increases of the system and funding of salary and benefit costs to include increased OPEB annual contributions of \$2M per year until full funding of the annual required contribution is met.

The sources of funds mostly include revenues from metered customers, with anticipated adjustments to the metered revenues required to fund the projected operational and capital needs of the system. A discussion of the drivers of the revenues, growth in customers and changes in use per customer, are discussed in the revenue section of this book.

The 2012 – 2016 sources and uses of funds forecast shows the need for additional revenues to support the planned operations and capital programs of the system. The 2012 budget requires

an adjustment to rates sufficient to generate \$26.1 million in additional revenues. The percentage increase in water and wastewater rates to support the 2012 proposed operating and capital budget is 3.4% for Water Delivery rates, 3.0% for Water Supply Fee rates, 3.4% for Recycled Water rates, and 13.6% for Wastewater rates. The combined increase is 7.9% for the average SAWS water and wastewater customer, assuming an average customer uses 7,788 gallons of water and discharges 6,178 gallons of wastewater per month.

For the 2012 – 2016 period, additional revenue adjustments reaches its high in 2014 of \$41.2 million additional revenue needed. The 2014 increase is a function of two drivers: capital program reaching its five year high at \$336.3 million and the operational implementation of the Regional Carrizo water supply project. Below is a summary of the metered rate adjustments needed to generate the additional revenues to support the uses of funds.

% Rate Adjustment Needed	2012	2013	2014	2015	2016
Water Supply Fee	3.0%	10.9%	16.0%	5.3%	6.9%
Water Delivery	3.4%	6.0%	4.4%	3.1%	3.9%
Wastewater	13.6%	12.0%	10.3%	8.2%	8.1%
% Increase	7.9%	9.8%	9.5%	6.0%	6.6%

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A high-speed photograph of a water droplet hitting a surface, creating a crown-shaped splash with many smaller droplets flying outwards. The background is a solid, vibrant blue.

Annual Operating Budget

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ANNUAL OPERATING BUDGET

FINANCIAL PLAN SUMMARY

The San Antonio Water System comprises four core businesses, which are essentially four separate utilities. Each core business generates revenues that are designed to recover their respective cost of service. The core businesses are Water Supply, Water Delivery, Wastewater, and Chilled Water and Steam. The following table summarizes the consolidated Sources and Uses for all core businesses.

COMBINED SUMMARY OF SOURCES AND USES					
(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
SOURCES OF FUNDS					
Operating Revenues					
Sewer Service Charges	\$ 127,382	\$ 124,646	\$ 141,598	\$ 142,445	\$ 156,013
Metered Water Sales	110,661	112,267	115,334	124,408	119,413
Water Supply Fee	82,778	81,425	86,344	94,265	89,402
Chilled Water and Steam Sales	12,714	11,836	11,816	12,027	11,816
Edwards Aquifer Authority Fee	6,500	9,854	10,480	9,163	7,754
Special Services Fees and Customer Penalties	10,868	8,859	11,031	9,872	12,836
Conservation	6,970	7,275	9,826	10,379	10,434
Industrial Waste Surcharge	4,649	4,861	4,688	4,769	4,700
Stormwater Revenues	3,358	3,729	5,168	4,495	4,561
Recycled Water Sales	4,393	4,000	4,007	4,655	4,585
Recovery of TCEQ Fees	63	1,245	1,512	1,586	1,679
Reduction for Affordability	(1,283)	(1,217)	(1,500)	(1,359)	(1,600)
Total Operating Revenues	369,053	368,780	400,304	416,705	421,593
Nonoperating Revenues					
Interest Earned & Miscellaneous	4,510	3,741	5,194	5,742	1,000
Other Financing	-	-	-	-	4,014
Capital Recovery Fees	23,636	25,038	32,000	25,355	22,000
Total Revenues	397,199	397,559	437,498	447,802	448,607
Draw on Equity	2,184	1,751	-	-	300
TOTAL SOURCES OF FUNDS	\$ 399,383	\$ 399,310	\$ 437,498	\$ 447,802	\$ 448,907
USES OF FUNDS					
Operations and Maintenance	\$ 200,967	\$ 195,916	\$ 211,363	\$ 209,498	\$ 219,010
Operating Reserve	2,392	(694)	1,261	1,692	1,593
Revenue Bond Debt Requirement	117,616	131,240	139,427	136,771	144,899
Other Debt Service Requirement	3,422	1,330	4,960	4,564	11,184
Transfer to the City of San Antonio	9,740	9,565	10,401	13,772	10,994
Balance Available for:					
Renewal and Replacement Fund	41,610	36,915	38,086	56,150	39,227
Restricted R&R	23,636	25,038	32,000	25,355	22,000
TOTAL USES OF FUNDS	\$ 399,383	\$ 399,310	\$ 437,498	\$ 447,802	\$ 448,907

FINANCIAL PLAN SUMMARIES BY CORE BUSINESS

The following schedule reflects the 2012 consolidating summary of Sources and Uses of Funds by core business:

SUMMARY OF SOURCES AND USES BY CORE BUSINESS					
(\$ in thousands)	Water Supply	Water Delivery	Wastewater	Chilled Water & Steam	Total
SOURCES OF FUNDS					
OPERATING REVENUES					
Sewer Service Charges	\$ -	\$ -	\$ 156,013	\$ -	\$ 156,013
Metered Water Sales		119,413		-	119,413
Water Supply Fee	89,402	-		-	89,402
Chilled Water and Steam Sales	-	-		11,816	11,816
Edwards Aquifer Authority Fee	7,754	-		-	7,754
Special Services Fees and Customer Penalties	1,562	6,104	5,170	-	12,836
Conservation	10,434	-		-	10,434
Industrial Waste Surcharge		-	4,700	-	4,700
Stormwater Revenues	4,561	-		-	4,561
Recycled Water Sales	4,585	-		-	4,585
Recovery of TCEQ Fees		1,194	485		1,679
Reduction for Affordability	(438)	(438)	(724)	-	(1,600)
Intercompany Reallocations	5,630	(5,630)	-	-	-
Total Operating Revenues	\$ 123,490	\$ 120,643	\$ 165,644	\$ 11,816	\$ 421,593
NONOPERATING REVENUES					
Interest Earned & Miscellaneous	296	197	487	20	1,000
Other Financing	1,051	1,230	1,733	-	4,014
Capital Recovery Fees	6,000	7,000	9,000	-	22,000
Total Revenues	\$ 130,837	\$ 129,070	\$ 176,864	\$ 11,836	\$ 448,607
Draw on Equity	100	200	-	-	300
TOTAL SOURCES OF FUNDS	\$ 130,937	\$ 129,270	\$ 176,864	\$ 11,836	\$ 448,907
USES OF FUNDS					
Operations and Maintenance	\$ 70,652	\$ 62,150	\$ 77,010	\$ 9,198	\$ 219,010
Operating Reserve	466	504	577	46	1,593
Revenue Bond Debt Requirement	36,576	41,540	65,658	1,125	144,899
Other Debt Service Requirement	4,896	1,596	3,636	1,056	11,184
Transfer to the City of San Antonio	2,928	3,262	4,484	320	10,994
Balance Available for:		-			
Renewal and Replacement Fund	9,419	13,218	16,499	91	39,227
Restricted R&R	6,000	7,000	9,000	-	22,000
TOTAL USES OF FUNDS	\$ 130,937	\$ 129,270	\$ 176,864	\$ 11,836	\$ 448,907

WATER SUPPLY CORE BUSINESS

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 cost associated with these initiatives, SAWS implemented the Water Supply Fee, which is a separate funding mechanism for water supply development and water quality protection. The Water Supply core business also strives to extend SAWS' existing water supplies by promoting water conservation practices.

WATER SUPPLY					
(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
SOURCES OF FUNDS					
Operating Revenues					
Water Supply Fee	\$ 82,778	\$ 81,425	\$ 86,344	\$ 94,265	\$ 89,402
Edwards Aquifer Authority Fee	6,500	9,854	10,480	9,163	7,754
Special Services Fees and Customer Penalties	1,687	1,581	1,382	1,599	1,562
Conservation	6,970	7,275	9,826	10,379	10,434
Stormwater Revenues	3,358	3,729	5,168	4,495	4,561
Recycled Water Sales	4,393	4,000	4,007	4,655	4,585
Reduction for Affordability	(309)	(293)	(410)	(347)	(438)
Intercompany Reallocations	9,830	9,830	5,630	5,630	5,630
Total Operating Revenues	115,207	117,401	122,427	129,839	123,490
Nonoperating Revenues					
Interest Earned & Miscellaneous	1,044	1,204	1,466	1,571	296
Other Financing	-	-	-	-	1,051
Capital Recovery Fees	6,565	6,686	9,412	7,246	6,000
Total Revenues	122,816	125,291	133,305	138,656	130,837
Draw on Equity	2,184	1,751	-	-	100
TOTAL SOURCES OF FUNDS	\$ 125,000	\$ 127,042	\$ 133,305	\$ 138,656	\$ 130,937
USES OF FUNDS					
Operations and Maintenance	\$ 61,829	\$ 58,697	\$ 67,365	\$ 63,774	\$ 70,652
Operating Reserve	806	(690)	474	252	466
Revenue Bond Debt Requirement	34,571	36,975	39,160	39,058	36,576
Other Debt Service Requirement	1,198	-	1,132	1,092	4,896
Transfer to the City of San Antonio	2,871	2,852	2,836	3,132	2,928
Balance Available for:					
Renewal and Replacement Fund	17,160	22,465	12,926	24,102	9,419
Restricted R&R	6,565	6,743	9,412	7,246	6,000
TOTAL USES OF FUNDS	\$ 125,000	\$ 127,042	\$ 133,305	\$ 138,656	\$ 130,937

WATER DELIVERY CORE BUSINESS

The Water Delivery core business is responsible for the actual distribution of water from the source to the customers' premises. SAWS delivers potable water service to residential, commercial, multifamily, industrial and wholesale customers. Another primary function of this core business is the maintenance of the water system infrastructure.

WATER DELIVERY					
(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
SOURCES OF FUNDS					
Operating Revenues					
Metered Water Sales	\$ 110,661	\$ 112,267	\$ 115,334	\$ 124,408	\$ 119,413
Special Services Fees and Customer Penalties	5,745	3,769	5,977	4,700	6,104
Recovery of TCEQ Fees	48	964	1,146	1,167	1,194
Reduction for Affordability	(320)	(306)	(410)	(358)	(438)
Intercompany Reallocations	(9,830)	(9,830)	(5,630)	(5,630)	(5,630)
Total Operating Revenues	106,304	106,864	116,417	124,287	120,643
Nonoperating Revenues					
Interest Earned & Miscellaneous	804	768	1,222	1,390	197
Other Financing	-	-	-	-	1,230
Capital Recovery Fees	8,803	8,847	11,294	9,323	7,000
Total Revenues	115,911	116,479	128,933	135,000	129,070
Draw on Equity	-	-	-	-	200
TOTAL SOURCES OF FUNDS	\$ 115,911	\$ 116,479	\$ 128,933	\$ 135,000	\$ 129,270
USES OF FUNDS					
Operations and Maintenance	\$ 60,678	\$ 57,888	\$ 61,558	\$ 62,566	\$ 62,150
Operating Reserve	785	101	341	635	504
Revenue Bond Debt Requirement	31,984	33,886	37,135	36,130	41,540
Other Debt Service Requirement	888	1,320	1,393	1,270	1,596
Transfer to the City of San Antonio	2,820	2,789	3,161	3,319	3,262
Balance Available for:					
Renewal and Replacement Fund	9,953	11,532	14,051	21,757	13,218
Restricted R&R	8,803	8,963	11,294	9,323	7,000
TOTAL USES OF FUNDS	\$ 115,911	\$ 116,479	\$ 128,933	\$ 135,000	\$ 129,270

WASTEWATER CORE BUSINESS

The collection and treatment of wastewater is the primary function of this core business. The functions also extend to monitoring wastewater discharged by large industries into the sewer collection system.

WASTEWATER					
(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
SOURCES OF FUNDS					
Operating Revenues					
Sewer Service Charges	\$ 127,382	\$ 124,646	\$ 141,598	\$ 142,445	\$ 156,013
Special Services Fees and Customer Penalties	3,436	3,122	3,672	3,573	5,170
Industrial Waste Surcharge	4,649	4,861	4,688	4,769	4,700
Recovery of TCEQ Fees	14	281	366	418	486
Reduction for Affordability	(655)	(618)	(680)	(654)	(725)
Intercompany Reallocations	-	-	-	-	-
Total Operating Revenues	134,826	132,292	149,644	150,551	165,644
Nonoperating Revenues					
Interest Earned & Miscellaneous	1,927	1,590	2,140	2,516	486
Other Financing	-	-	-	-	1,733
Capital Recovery Fees	8,268	9,506	11,294	8,786	9,000
Total Revenues	145,021	143,388	163,078	161,853	176,863
Draw on Equity	-	-	-	-	-
TOTAL SOURCES OF FUNDS	\$ 145,021	\$ 143,388	\$ 163,078	\$ 161,853	\$ 176,863
USES OF FUNDS					
Operations and Maintenance	\$ 69,394	\$ 69,721	\$ 72,935	\$ 73,237	\$ 77,010
Operating Reserve	865	(160)	398	778	578
Revenue Bond Debt Requirement	49,294	58,601	61,372	59,858	65,658
Other Debt Service Requirement	1,216	-	2,293	2,059	3,635
Transfer to the City of San Antonio	3,685	3,589	4,076	6,772	4,484
Balance Available for:					
Renewal and Replacement Fund	12,299	9,822	10,710	10,363	16,498
Restricted R&R	8,268	1,815	11,294	8,786	9,000
TOTAL USES OF FUNDS	\$ 145,021	\$ 143,388	\$ 163,078	\$ 161,853	\$ 176,863

CHILLED WATER AND STEAM

The Chilled Water and Steam core business provides heating and cooling to customers of the System, including various downtown hotels, City of San Antonio convention facilities, Hemisfair Plaza, the Alamodome, and Port Authority of San Antonio .

CHILLED WATER AND STEAM					
(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
SOURCES OF FUNDS					
Operating Revenues					
Chilled Water and Steam Sales	\$ 12,714	\$ 11,836	\$ 11,816	\$ 12,027	\$ 11,816
Total Operating Revenues	12,714	11,836	11,816	12,027	11,816
Nonoperating Revenues					
Interest Earned & Miscellaneous	735	180	366	265	20
Other Financing	-	-	-	-	-
Capital Recovery Fees	-	-	-	-	-
Total Revenues	13,449	12,016	12,182	12,292	11,836
Draw on Equity	-	-	-	-	-
TOTAL SOURCES OF FUNDS	\$ 13,449	\$ 12,016	\$ 12,182	\$ 12,292	\$ 11,836
USES OF FUNDS					
Operation and Maintenance	\$ 9,065	\$ 9,611	\$ 9,504	\$ 9,921	\$ 9,198
Operating Reserve	(64)	55	48	27	46
Revenue Bond Debt Requirement	1,766	1,777	1,761	1,724	1,125
Other Debt Service Requirement	119	10	142	143	1,056
Transfer to the City of San Antonio	363	335	328	550	320
Balance Available for:					
Renewal and Replacement Fund	2,200	228	399	(73)	91
Restricted R&R	-	-	-	-	-
TOTAL USES OF FUNDS	\$ 13,449	\$ 12,016	\$ 12,182	\$ 12,292	\$ 11,836

CHANGE IN EQUITY (FUND BALANCE)

Change in equity reflects the projected result of operations and capital investment. Equity, or fund balance, is the difference between the assets and liabilities as reflected on the balance sheet and is a key indicator of financial condition. It is the measure of financial resources available for future use after payment of all obligations.

The following schedule reflects the projected change in equity for 2012:

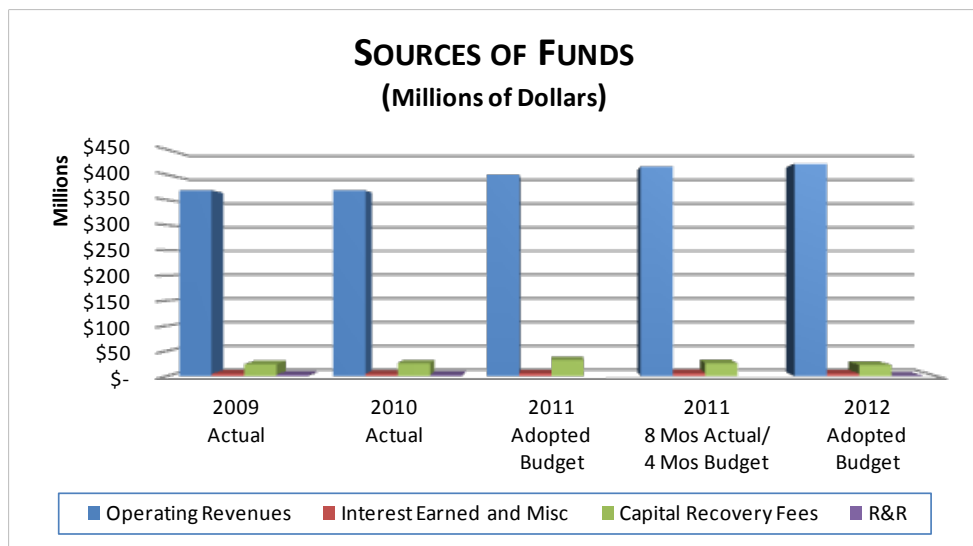
<i>(\$ in thousands)</i>	System Fund	Debt Service Fund	Debt Reserve Fund	Renewal and Replacement Fund	Project Fund	Combined Total
Equity, December 31, 2011	\$1,423,179	\$43,097	\$62,201	\$236,253	\$83,111	\$1,847,841
CHANGE IN EQUITY - 2012	38,530	(103,838)	-	109,630	100	44,422
Transfers in (out)	(152,710)	152,710	3,674	(3,674)	-	-
Commercial paper notes issued	(19,814)	-	-	-	19,814	-
Proceeds from Bond Issue	(212,421)	-	-	-	212,421	-
Bond Issue Costs	3,665	-	-	-	(3,665)	-
Retirement of Bonds	52,565	(52,565)	-	-	-	-
Commercial paper retired	-	-	-	-	-	-
Expenditures for plant additions	215,479	-	-	(56,482)	(158,997)	-
Equity, December 31, 2012	\$1,348,473	\$39,404	\$65,875	\$285,727	\$152,784	\$1,892,263

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SOURCES OF FUNDS

The following table and graph summarize the Sources of Funds:

(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operating Revenues					
Sewer Service Charges	\$ 127,382	\$ 124,646	\$ 141,598	\$ 142,445	\$ 156,013
Metered Water Sales	110,661	112,267	115,334	124,408	119,413
Water Supply Fee	82,778	81,425	86,344	94,265	89,402
Chilled Water and Steam Sales	12,714	11,836	11,816	12,027	11,816
Edwards Aquifer Authority Fee	6,500	9,854	10,480	9,163	7,754
Special Services Fees and Customer Penalties	10,868	8,859	11,031	9,872	12,836
Conservation	6,970	7,275	9,826	10,379	10,434
Industrial Waste Surcharge	4,649	4,861	4,688	4,769	4,700
Stormwater Revenues	3,358	3,729	5,168	4,495	4,561
Recycled Water Sales	4,393	4,000	4,007	4,655	4,585
Recovery of TCEQ Fees	63	1,245	1,512	1,586	1,679
Reduction for Affordability	(1,283)	(1,217)	(1,500)	(1,359)	(1,600)
Intercompany Reallocations	-	-	-	-	-
Total Operating Revenues	369,053	368,780	400,304	416,705	421,593
Nonoperating Revenues					
Interest Earned & Miscellaneous	4,510	3,741	5,194	5,742	1,000
Other Financing	-	-	-	-	4,014
Capital Recovery Fees	23,636	25,038	32,000	25,355	22,000
Total Revenues	397,199	397,559	437,498	447,802	448,607
Draw on Equity	2,184	1,751	-	-	300
TOTAL SOURCES OF FUNDS	\$ 399,383	\$ 399,310	\$ 437,498	\$ 447,802	\$ 448,907



REVENUES

Sources of funds consist of operating revenues, non-operating revenues, draw on equity, and capital recovery fees. Of the \$448.9 million sources of funds budgeted for 2012:

- ♦ 93.9% of total funds are recovered from operating revenues

Total operating revenues include revenues from water, water supply, and wastewater services accounted for through metered billings. Additional revenues include Special Services fees designed to recover costs associated with providing services that typically benefit a particular customer or type of service. These services include various permit, sampling or laboratory fees, and account services.

- ♦ 90.8% of total operating revenues are recovered from metered revenues

CUSTOMER GROWTH AND WATER USAGE

Significant drivers of the metered water and wastewater sales are:

- ♦ customer growth
- ♦ average usage per customer or bill

By tracking data and analyzing trends on customer and usage statistics by each rate block, SAWS has been able to identify developing shifts in usage patterns and underlying trends in the uses of the resources of the System.

As a result, for the 2012 budget, comprehensive forecasts have been made on water, irrigation, and wastewater customer growth and usage demand for:

- ♦ each rate class of SAWS (residential, general, wholesale, and irrigation)
- ♦ each rate block
- ♦ inside and outside city customers

WATER AND WASTEWATER CUSTOMER GROWTH TRENDS

In the last several years, the wastewater customer growth has exhibited slightly higher growth than that of the SAWS water service area. With this trend expected to continue, 2012 customer growth is forecasted at 1.22%:

- ♦ 1.2% for water customers
- ♦ 1.3% for wastewater customers

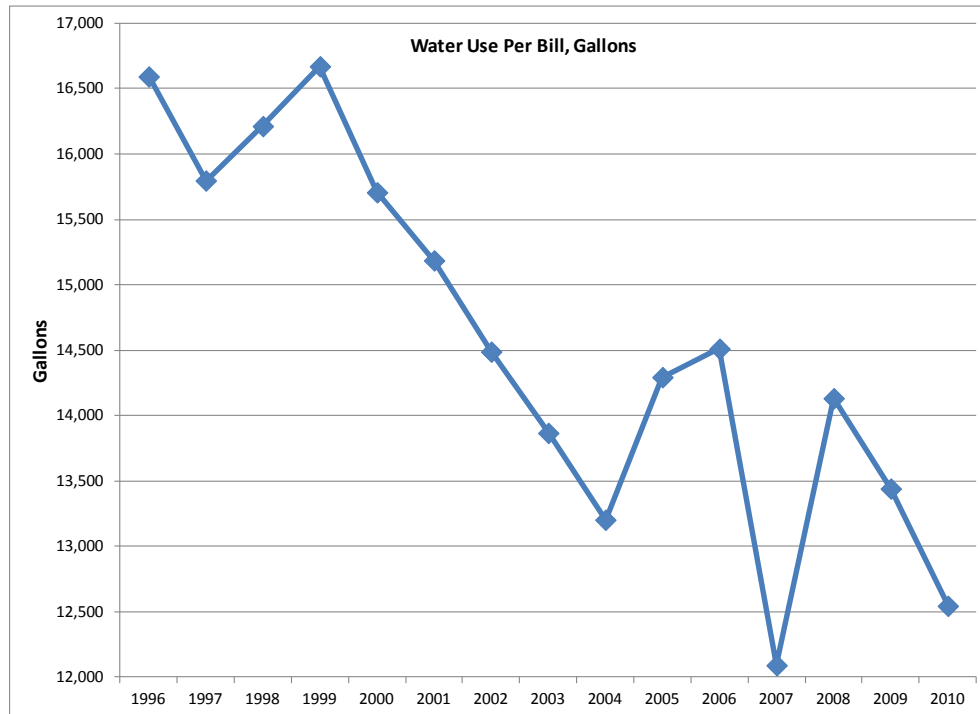
WATER AND WASTEWATER CUSTOMER USAGE TRENDS

Average usage per customer typically is driven by weather, seasonal, cyclical, price elasticity, and conservation effects, thus the modeling of the usage per customer incorporates multivariate regression statistical forecasting to incorporate these variables.

As shown in the Water Use per Bill chart below, average water usage per customer exhibits:

- ♦ a significant downward trend

- ♦ volatility around the trend due to weather variations
- ♦ effects of conservation drought restrictions



Recent extreme weather highlights the significant fluctuations in usage that can occur due to weather.

- ♦ During the very wet year of 2007, with 47.25 inches of rain (the fourth highest annual rainfall amount recorded since 1885), average water usage fell to its lowest level.
- ♦ In contrast, 2008, a drought year with precipitation of 13.76 inches of rain (the third lowest annual rainfall amount), average usage increased by 17% from 2007 levels.

Changes in average usage from 2008 to 2009 demonstrate the effects of drought restrictions on usage. Decreases in the Edwards Aquifer Bexar J-17 level trigger water usage restrictions:

- ♦ 2008 did not have any drought restrictions
- ♦ 2009, Stage II water restrictions were in effect for part of the year requiring a 30% reduction in permitted usage during the restriction period.
- ♦ The 2009 use per bill was 5% lower than average usage from 2008 levels

With weather fluctuations and drought restrictions expected to be a factor in future water planning scenarios, 2007 and 2009 average usage profiles provide a range of potential usage per customer values under extremely opposite weather conditions.

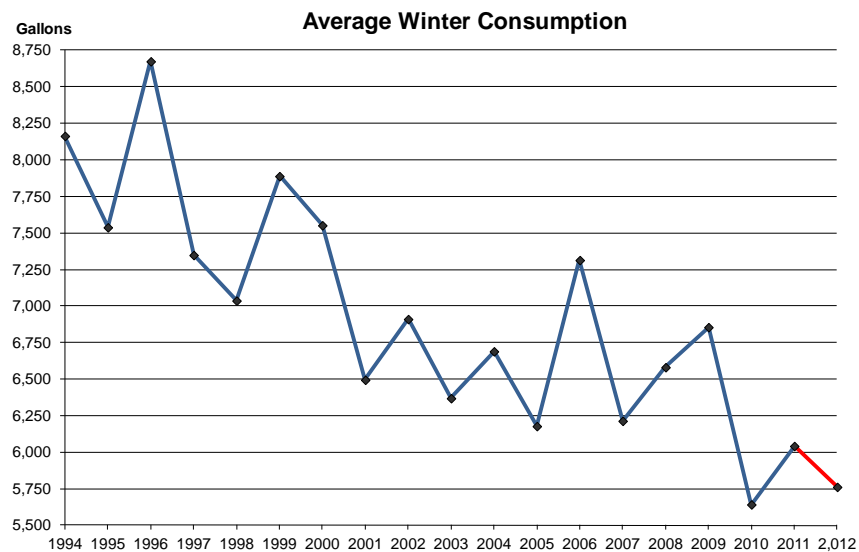
The 2012 use per customer forecast compared to the 2007 and 2009 range is an indication of the conservative nature and reduced revenue risk of the water revenue forecast. For 2012 water:

- ♦ use per customer forecast of 12,490 gallons
- ♦ average usage is at the 30th percentile of the 2007 and 2009 range
- ♦ total adjusted water usage is forecasted at 53.5 billion gallons

Metered wastewater volumetric revenues are based on contributed flow estimated through water usage. For the residential class, the contributed flow is estimated through the average winter consumption (AWC), which is the average water usage for a 90 day period during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year.

The AWC, as shown in the chart below, has declined dramatically over the last decade as a result of indoor conservation efforts and public awareness about the winter averaging method and measurement period. The most recent AWC values:

- ♦ 2010 and 2011, were significantly lower than the trend with 5,642 and 6,042 gallons respectively
- ♦ Budgeted 2012 AWC of 5,762 gallons is close to the median of the 2010 and 2011 range



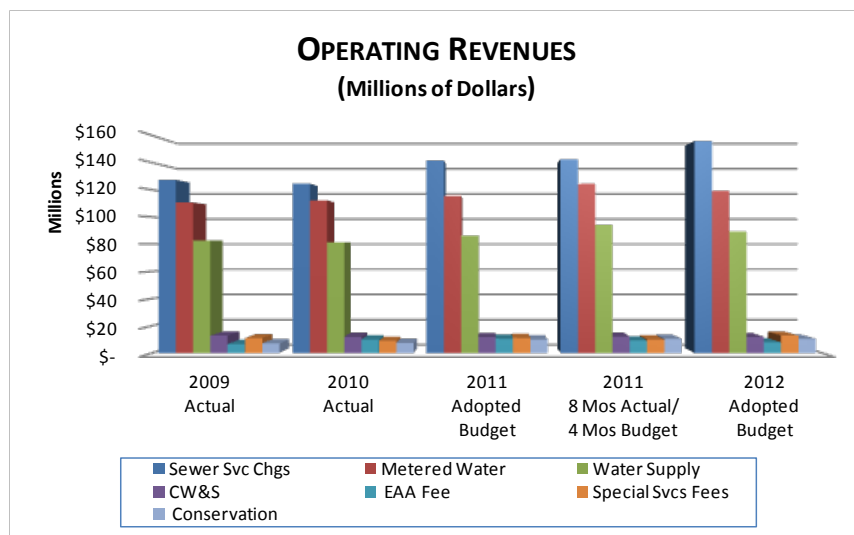
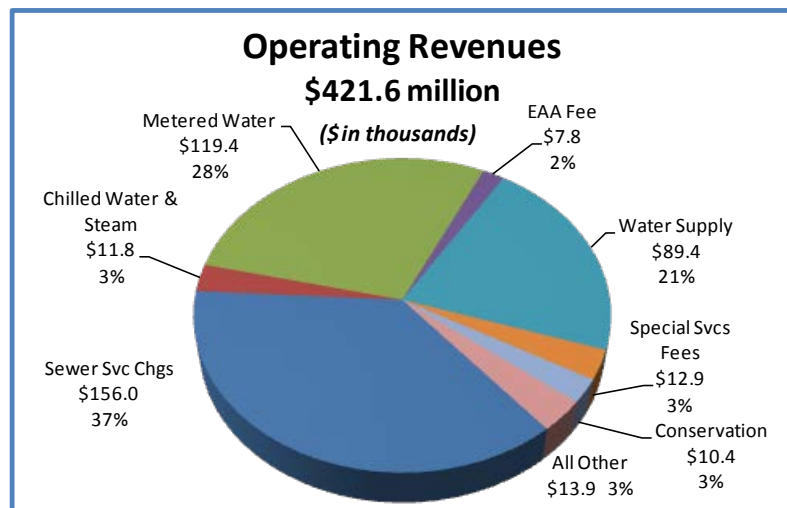
OPERATING REVENUES

Operating revenues are generated primarily from metered water sales, sewer service charges, and the Water Supply Fee. Of the 2012 budgeted operating revenue of \$421.6 million, over 90% is from metered services including water sales, wastewater sewer service charges, water supply fees, conservation, and Edwards Aquifer Authority Fee sales.

Additional revenues include Special Services fees designed to recover costs associated with providing services that typically benefit a particular customer or type of service. These services include various permit, sampling or laboratory fees, and account services.

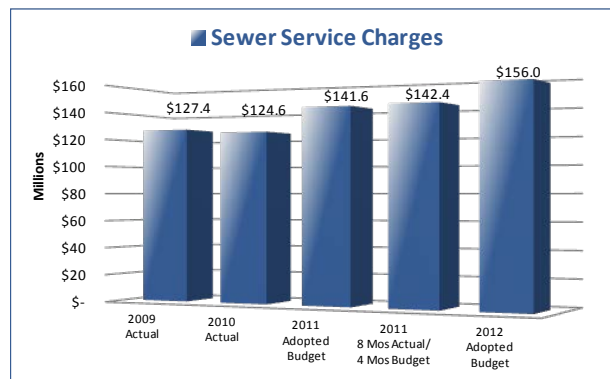
The 2012 revenue budget includes a rate adjustment of:

- ♦ \$26.1 million in additional metered revenues
- ♦ 3.0% Water Supply Fee ; 3.4% Water Delivery; and 13.6% wastewater rate adjustments
- ♦ 7.9% increase on the average customer (residential customer: 7,788 gallons water; 6,178 wastewater)



SEWER SERVICE CHARGES

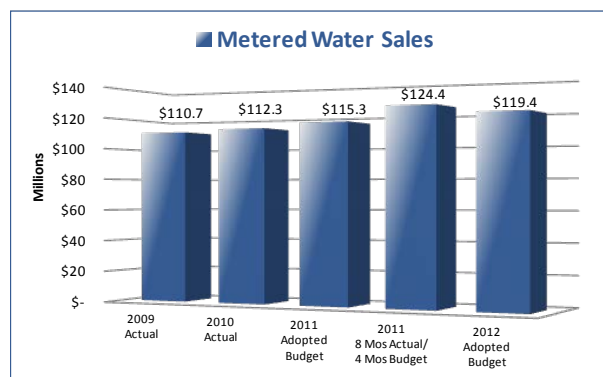
Sewer service charges are fees for the collection and treatment of residential, commercial, and industrial sewage. As discussed previously, metered sewer revenues consist of residential revenues, which are assessed based upon a customer's average winter water consumption. For all other customers, actual monthly water usage, excluding any amount measured through an irrigation meter, is used to calculate contributed wastewater usage.



For 2012, net metered wastewater revenues are forecast at \$160.7 million, which includes a 13.6% rate adjustment projected to generate an additional \$19.0 million in revenue.

METERED WATER SALES

Water charges are designed to recover the costs associated with the production, transmission, and distribution of water to the customer. 2012, net metered water revenues are forecast at \$119.4 million includes a 3.4% rate adjustment for water delivery fees projected to generate an additional \$3.6 million in revenue for water delivery

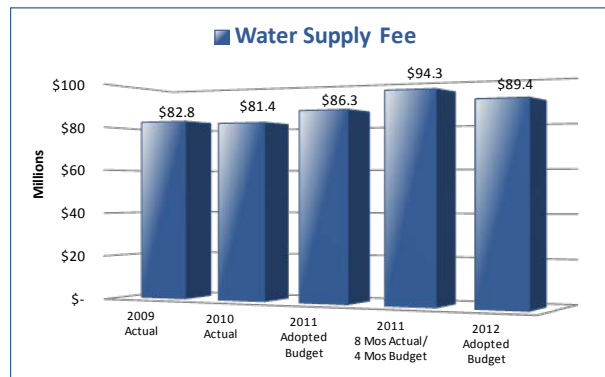


As discussed previously, it is anticipated that SAWS will continue to experience a reduction in the use per bill, with the revenue forecast being based on 53.5 billion gallons of billed, adjusted water usage.

From the metered water sales revenues, \$5.6 million is budgeted to be transferred to the Water Supply Core business to transfer a portion of the water delivery revenues that continue to fund those Water Supply programs implemented before the water supply fee was developed in 2001. The resulting net water revenue of \$113.8 million is available to fund Water Delivery operational and capital needs.

WATER SUPPLY FEE REVENUES

The Water Supply Fee was adopted in 2000 to support one of SAWS fundamental responsibilities: developing and procuring additional water supplies. In 2012, net metered water supply fee revenues are projected at \$89.4 million including a 3.0% rate adjustment on the Water Supply Fee projected to generate \$2.7M in additional revenue



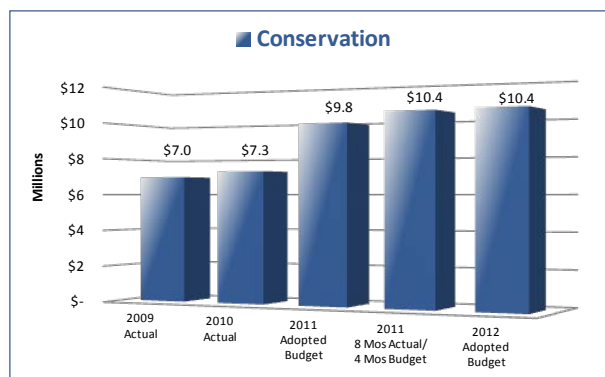
Consistent with Water Delivery, the revenue forecast is based on 53.5 billion gallons of billed, adjusted water usage. With the \$5.6 million transfer from the Water Delivery core business as previously discussed, total 2012 water supply fee revenues are budgeted at \$95.0 million.

RECYCLED WATER REVENUES

Metered recycled water revenues are projected to account for \$4.6 million or 3.7% of Water Supply operating revenues. Revenues of \$3.0 million from the CPS Energy contract contribute 65% of recycled water metered revenues. Revenues assume a rate adjustment on the non CPS Energy revenues of 3.4% which is projected to generate \$55 thousand in additional revenue.

CONSERVATION REVENUES

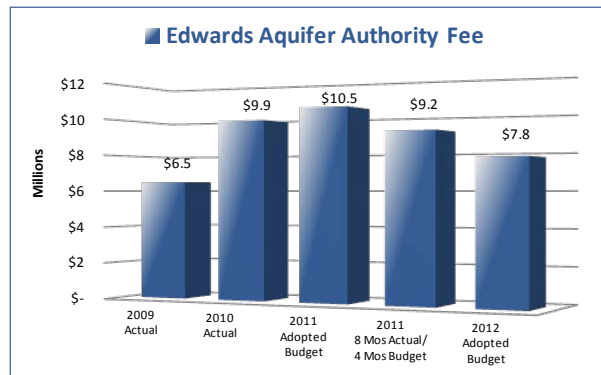
Conservation revenues are used to fund residential and commercial conservation programs. Revenues are derived from a portion of the residential revenues generated for monthly usage in excess of 17,205 gallons and irrigation rate usage over 17,205 gallons. Additionally a set portion of the monthly meter charge for non-residential customers is allocated for conservation.



For 2012, conservation revenues have been budgeted at \$10.4 million, including the 3.4% water delivery rate adjustment

EDWARDS AQUIFER AUTHORITY FEE

The Edwards Aquifer Authority (EAA) is statutorily empowered to impose an annual permit fee on all parties permitted to pump water from the Edwards Aquifer. The annual permit fee charged to SAWS is based on the number of acre-feet per year that SAWS is allowed to pump from the Edwards Aquifer and is recovered by SAWS through the assessment of a pass-through volumetric charge to its customers; the EAA Fee.



The 2012 permit fee charge from the EAA is projected to be \$10.4 million, based on approximately 266,800 acre feet at a cost of \$39 per acre foot. The recovery of the permit fee and rate charged is set in January 2012 based on the EAA rebates received in 2011 and any over or under recovery of the permit fee during 2011. Consequently, the 2012 EAA Fee revenues are projected at \$7.7 million consisting of:

- \$10.4 million 2012 Edwards Aquifer Permit fee
- less \$2.2 million in 2011 rebated received
- less \$0.5 million over recovery of 2011 EAA Fee revenues

STATE-IMPOSED TCEQ FEE

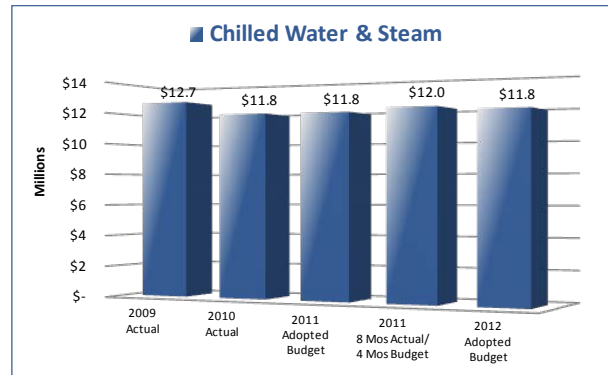
The TCEQ Fee is a monthly pass-through fee charged by SAWS to its water and wastewater customers necessary to recover approximately \$1.6 million in fees assessed to SAWS by the Texas Commission on Environmental Quality (TCEQ). During 2009, TCEQ adopted rule changes to amend Texas Administrative Code Chapter 21, Water Quality Fees, and Chapter 290, Public Drinking Water, to become effective July 30, 2009. These annual fees are necessary to cover the costs of the TCEQ water program activities and provide for annual fee adjustments by the TCEQ.

The fees assessed by TCEQ that are recovered through the TCEQ Fee include, but are not limited to, the (1) fees assessed by TCEQ in 30 TAC §290.51 to public water systems, named "Public Health Services Fee", and; (2) Fees assessed by TCEQ in 30 TAC §21.3(b) for wastewater permits, named the Consolidated Water Quality Fee".

The TCEQ Fee shall apply to all billed retail water and wastewater accounts of SAWS, excluding irrigation and recycled water only accounts. Additionally, the TCEQ Fee is structured so that the San Antonio Water System is delegated the authority to administratively adjust such TCEQ Fee pass-through on an annual basis. Currently the TCEQ Fee is \$0.17 per water customer per month and \$0.06 per wastewater customer per month. The 2012 TCEQ Fee is not expected to change materially.

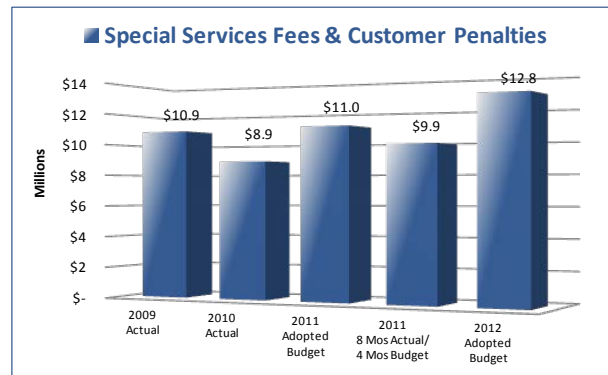
CHILLED WATER AND STEAM

SAWS provides chilled water and steam for heating and cooling purposes primarily to commercial customers located in downtown San Antonio and the Port Authority of San Antonio, formerly Kelly USA. 2012 revenues are projected at \$11.8 million, or 2.8% of total operating revenues, which reflects a continuation of the level of service from the 2011 budget levels.



SPECIAL SERVICES FEES AND CUSTOMER PENALTIES

Special Services Fees are comprised of customer penalties and miscellaneous revenues, primarily time and service charges, fire protection rental income, and various meter and testing charges. 2012 revenues from special services fees and customer penalties are planned at \$12.8 million or 3.0% of the total \$421.6 million operating revenue forecast. The projection includes approximately \$1.5 million in adjustments to the FOG fee, industrial waste associated fees, and new customer service related fees



AFFORDABILITY SERVICES

The San Antonio Water System provides a number of affordability services to its customers. One such program, the Affordability Discount, provides a sliding scale bill discount based on the level of need for those certified under the affordability program. For 2012, \$1.6 million has been set aside for the discount, which is a \$0.1 million or 6.7% increase from the amount budgeted in 2011.

NON-OPERATING REVENUE

2012 non-operating revenues, budgeted at \$5.0 million, are comprised of \$1.0 million of interest earnings on available cash funds and a \$4.0 million subsidy to be received on Build America Bonds. In total, non-operating revenues account for 1.1% of the total sources of funds for 2012.

For the 2012 budget, the average investment base is assumed to be \$500 million, while the interest earnings rate is estimated to be a 0.2% annual rate. At the end of June 2011, the average investment yield was 0.3%, with the reinvestment rate below the average. Consequently, the interest rate yield is expected to remain low for 2012, as expectations of low economic pressures from slow rebounding national and international economies continue.

CAPITAL RECOVERY FEES

Capital recovery fees are codified in Chapter 395 of the Texas Local Government Code and provide for collection of fees to recover capital improvement costs necessary to serve new development. Through the city ordinances that formed the San Antonio Water System, capital recovery fees flow through to the renewal and replacement fund for funding of eligible capital improvement projects.

For 2012, \$22.0 million in capital recovery fees are planned, significantly below the 2011 budget of \$32 million. The budget decrease is consistent with reduced customer growth and economic activity. In total, capital recovery fees account for 4.9% of the total sources of funds for 2012.

DRAW ON EQUITY

The 2012 draw on equity of \$0.3 million is necessary to fund Water Quality, Environmental Education and Enforcement (WQEE) and Evans Road Annual Monitoring programs.

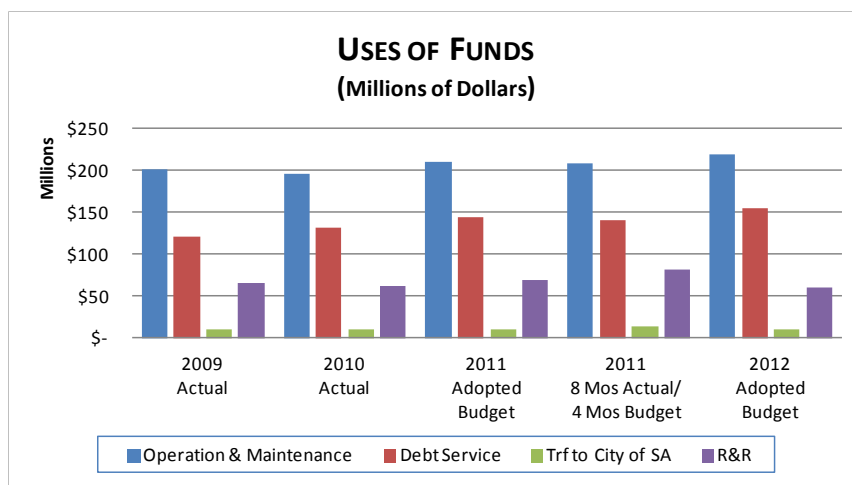
USES OF FUNDS

Ordinance No. 75686 directs that Gross Revenues shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown to:

1. Pay Operations and Maintenance expenses, including a two-month Operating Reserve
2. Deposit into Debt Service Fund the amount required for Senior Lien debt obligations
3. Deposit into Reserve Fund
4. Deposit into Debt Service Fund for Junior Lien debt obligations
5. Deposit into Debt Service Fund for Subordinate Lien debt obligations
6. Deposit into Debt Service Fund for Inferior Lien debt obligations
7. Equal payments to the City of San Antonio's General fund and to SAWS Renewal and Replacement Fund
8. Deposit of any remaining funds into the Renewal and Replacement Fund

The table below is a summarized comparison of the Uses of Funds:

(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operations and Maintenance	\$ 200,967	\$ 195,916	\$ 211,363	\$ 209,498	\$ 219,010
Operating Reserve	2,392	(694)	1,261	1,692	1,593
Revenue Bond Debt Requirement	117,616	131,240	139,427	136,771	144,899
Other Debt Service Requirement	3,422	1,330	4,960	4,564	11,184
Transfer to the City of San Antonio	9,740	9,565	10,401	13,772	10,994
Balance Available for:					
Renewal and Replacement Fund	41,610	36,915	38,086	56,150	39,227
Restricted R&R	23,636	25,038	32,000	25,355	22,000
TOTAL USES OF FUNDS	\$ 399,383	\$ 399,310	\$ 437,498	\$ 447,802	\$ 448,907



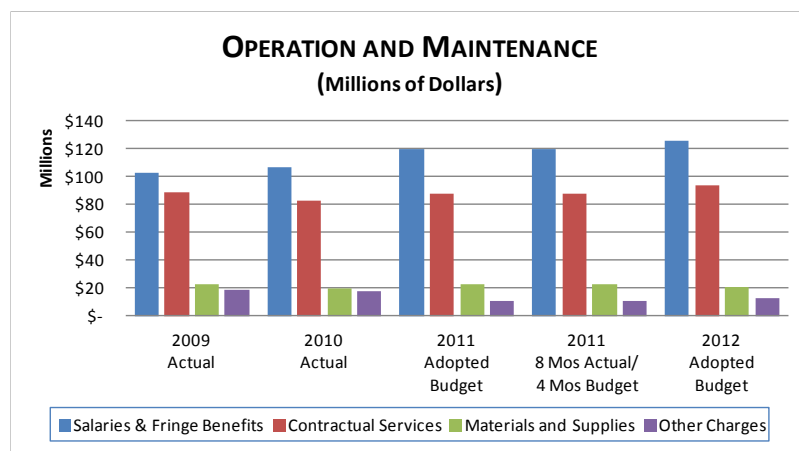
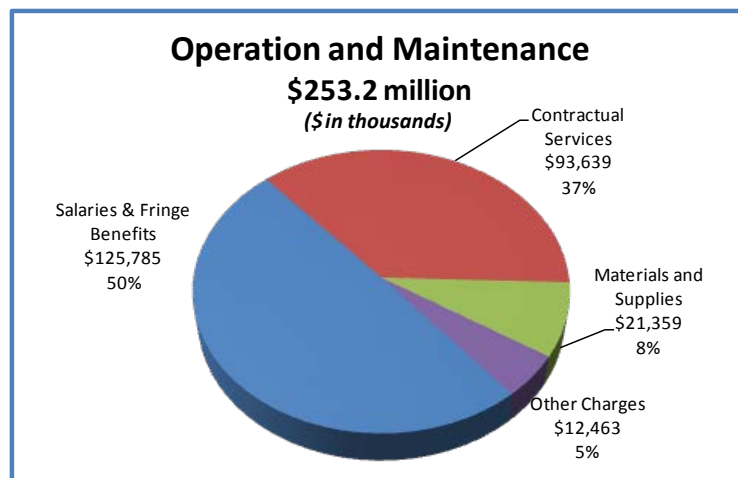
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OPERATION AND MAINTENANCE EXPENSE

The cost to operate and maintain the System on a daily basis comprises the largest single requirement of System revenues. Approximately 48 cents of every dollar collected goes to support basic services and activities. The costs in the adopted budget are prudent and necessary for:

- Planning and development of water resources
- Production and delivery of quality drinking water
- Collection and treatment of wastewater
- Repair and maintenance of distribution mains and pumping facilities
- Billing and collection of customer accounts
- Responding to customers inquiries
- Maintaining books and accounts of record
- Administrative and planning activities

These expenses are categorized into four major expenditure types: Salaries and Fringe Benefits, Contractual Services, Materials and Supplies, and Other Charges.



OPERATION AND MAINTENANCE BY EXPENSE CLASSIFICATION

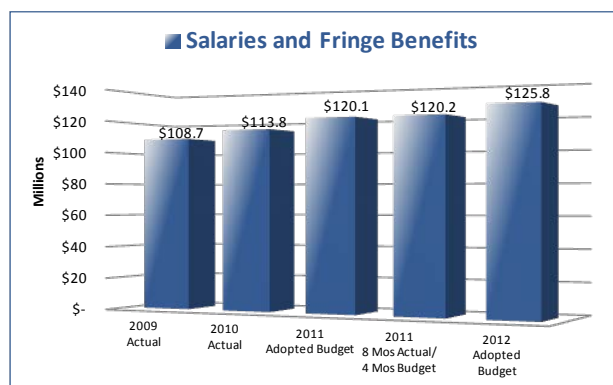
(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Salaries and Fringe Benefits					
511100 Salaries	\$ 76,072	\$ 79,363	\$ 78,944	\$ 79,345	\$ 81,152
511140 Overtime Pay	3,476	2,362	2,503	2,769	2,341
511150 On-Call Pay	527	387	504	384	323
511160 Employee Insurance	11,334	13,133	16,299	16,182	15,495
511162 Retirement	15,218	17,598	17,851	17,438	20,182
511164 Unused Sick Leave Bonus	38	28	74	24	75
511166 Personal Leave Bonus	846	823	805	805	850
511168 Accrued Vacation leave	1,088	(193)	913	904	1,119
511170 Incentive Pay	64	288	239	307	248
511175 Other Post Employment Benefits	-	-	2,000	2,000	4,000
Salaries and Fringe Benefits Total	108,664	113,790	120,133	120,159	125,785
Contractual Services					
511210 Operating Expense	2,973	1,970	2,017	1,863	1,948
511211 Rental of Facilities	283	228	327	289	300
511212 Alarm and Security	1,339	1,587	1,545	1,789	1,545
511213 Collection Expense	245	210	337	226	217
511214 Shoe Allowance	86	67	96	64	93
511216 Catering Svcs & Luncheons	169	88	151	129	126
511219 Program Rebates	919	842	1,109	624	1,004
511220 Maintenance Expense	9,562	8,407	8,534	7,986	8,776
511221 Street Cut Permit Admin Fee	1,154	796	1,086	862	886
511222 St Pave/Repair Fee	1,061	821	2,196	1,994	2,198
511223 Preventive Maintenance	49	53	67	59	67
511224 Corrective Maintenance	1,036	966	1,025	1,069	1,025
511225 Damage Repair	226	135	115	128	100
511230 Equipment Rental Charges	139	452	462	418	358
511235 Equipment Rental - WC Fund	-	-	-	-	-
511240 Travel	242	79	187	190	176
511245 Training	821	573	639	568	661
511247 Conferences	104	23	91	56	87
511250 Membership/Subscription	392	283	399	357	410
511260 Utilities	22,617	22,456	22,696	24,847	23,192
511261 Water Options	14,753	14,770	15,041	14,773	15,651
511265 Ground Water District Pay	7,198	7,708	10,480	7,976	10,406
511270 Mail and Parcel Post	1,850	1,884	1,970	1,924	1,838
511280 Telemetering Charges	43	47	50	46	50
511309 Educational Assist-Books	20	15	20	13	15
511310 Educational Assistance	175	216	150	233	200
511311 Sludge Removal and Haul	-	1	-	-	-
511312 Contractual Prof Svcs	13,671	10,952	13,042	10,883	12,493
511313 Inspect & Assessment Fees	539	1,489	1,607	1,598	1,605
511315 Temporary Employees	1,422	280	582	517	554
511320 Legal Services	2,697	1,555	3,294	2,284	3,192
511330 Revenue Recovery Expense	33	-	-	-	-
511370 Communications	1,071	1,000	1,217	1,074	1,231
511371 Communications - Radios & PA Sys	-	1	-	-	-
511381 Software and Hardware Maintenance	2,225	2,755	2,646	2,927	3,235
Contractual Services Total	89,112	82,711	93,177	87,766	93,639

OPERATION AND MAINTENANCE BY EXPENSE CLASSIFICATION (CONTINUED)

(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Materials and Supplies					
511410 Small Tools	749	505	555	660	519
511415 Expensed Asset	464	-	-	-	-
511417 Copy and Printing Expense	249	18	35	22	24
511420 Operating Materials	2,351	2,245	2,299	2,372	2,307
511421 Heating Fuel	49	85	77	81	77
511422 Chemicals	5,925	5,666	6,388	6,261	6,329
511425 Education of School Children	15	31	25	21	25
511426 Public Awareness-WQEE	-	(1)	1	1	1
511427 Enforcement	3	10	20	29	214
511428 Program Materials	2,147	1,618	1,766	1,453	1,572
511430 Maintenance Materials	7,483	6,315	6,766	7,148	6,070
511440 Safety Materials & Supplies	955	697	781	832	741
511441 Inventory Variances	46	(20)	30	2	20
511450 Tires and Tubes	332	454	231	443	416
511451 Motor Fuel & Lubricants	2,001	2,694	2,594	3,144	3,045
Materials and Supplies Total	22,769	20,317	21,568	22,471	21,359
Other Charges					
511510 Judgements and Claims	533	655	500	609	474
511511 AI & GI Claims CI Adjust	23	677	75	176	500
511520 Bank Charges	958	829	981	886	979
511525 Cash Short/(Over)	-	-	-	1	-
511530 Employee Relations	279	285	305	316	280
511540 Retiree Insurance	5,092	6,162	6,738	7,176	7,901
511560 Uncollectible Accounts	3,711	-	-	-	-
511570 Casualty Insurance	1,206	1,155	1,305	1,202	1,250
511580 Unemployment Compensation	69	23	30	33	42
511590 Workers Comp Medical	973	585	1,000	853	600
511600 WC-Contigent Liab Adjust	81	407	-	(151)	120
511610 Workers Comp Benefits	287	305	275	253	276
511620 WC-Misc Claims Expense	84	48	40	32	40
Other Charges Total	13,296	11,132	11,249	11,386	12,463
O&M Before Capitalized Cost Total	233,840	227,951	246,127	241,781	253,246
Capitalized Costs	(32,873)	(32,035)	(34,764)	(32,283)	(34,236)
Total Operation and Maintenance	\$ 200,967	\$ 195,916	\$ 211,363	\$ 209,498	\$ 219,010

SALARIES AND FRINGE BENEFITS

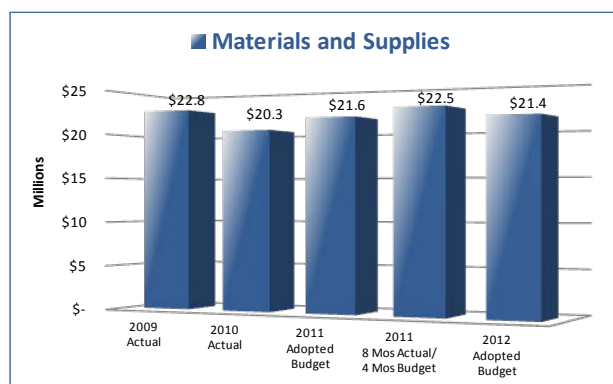
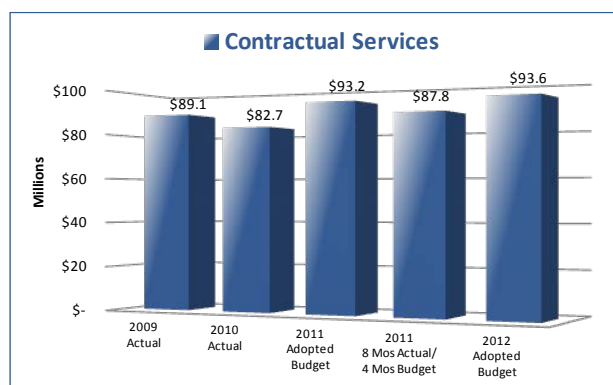
Salaries and fringe benefits are the single largest operating and maintenance expense. This category includes full time and part time salaries, overtime, on-call pay, employees' insurance and retirement benefits, and other post employment benefits. These costs are estimated at \$125.8 million in 2012, or 49.7% of gross Operation and Maintenance expenditures, and reflect a 4.7% increase over the prior year budget.



In the last several years, the Salaries and Fringe Benefits expense category has been one of SAWS' fastest growing expense categories. Projected increases in the required contribution to SAWS' defined benefit plan, general salaries, and funding of post employment benefits have driven the overall increase for this expense category.

CONTRACTUAL SERVICES

Contractual services costs are generally expenditures for services that are obtained by express or implied contract. Total Contractual Services for 2012 are budgeted at \$93.7 million, which is 37.0% of gross Operation and Maintenance expenditures. The 2012 Operating Budget amount reflects a \$0.5 million increase from the 2011 Adopted Budget. This increase is primarily attributable to a projected \$0.5 million rise in utility costs, a \$0.6 million increase in Water Options, and a \$0.6 million increase in Software and Hardware Maintenance. These increases have been partially offset by reductions in other expense categories.

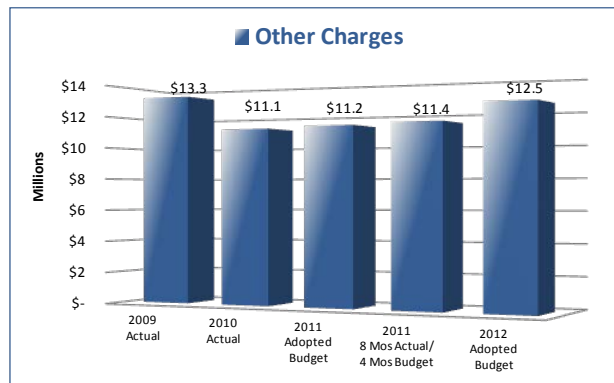


MATERIALS AND SUPPLIES

The Materials and Supplies budget of \$21.4 million (8.4% of gross operation and maintenance expenditures) reflects costs necessary to support the repair and construction efforts of the production, distribution, collection and treatment crews, in addition to operating supplies and materials for all administrative functions. The budget for this category reflects a decrease from the prior year driven primarily by projected decreases in expenditures for maintenance materials.

OTHER CHARGES

Other Charges, totaling \$12.5 million, consist of costs associated with liability, property, and workers' compensation risk exposures. Also budgeted in this category are bank charges and retirees' health insurance costs. The 10.8% increase in this expense category reflects primarily the increase in the projected cost of medical benefits for SAWS' retirees.

**CAPITALIZED COSTS**

Operating and maintenance costs that support functions related to capital acquisitions are reflected as reductions to the gross Operations and Maintenance costs and are transferred to funds with other financing sources. In 2012, Capitalized Costs are estimated at \$34.2 million, which is a 1.5% decrease from 2011.

OTHER USES OF FUNDS

OPERATING RESERVE

The operating reserve requirement reflects compliance with Ordinance No. 75686, which requires that SAWS maintain a “two month reserve amount based upon the budgeted amount of operations and maintenance expenses for the current fiscal year”. In 2012, the operating reserve is projected to require \$1.6 million in additional funding as a result of the projected changes in operating and maintenance expenditures.

TRANSFER TO THE CITY OF SAN ANTONIO

Pursuant to City Ordinance No. 75686, SAWS is required to transfer to the General Fund of the City an amount of money (as determined by City Council) up to 5% of the Gross Revenues. Since the inception of SAWS in 1992, the percentage of the transfer amount to the City has been set at 2.7% of non-exempt total revenues. Assuming this same level of transfer, SAWS has budgeted the amount of this transfer at \$11.0 million for 2012.

BALANCE AVAILABLE FOR TRANSFER TO RENEWAL AND REPLACEMENT FUND

After meeting all other requirements of system revenues including O&M, Operating Reserve, and debt service, \$61.2 million is estimated to be available for transfer to the Renewal and Replacement Fund (R&R). The Renewal and Replacement Fund is used for the purpose of funding improvements, extensions, additions, replacements, or other capital expenditures related to the System and for any other lawful purpose. At a minimum, SAWS is required to transfer to this fund an amount equal to the amount transferred to the City.

The Renewal and Replacement Fund also pays for capital outlay expenditures, such as furniture, vehicles and computer equipment and other durable assets valued at more than \$5,000. Capital outlay expenditures are expected to amount to \$11.7 million in 2012.

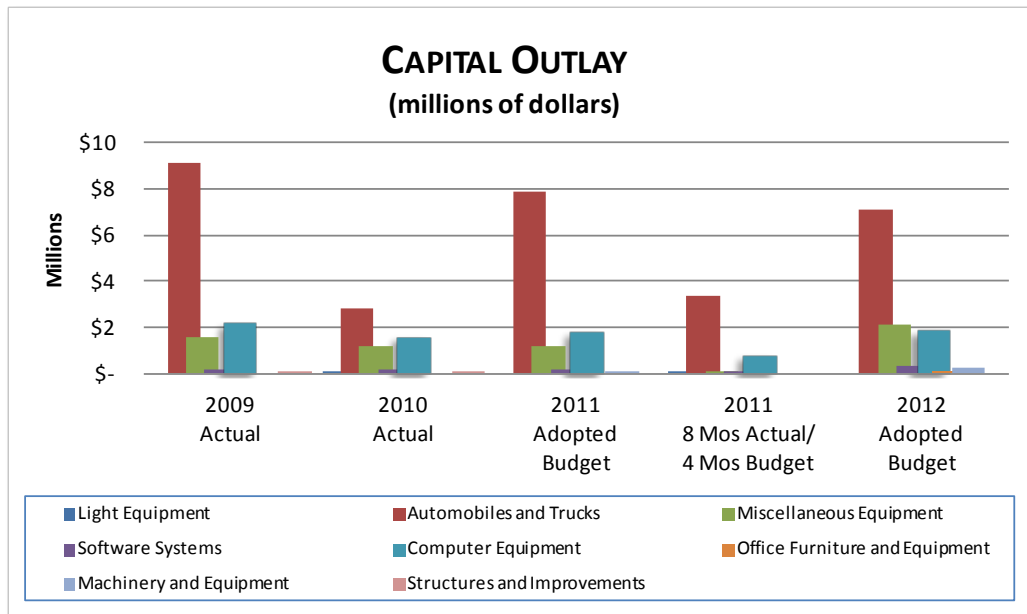
The amount of 2012 Renewal and Replacement funds available for the Capital Improvement Program is budgeted at \$49.5 million, after funding of \$11.7 million for 2012 capital outlay expenditures. These funds are expected to be available for the 2013 Capital Improvement Program.

CAPITAL OUTLAY

The 2012 Annual Operating and Capital Budget provides for capital outlay expenditures of \$11.7 million. Capital Outlay expenditures are expenditures for physical assets with an individual cost of \$5,000 or more and a useful life greater than one year (excluding real property additions, which are discussed in the Capital Improvement Section). This includes physical assets, such as machinery and equipment, computer hardware, software systems, laboratory equipment, vehicles, heavy equipment, communication equipment, and miscellaneous equipment. The Capital Outlay budget is based on priorities established by executive management.

The table below summarizes the planned 2012 expenditures for the capital outlay program. The proposed expenditure level represents an increase of \$.6 million from the prior-year level.

(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Light Equipment	\$ -	\$ 28	\$ -	\$ 104	\$ -
Automobiles and Trucks	9,134	2,812	7,843	3,345	7,089
Miscellaneous Equipment	1,593	1,206	1,162	97	2,145
Software Systems	173	187	174	61	337
Computer Equipment	2,196	1,634	1,835	829	1,890
Office Furniture and Equipment	-	-	-	-	42
Machinery and Equipment	-	-	122	-	250
Structures and Improvements	125	51	-	-	-
Grand Total	\$ 13,221	\$ 5,918	\$ 11,136	\$ 4,436	\$ 11,753



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DEBT SERVICE

San Antonio Water System utilizes both long-term and short-term debt to finance the Capital Improvements Program (CIP). SAWS currently outstanding revenue bonds consist entirely of fixed-rate obligations. Commercial paper provides SAWS with flexibility and efficiency in the timing and amount of debt issued, as well as providing some level of variable rate debt obligations to partially offset the variable rate nature of its investment portfolio.

REVENUE BONDS

SAWS currently has Senior Lien Water System Revenue Bonds and Junior Lien Water System Revenue Bonds outstanding.

- **Senior Lien Water System Revenue Bonds** - comprised of Series 2002, Series 2002-A, Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, Series 2009B, Series 2010B, and Series 2011 outstanding in the amount of \$1,457,940,000 as of August 31, 2011, are collateralized by a senior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System and maintaining an operating reserve for operating and maintenance expenses.
- **Junior Lien Water System Revenue Bonds** - comprised of Series 2001, Series 2001-A, Series 2002, Series 2002-A, Series 2003, Series 2004, Series 2004-A, Series 2007, Series 2007A, Series 2008, Series 2008A, Series 2009, Series 2009A, Series 2010, Series 2010A, Series 2011, and Series 2011A outstanding in the amount of \$386,280,000 as of August 31, 2011, are collateralized by a junior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System, maintaining an operating reserve for operating and maintenance expenses, and the debt service on senior lien debt.

BOND AND COMMERCIAL PAPER RATINGS

In April 2010, Fitch Ratings (Fitch) and Moody's Investors Services, Inc. (Moody's) completed a recalibration of certain long-term U.S. Municipal credit ratings. The recalibration was completed to ensure a greater degree of comparability of credit ratings across all sectors of the market. Based on the recalibration, SAWS' senior lien and junior lien ratings were adjusted upward by both Fitch and Moody's. The high quality ratings are based on SAWS' large, diverse and growing service area; sound financial performance, long term planning in water supply and infrastructure needs, and competitive water and sewer rates.

	Senior Lien	Junior Lien	TECP
Fitch Ratings	AA+	AA	F-1+
Moody's Investors Service	Aa1	Aa2	P-1
Standard & Poor's	AA	AA-	A-1+

ANNUAL REVENUE BOND DEBT SERVICE REQUIREMENT

The bonded debt service requirement is comprised of bond interest costs and the retirement of a certain portion of bond principal. This requirement is projected based on maturity schedules or ordinance formula. The debt service schedules assume the issuance of approximately \$271

million of bonds in 2012. The amount necessary to fulfill total bonded debt service requirements in 2012 is projected to be \$16.5 million.

RESERVE FUND REQUIREMENT

SAWS' bond ordinance requires the maintenance of a reserve fund for the payment of senior lien and junior lien debt obligations in an amount equal to 100% of the maximum annual debt service requirement for the senior lien obligations and 100% of the average annual debt service requirement for the junior lien obligations. The ordinance provides for the use of cash, debt, and surety policies or a combination thereof, to satisfy the reserve fund requirement. The debt service schedules for the 2012 bonds anticipated to be issued assumes the funding of the reserve fund from bond proceeds.

DEBT COVERAGE

SAWS is required by ordinance to maintain a debt coverage ratio of 1.25 times the annual debt service on outstanding senior lien debt. The 2012 Operating Budget projects an estimated annual Senior Lien Debt Coverage ratio of 1.81 times, which exceeds ordinance requirement of 1.25 times.

DEBT COVERAGE CALCULATION

Total Sources of Funds	\$448,907,203
Less Revenues from:	
City Public Service contract	2,982,500
Interest on CPS contract	
Capital Recovery Fees	22,000,000
Transfer from Renewal & Replacement Fund	300,000
Interest on Project Funds	99,999
Gross Revenues as defined by Ordinance No. 75686	\$ 423,524,704
Less: Operations & Maintenance	219,010,037 *
Net Revenues as defined by Ordinance No. 75686	204,514,667
Add Additional Revenues:	
Grants	-
Donations	-
Income from U.S. Govt.	-
Total Additional Revenues	-
Pledged Revenues as defined by Ordinance No. 75686	\$ 204,514,667
Annual Senior Lien Debt Service Requirement	\$ 113,083,328
Annual Senior Lien Debt Coverage Ratio	1.81
Maximum Annual Senior Lien Debt Service Requirement (Year 2027)	\$ 127,684,223
Maximum Annual Senior Lien Debt Coverage Ratio	1.60
Annual Combined Debt Service Requirement	\$ 152,085,460
Annual Combined Debt Coverage Ratio	1.34
Maximum Annual Combined Bonded Debt Service Requirement (Year 2016)	\$ 158,138,756
Maximum Annual Combined Bonded Debt Coverage Ratio	1.29

* This amount does not include non-cash expenses associated with post-retirement obligations.

BUDGETED REVENUE AND REFUNDING BONDS DEBT SERVICE SCHEDULES

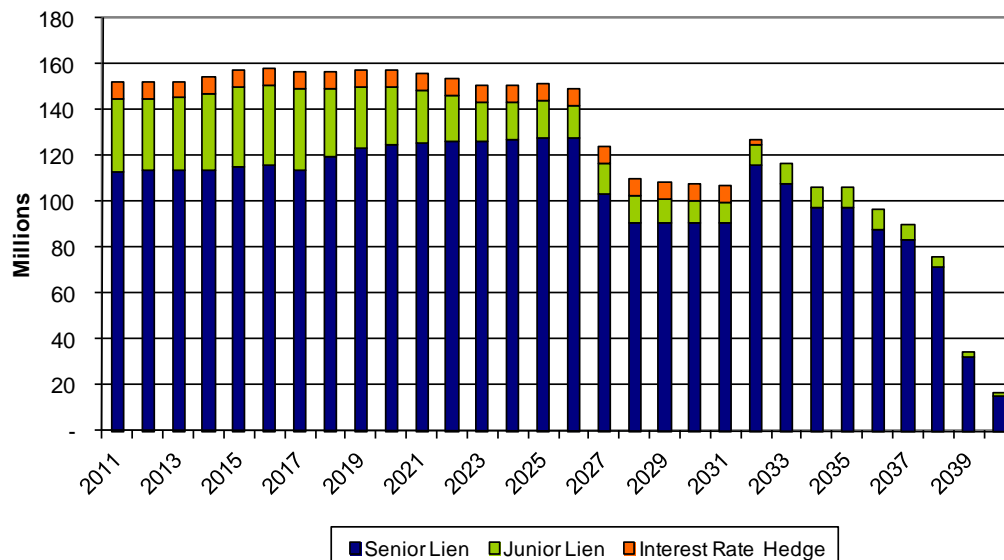
Fiscal Year December 31.	Senior Lien			Junior Lien		
	Principal	Interest	Total	Principal	Interest	Total
2012	29,426,667	83,656,660	113,083,326	20,211,667	11,603,683	31,815,350
2013	30,908,333	82,495,663	113,403,997	20,651,667	11,128,304	31,779,970
2014	32,366,667	81,048,623	113,415,290	21,228,333	10,581,467	31,809,800
2015	33,875,000	79,516,628	113,391,628	23,361,667	10,416,955	33,778,622
2016	37,398,333	77,893,181	115,291,514	24,656,667	10,027,091	34,683,757
2017	40,150,000	76,075,871	116,225,871	25,350,000	9,316,086	34,666,086
2018	39,966,667	74,092,156	114,058,822	26,731,667	8,518,310	35,249,976
2019	47,306,667	72,119,337	119,426,004	21,940,000	7,669,001	29,609,001
2020	53,465,000	69,763,689	123,228,689	19,668,333	7,001,982	26,670,315
2021	57,526,667	67,118,144	124,644,810	18,868,333	6,422,200	25,290,534
2022	61,476,667	64,289,220	125,765,887	17,215,000	5,854,955	23,069,955
2023	64,930,000	61,232,824	126,162,824	15,115,000	5,338,060	20,453,060
2024	68,215,000	58,005,588	126,220,588	12,495,000	4,876,891	17,371,891
2025	72,403,333	54,606,160	127,009,493	11,803,333	4,496,779	16,300,112
2026	76,440,000	50,987,219	127,427,219	12,165,000	4,142,857	16,307,857
2027	80,538,333	47,145,889	127,684,223	10,603,333	3,766,643	14,369,976
2028	60,231,667	43,094,613	103,326,279	9,968,333	3,429,357	13,397,690
2029	50,898,333	40,043,275	90,941,609	8,308,333	3,109,471	11,417,804
2030	53,298,333	37,546,349	90,844,682	7,605,000	2,824,269	10,429,269
2031	55,815,000	34,918,448	90,733,448	6,936,667	2,556,751	9,493,417
2032	58,431,667	32,166,715	90,598,381	6,735,000	2,294,486	9,029,486
2033	86,508,333	29,314,065	115,822,399	7,003,333	2,029,970	9,033,304
2034	82,860,000	24,948,437	107,808,437	7,290,000	1,752,451	9,042,451
2035	76,633,333	20,650,349	97,283,683	7,585,000	1,461,898	9,046,898
2036	80,323,333	16,813,124	97,136,457	7,895,000	1,158,603	9,053,603
2037	75,078,333	12,848,650	87,926,983	8,220,000	842,566	9,062,566
2038	74,156,667	9,091,777	83,248,443	6,496,667	511,469	7,008,136
2039	66,415,000	5,330,791	71,745,791	3,666,667	248,951	3,915,618
2040	30,415,000	1,943,614	32,358,614	2,183,333	108,801	2,292,134
2041	15,075,000	346,725	15,421,725	1,320,000	30,266	1,350,266
	<u>\$1,692,533,333</u>	<u>\$1,409,103,784</u>	<u>\$3,101,637,117</u>	<u>\$ 393,278,333</u>	<u>\$ 143,520,571</u>	<u>\$ 536,798,904</u>

Revenue and Refunding Bonds Debt Service Schedules

Fiscal Year December 31,	Total Bonded Debt Service		
	Principal	Interest	Total
2012	49,638,333	95,260,342	144,898,676
2013	51,560,000	93,623,967	145,183,967
2014	53,595,000	91,630,090	145,225,090
2015	57,236,667	89,933,584	147,170,250
2016	62,055,000	87,920,272	149,975,272
2017	65,500,000	85,391,957	150,891,957
2018	66,698,333	82,610,466	149,308,799
2019	69,246,667	79,788,338	149,035,005
2020	73,133,333	76,765,671	149,899,004
2021	76,395,000	73,540,344	149,935,344
2022	78,691,667	70,144,175	148,835,842
2023	80,045,000	66,570,884	146,615,884
2024	80,710,000	62,882,478	143,592,478
2025	84,206,667	59,102,939	143,309,605
2026	88,605,000	55,130,076	143,735,076
2027	91,141,667	50,912,532	142,054,199
2028	70,200,000	46,523,969	116,723,969
2029	59,206,667	43,152,746	102,359,413
2030	60,903,333	40,370,618	101,273,951
2031	62,751,667	37,475,198	100,226,865
2032	65,166,667	34,461,200	99,627,867
2033	93,511,667	31,344,036	124,855,702
2034	90,150,000	26,700,888	116,850,888
2035	84,218,334	22,112,247	106,330,580
2036	88,218,333	17,971,727	106,190,060
2037	83,298,333	13,691,215	96,989,549
2038	80,653,333	9,603,246	90,256,579
2039	70,081,667	5,579,742	75,661,409
2040	32,598,333	2,052,415	34,650,748
2041	16,395,000	376,991	16,771,991
	\$2,085,811,667	\$1,552,624,355	\$3,638,436,022

*The principal and interest schedule assumes the original principal amortization of the Subordinate Lien Obligations and interest based on a fixed rate of 4.18% as required in the Swap Agreement.

Total Senior Lien, Junior Lien, and Interest Rate Hedge Debt Service



OTHER DEBT SERVICE REQUIREMENTS

TAX EXEMPT COMMERCIAL PAPER (TECP)

SAWS also maintains a commercial paper program that is used to provide funds for the interim financing of a portion of the capital improvements program. City Council of the City of San Antonio has authorized a commercial paper program of up to \$500 million. The TECP is supported by a revolving credit agreement with Bank of America, N.A., State Street Bank and Trust Company, and U.S. Bank National Association dated July 6, 2010, which currently extends to July 9, 2013 (the "Agreement"). Pursuant to the Agreement, the revolving line of credit is currently \$350 million.

The 2012 Budget assumes \$350 million of commercial paper will be outstanding to fund ongoing capital improvement projects through 2012. As stated in the "Interest Rate Hedge Agreement (Swap)" section herein, \$103,810,000 of the commercial paper program was utilized to redeem the Subordinate Lien Obligations. The 2012 Budget assumes that the interest to be paid on the \$103,810,000 of TECP attributable to the redemption of the Subordinate Lien Obligations will be offset in its entirety by the amount to be received under the variable rate leg of the swap, and this amount has been subtracted from the projected average commercial paper balance in calculating the projected commercial paper interest expense. SAWS' capital financing plan provides for the refunding of commercial paper as the outstanding balance trends toward the upper limit of the Agreement to ensure the outstanding balance does not exceed the revolving line of credit amount.

INTEREST RATE HEDGE AGREEMENT

Subordinate Lien Revenue and Refunding Bonds - Interest Rate Hedge Agreement (Swap) - In March 2003, \$122,500,000 of "City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B" (the "Subordinate Lien Obligations") were issued in a weekly interest rate mode. To hedge against changes in interest expenses, the City of San Antonio, through SAWS entered into an interest rate hedge agreement (the "Swap Agreement") under which SAWS must pay a fixed rate of 4.18% and receive a variable rate which corresponds to the Municipal Swap Index published by The Securities Industry and Financial Markets Association. The rates are applied to a specified notional amount which matches the amortization schedule of the principal amount of the Subordinate Lien Obligations. The payments under this obligation are collateralized by a subordinate lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the system, maintaining an operating reserve for operating and maintenance expenses, and debt service on senior lien and junior lien debt.

On August 7, 2008, SAWS issued a Notice of Partial Redemption for \$110,615,000 of the Subordinate Lien Obligations due to unfavorable market conditions relating to variable rate demand obligations, resulting in the related interest rate hedge agreement not providing an effective hedge against short term interest rate movements applicable to the related obligations. The Subordinate Lien Obligations were redeemed with commercial paper notes.

SAWS still considers the Swap Agreement to be a valuable variable rate management tool within its debt portfolio. The obligation to pay the fixed rate of 4.18% on the notional amount

outstanding remains and is included in the 2012 Budgeted debt service requirements of SAWS at the original principal amortization of the Subordinate Lien Obligations.

Fiscal Year December 31,	Interest Rate Hedge (Swap)*		
	Principal	Interest	Total
2012	2,926,667	4,260,117	7,186,783
2013	3,060,000	4,137,782	7,197,782
2014	3,198,333	4,009,874	7,208,207
2015	3,345,000	3,876,184	7,221,184
2016	3,498,333	3,736,363	7,234,696
2017 - 2021	20,025,000	16,351,045	36,376,045
2022 - 2026	25,036,667	11,765,446	36,802,113
2027 - 2031	31,278,333	6,034,387	37,312,721
2032 - 2033	9,548,333	499,998	10,048,331
	<u>\$ 101,916,667</u>	<u>\$ 54,671,195</u>	<u>\$ 156,587,862</u>

OTHER DEBT EXPENSE

SAWS expects to pay approximately \$3.4 million in debt related expenses in 2012. These expenses include remarketing agent fees, credit liquidity facility fees, rating agency fees, and paying agent fees. Remarketing agents are investment-banking firms responsible for the marketing and remarketing of variable rate obligations to investors as they mature. The credit liquidity facility provider commits to purchasing the maturing variable rate obligations should the remarketing agent be unable to remarket the variable rate obligations.

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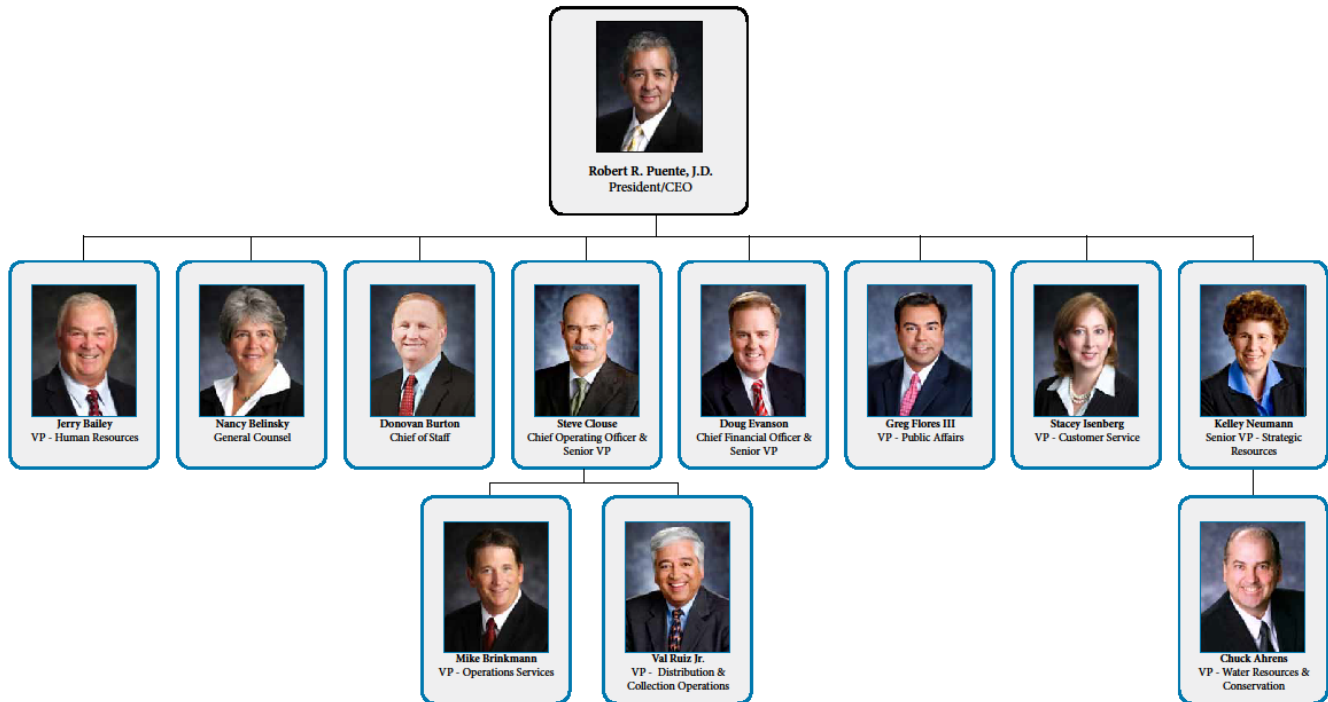
A high-speed photograph of a water droplet hitting a surface, creating a crown-shaped splash with many smaller droplets flying upwards and outwards. The background is a solid, light blue color.

Organization and Staffing

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SAWS Organization & Leadership



OPERATION AND MAINTENANCE EXPENSE SUMMARY BY DEPARTMENT

(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Board of Trustees and Pres/CEO					
Board of Trustees	\$ 42	\$ 56	\$ 58	\$ 50	\$ 63
Office of the President-CEO	898	908	876	962	990
Board of Trustees Support	356	367	388	385	386
Internal Audit	435	431	550	503	521
Board of Trustees and Pres/CEO Total	1,731	1,762	1,872	1,900	1,960
Engineering and Construction					
Engineering and Construction Adm	466	429	(354)	104	406
Collection and Distribution	1,153	1,284	1,308	1,422	1,347
Governmental Engineering	1,905	1,982	2,103	1,983	1,963
Infrastructure Planning	4,765	4,462	4,876	4,454	4,535
Operations and Maintenance Eng.	873	812	875	834	734
Pipeline Inspections	3,828	3,946	4,207	4,162	4,098
Production, Recycle, Treatment Engineering	2,052	2,266	2,314	2,331	2,347
Engineering and Construction Total	15,042	15,181	15,329	15,290	15,430
Water Resources and Conservation					
Water Resources Adm	234	230	248	240	231
Conservation	5,799	5,079	5,372	4,701	5,140
Regional Initiatives and Special Projects	226	275	472	284	401
Water Resources	26,675	25,616	28,916	26,080	29,302
Water Resources and Conservation Total	32,934	31,200	35,008	31,305	35,074
Distribution and Collection Operations					
Distribution and Collection Adm	294	310	680	450	401
Construction and Maintenance	10,633	9,351	13,363	11,658	11,848
Distribution and Collection Support Services	857	730	719	699	677
Eastern Service Centers	13,502	11,776	10,683	11,678	10,868
Western Service Centers	11,289	10,037	9,683	10,801	9,692
Distribution and Collection Operations Total	36,575	32,204	35,128	35,286	33,486
Operations Services					
Operations Services Adm	458	392	(263)	179	391
Corporate Real Estate	815	846	952	890	955
Facilities Maintenance	2,265	2,340	2,449	2,908	3,118
Facilities Management	1,825	1,980	1,921	1,908	1,965
Fleet Management	6,630	7,367	7,510	8,219	7,830
Laboratory Technical Services	1,994	1,886	2,057	1,919	2,131
Resource Protection & Compliance	4,954	4,989	5,949	5,454	6,281
Security	1,976	2,245	2,653	2,799	2,541
Service Center Facility Plan	58	93	108	108	105
Operations Services Total	20,975	22,138	23,336	24,384	25,317
Production and Treatment Operations					
Production and Treatment Operations Adm	637	601	582	592	1,185
Environmental Services	5,219	4,832	5,364	5,338	5,727
Heating and Cooling	7,731	7,903	7,617	7,814	7,435
Maintenance Planning	1,612	1,861	1,941	1,851	1,863
Production	23,694	24,919	26,463	26,796	26,694
Treatment Maintenance Management	8,270	8,789	8,386	8,577	8,057
Treatment Operations Management	14,809	15,859	14,980	15,303	15,436
Production and Treatment Operations Total	61,972	64,764	65,333	66,271	66,397

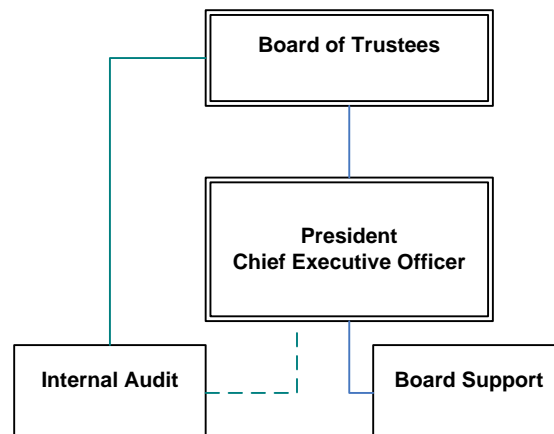
OPERATION AND MAINTENANCE EXPENSE SUMMARY BY DEPARTMENT (CONTINUED)

(\$ in thousands)	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Legal					
Legal	4,095	2,988	4,672	3,657	4,602
Records Management	237	239	263	258	259
Legal Total	4,332	3,227	4,935	3,915	4,861
Human Resources					
Human Resources Adm	614	735	525	600	701
Safety and Environmental Health	1,003	1,081	1,144	1,035	1,080
Claims	522	506	502	486	504
Corporate Training	1,572	1,378	1,507	1,396	1,473
Human Resources	1,925	2,055	2,194	2,132	2,200
Human Resources Total	5,636	5,755	5,872	5,649	5,958
Financial Services					
Office of the CFO	331	317	305	329	335
Contracting	968	1,138	1,129	1,245	1,216
Accounts Payable	326	339	320	341	334
Treasury	451	347	464	387	411
Financial Planning	844	718	692	666	688
Accounting	1,099	1,092	1,141	1,182	1,137
Risk Management	1,316	1,289	1,428	1,337	1,381
Supply	970	791	980	896	949
Purchasing	620	634	619	643	636
Financial Services Total	6,925	6,665	7,078	7,026	7,087
Information Systems					
Information Systems Adm	615	812	488	494	584
Application Services	2,894	1,740	1,829	2,062	2,530
Information Services Programs	1,109	448	860	576	502
Information Technology	6,731	8,373	8,689	8,713	8,510
Information Systems Total	11,349	11,373	11,866	11,845	12,126
Customer Service					
Customer Service Adm	340	251	262	261	253
Customer Care	5,398	4,709	5,071	4,868	4,976
Field Operations	9,956	6,184	6,193	6,328	6,265
Quality	416	405	467	504	541
Customer Service Total	16,110	11,549	11,993	11,961	12,035
Public Affairs					
Public Affairs Adm	585	455	469	363	399
Communications and External Relations	3,999	3,600	3,783	3,510	4,235
Public Affairs Total	4,584	4,055	4,252	3,873	4,634
Other Requirements	15,675	18,079	24,130	23,077	28,883
O&M Before Capitalized Cost Total	233,840	227,951	246,127	241,781	253,246
Capitalized Costs	(32,873)	(32,035)	(34,764)	(32,283)	(34,236)
Total Operation and Maintenance	\$ 200,967	\$ 195,916	\$ 211,363	\$ 209,498	\$ 219,010

BOARD OF TRUSTEES AND PRESIDENT/CEO

The Board of Trustees - SAWS is governed by the San Antonio Water System Board of Trustees. The Board consists of the Mayor and six members appointed by the City Council. The Board of Trustees is responsible for overall policy and management of the system.

The President/CEO is responsible and accountable for overall leadership of the San Antonio Water System. Following the guidance and direction of the Board of Trustees and City Council, the President/CEO implements policy, directs and works alongside employees to achieve SAWS' mission and goals.



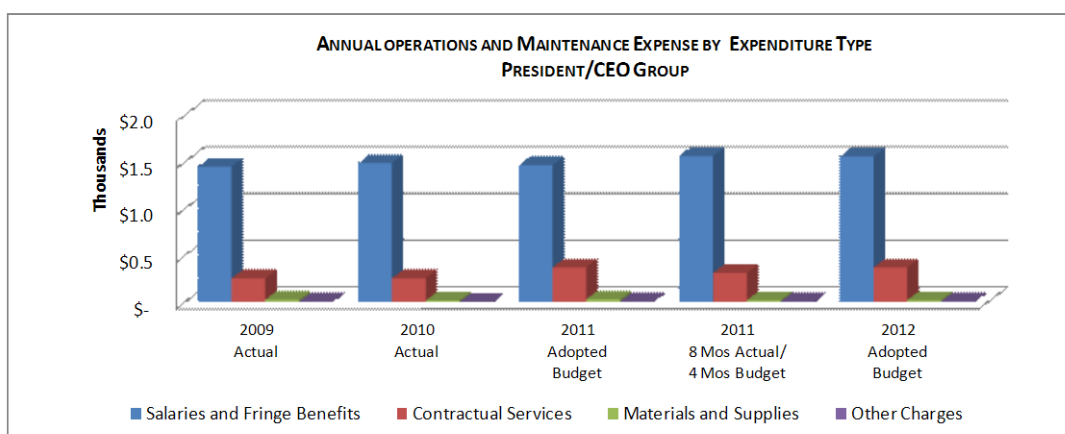
BOARD OF TRUSTEES AND PRESIDENT/CEO

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 1,449	\$ 1,488	\$ 1,464	\$ 1,563	\$ 1,558
Contractual Services	253	255	371	311	371
Materials and Supplies	25	16	30	20	22
Other Charges	4	3	7	6	9
Total Before Capitalized Costs	1,731	1,762	1,872	1,900	1,960
Capitalized Costs	-	(29)	-	-	-
Net O&M Expenditures	\$ 1,731	\$ 1,733	\$ 1,872	\$ 1,900	\$ 1,960
Capital Outlay	\$ 2	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Board of Trustees	\$ 42	\$ 56	\$ 58	\$ 50	\$ 63
Office of the President-CEO	898	908	876	962	990
Board of Trustees Support	356	367	388	385	386
Internal Audit	435	431	550	503	521
Total Before Capitalized Costs	1,731	1,762	1,872	1,900	1,960
Capitalized Costs	-	(29)	-	-	-
Net O&M Expenditures	\$ 1,731	\$ 1,733	\$ 1,872	\$ 1,900	\$ 1,960

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Board of Trustees	-	-	-		-
Office of the President-CEO	5	6	6		6
Board of Trustees Support	2	2	2		2
Internal Audit	5	5	5		5
Total Authorized Positions	12	13	13		13



PRODUCTION AND TREATMENT OPERATIONS (INCLUDES MAINTENANCE PLANNING)

The Production and Treatment Operations group provides the essential function of managing the 24-hour-a-day operation of the system. The group is responsible for the operation, maintenance, and repair of facilities and equipment involved in the production and pumping of potable water, the production and distribution of steam and chilled water for the heating and cooling of federal and city buildings, and operation of the System's water recycling facilities, which manage the mechanical and biological treatment and disinfection of wastewater, and the processing of wastewater biosolids for ultimate disposal. This group consists of the following departments:

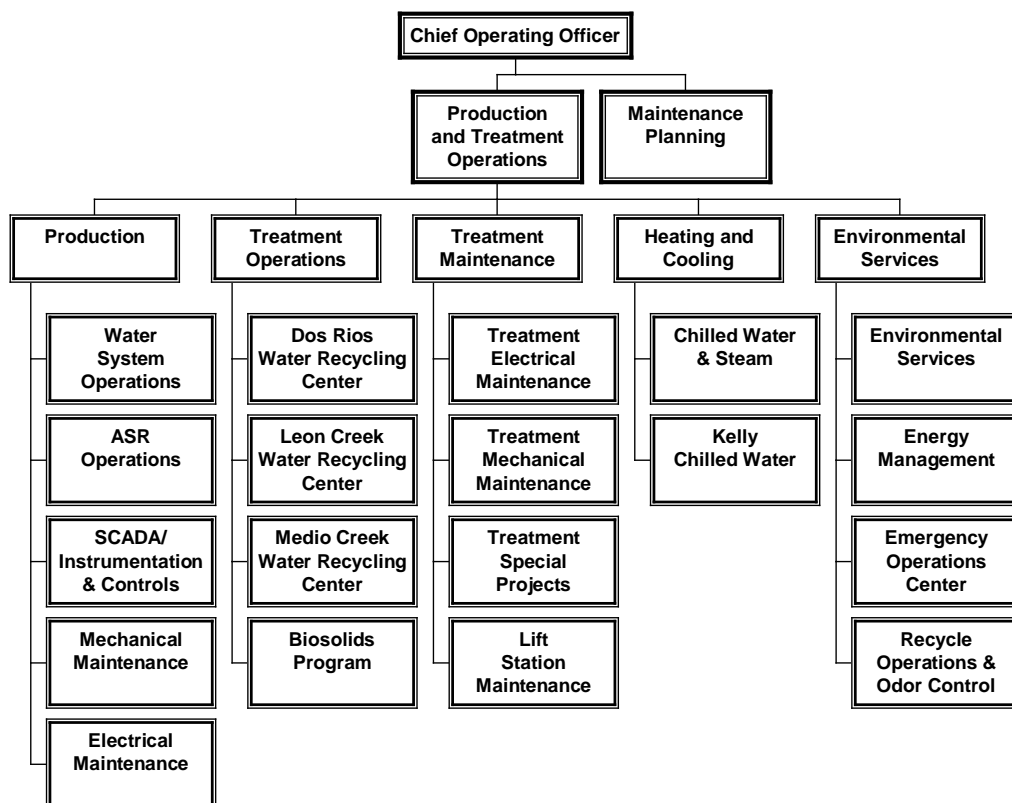
Production – Manages, controls and operates the production of potable water for SAWS' customers.

Treatment Operations and Treatment Maintenance – Operate and maintain all of the utility's permanent and temporary water recycling facilities.

Heating and Cooling – Responsible for the production of chilled water and steam to provide thermal services to federal, city and private facilities in San Antonio.

Environmental Services – supports engineering services, handles regulatory permitting and manages external contracts. Also manages the Emergency Operations center.

Maintenance Planning - The Maintenance Planning Department oversees work order data, plans maintenance schedules, and provides overall data management and reporting pertaining to field and plant operations. In addition, the department is responsible for performing predictive maintenance and failure analysis on identified critical equipment for these systems.



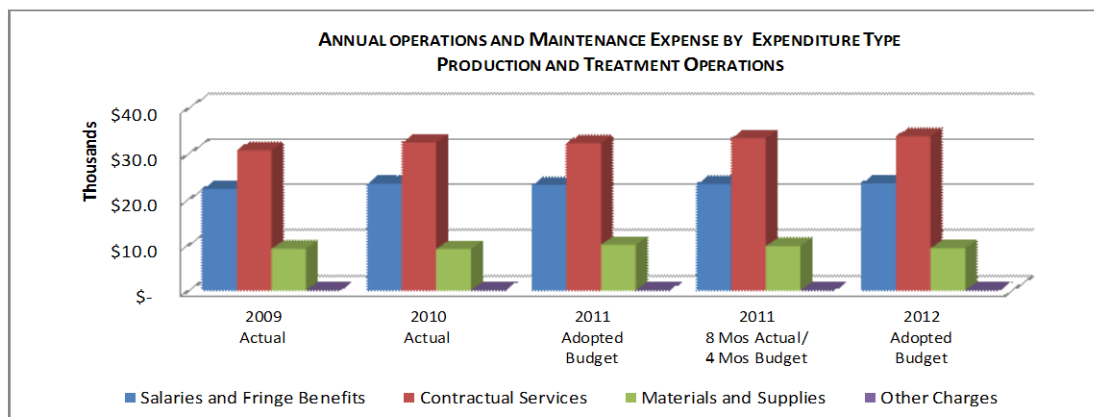
PRODUCTION AND TREATMENT OPERATIONS (INCLUDES MAINTENANCE PLANNING)

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 22,189	\$ 23,372	\$ 23,111	\$ 23,283	\$ 23,462
Contractual Services	30,685	32,372	32,228	33,331	33,743
Materials and Supplies	9,090	9,018	9,985	9,653	9,192
Other Charges	8	2	9	4	-
Total Before Capitalized Costs	61,972	64,764	65,333	66,271	66,397
Capitalized Costs	(4,334)	(3,009)	(5,055)	(3,216)	(4,054)
Net O&M Expenditures	\$ 57,638	\$ 61,755	\$ 60,278	\$ 63,055	\$ 62,343
Capital Outlay	\$ 1,168	\$ 777	\$ 791	\$ 44	\$ 2,031

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Production and Treatment Operations Adm	\$ 637	\$ 601	\$ 582	\$ 592	\$ 1,185
Environmental Services	5,219	4,832	5,364	5,338	5,727
Heating and Cooling	7,731	7,903	7,617	7,814	7,435
Maintenance Planning	1,612	1,861	1,941	1,851	1,863
Production	23,694	24,919	26,463	26,796	26,694
Treatment Maintenance Management	8,270	8,789	8,386	8,577	8,057
Treatment Operations Management	14,809	15,859	14,980	15,303	15,436
Total Before Capitalized Costs	61,972	64,764	65,333	66,271	66,397
Capitalized Costs	(4,334)	(3,009)	(5,055)	(3,216)	(4,054)
Net O&M Expenditures	\$ 57,638	\$ 61,755	\$ 60,278	\$ 63,055	\$ 62,343

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Production and Treatment Operations Adm	6	4	4		3
Environmental Services	35	34	34		41
Heating and Cooling	29	29	29		22
Maintenance Planning	12	29	29		28
Production	99	100	100		100
Treatment Maintenance Management	107	104	105		105
Treatment Operations Management	80	78	78		76
Total Authorized Positions	368	378	379		375



DISTRIBUTION AND COLLECTION OPERATIONS

The Distribution and Collection Operations Group operates, maintains and repairs the water distribution and wastewater collection systems ensuring our customers receive uninterrupted, quality potable water and associated wastewater services.

This is accomplished through four departments; Construction and Maintenance Programs, Eastern Service Centers, Western Service Centers and Distribution and Collection Support Services. These four departments provide the following:

Emergency Response – Provides critical support to SAWS customers and crews 24/7.

Preventative Maintenance Programs – Ensures the integrity of water and wastewater infrastructure.

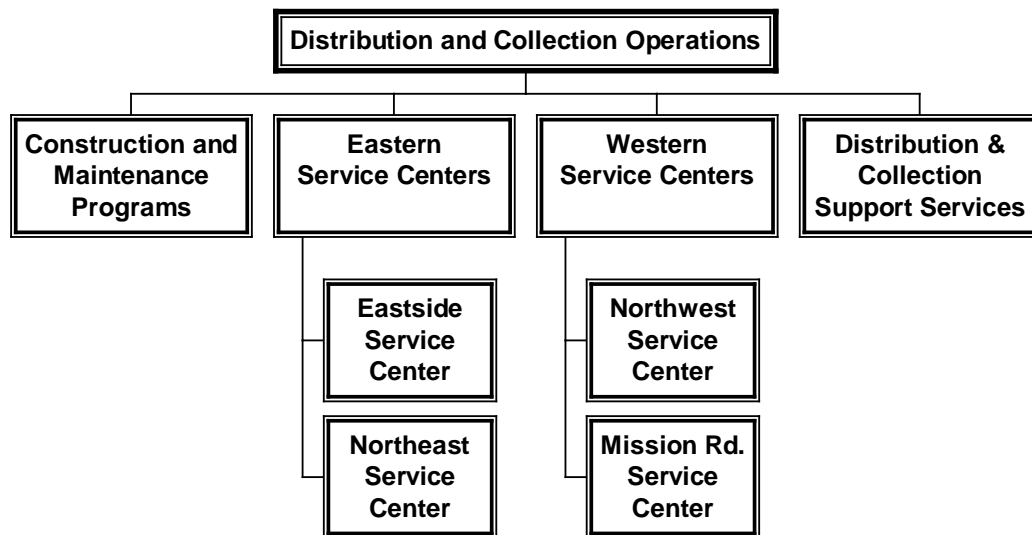
Construction Crews – Offers in-house construction expertise, including asphalt and concrete services, to improve service restoration and increase customer satisfaction.

Sewer Televising Programs – Equips management to make informed decisions while helping protect the quality of the Edwards Aquifer.

Sewer Line Cleaning – Reduces potential for back-ups due to debris and grease.

Leak Detection Program – Ensures water leaks are identified, reducing water loss.

SAWS distribution and collection crews are mobilized from four strategically located service centers throughout the city: Eastside, Mission Road (south central), Northeast and Northwest.



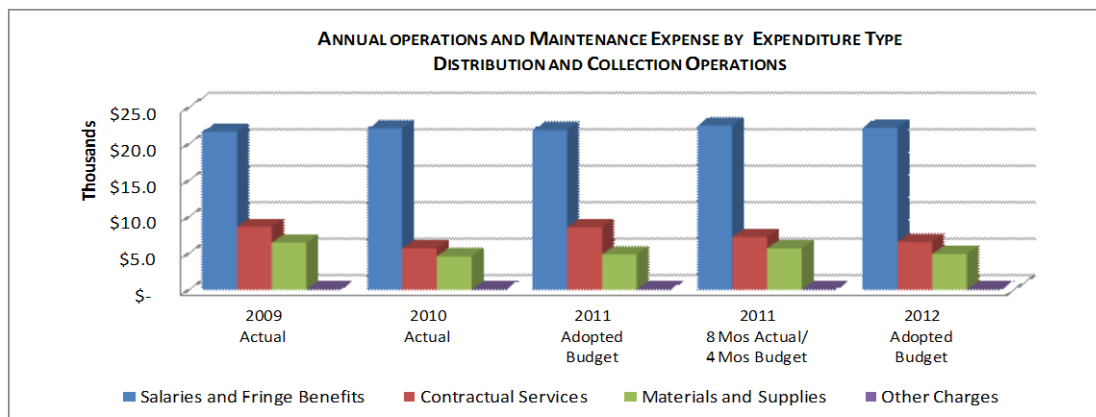
DISTRIBUTION AND COLLECTION OPERATIONS

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 21,595	\$ 22,055	\$ 21,832	\$ 22,486	\$ 22,144
Contractual Services	8,572	5,623	8,514	7,185	6,497
Materials and Supplies	6,408	4,526	4,782	5,615	4,845
Other Charges	-	-	-	-	-
Total Before Capitalized Costs	36,575	32,204	35,128	35,286	33,486
Capitalized Costs	(3,977)	(5,138)	(3,702)	(4,201)	(3,702)
Net O&M Expenditures	\$ 32,598	\$ 27,066	\$ 31,426	\$ 31,085	\$ 29,784
Capital Outlay	\$ 691	\$ 16	\$ 250	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Distribution and Collection Adm	\$ 294	\$ 310	\$ 680	\$ 450	\$ 401
Construction and Maintenance	10,633	9,351	13,363	11,658	11,848
Distribution and Collection Support Services	857	730	719	699	677
Eastern Service Centers	13,502	11,776	10,683	11,678	10,868
Western Service Centers	11,289	10,037	9,683	10,801	9,692
Total Before Capitalized Costs	36,575	32,204	35,128	35,286	33,486
Capitalized Costs	(3,977)	(5,138)	(3,702)	(4,201)	(3,702)
Net O&M Expenditures	\$ 32,598	\$ 27,066	\$ 31,426	\$ 31,085	\$ 29,784

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Distribution and Collection Adm	2	2	2		2
Construction and Maintenance	105	117	131		123
Distribution and Collection Support Services	159	157	154		155
Eastern Service Centers	21	12	13		13
Western Service Centers	153	149	149		146
Total Authorized Positions	440	437	449		439



OPERATIONS SERVICES

The **Operations Services Group** includes seven departments - each with specific objectives, yet collectively designed to support the work needs of employees and their environment. This includes providing functional work areas, well maintained facilities, a proactive security program, dependable transportation, and other tools that allow employees to function efficiently and address the needs of their customers – both internal and external.

The Operations Services Group is also responsible for water quality management to help protect the health, safety and welfare of our residents and the environment. This includes oversight and regulation of land use activities, specifically over the Edwards Aquifer Recharge Zone, to prevent the degradation of water quality. This effort is ever changing and requires active participation with city representatives, developers, governmental agencies, and the general public.

Individual departments within the Operations Services Group are:

Corporate Real Estate – Responsible for property acquisitions, dispositions and lease management activities associated with capital improvement projects. This includes researching title issues and providing information relating to System owned property to the Public and other agencies.

Environmental Laboratory Services – Provides analytical services to internal business groups and one external client. Activities include sample testing, environmental and safety tests, regulatory reporting, analytical planning, training and quality assurance. The Lab was certified by the National Environmental Laboratory Accreditation Conference in 2008.

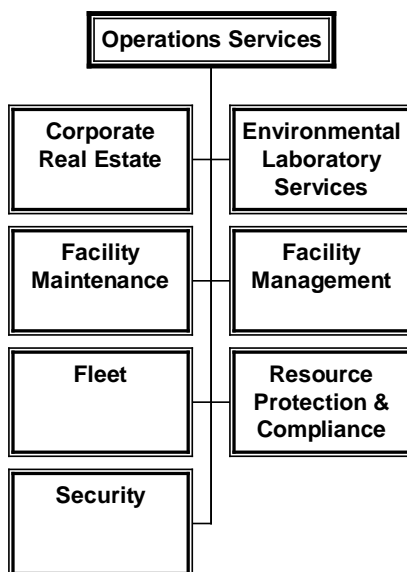
Facilities Management– Provides building management services at corporate headquarters including space planning, office reconfigurations, oversight of electrical and HVAC systems, building repairs and internal renovation projects; manages SAWS mail room and contracts for custodial, landscaping and cafeteria services at the headquarters.

Facilities Maintenance – Responsible for maintenance of buildings and grounds at SAWS service centers, treatment plants and lift stations. This includes internal and external building maintenance and repairs as well as landscaping, fencing, parking lots, gates and roads.

Fleet – Maintains a fleet of over 1200 vehicles and pieces of equipment required for field and office employees. Maintains corporate vehicle pool program and ensures that vehicles and heavy equipment are properly maintained and in good working condition.

Resource Protection & Compliance – Implements a non-degradation policy for the Edwards aquifer and other potable aquifers to ensure water quality is protected. Staff manages regulatory programs of industrial wastewater customers discharging into the collection & treatment system, monitors best management practices at construction sites, and provides land use planning. This department utilizes an extensive sampling and monitoring network for compliance purposes.

Security – Responsible to manage the security program and associated activities for all SAWS personnel and properties. Staff monitors available threat-level information and escalates security procedures as necessary. They also develop strategies for regular, on-going security related communications with employees, response organizations and employees.



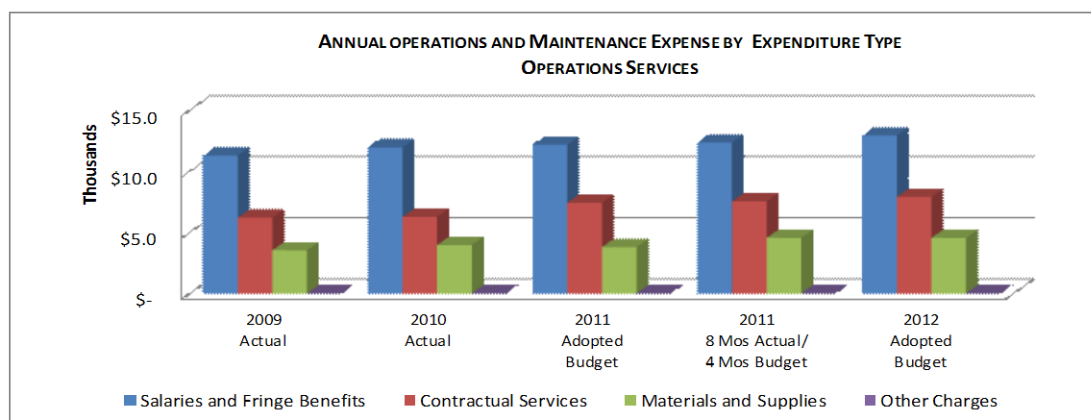
OPERATIONS SERVICES

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 11,271	\$ 11,934	\$ 12,150	\$ 12,328	\$ 12,900
Contractual Services	6,180	6,253	7,408	7,523	7,884
Materials and Supplies	3,524	3,951	3,778	4,533	4,533
Other Charges	-	-	-	-	-
Total Before Capitalized Costs	20,975	22,138	23,336	24,384	25,317
Capitalized Costs	(1,657)	(1,880)	(1,897)	(1,942)	(2,097)
Net O&M Expenditures	\$ 19,318	\$ 20,258	\$ 21,439	\$ 22,442	\$ 23,220
Capital Outlay	\$ 9,151	\$ 2,916	\$ 8,086	\$ 3,503	\$ 7,820

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operations Services Adm	\$ 458	\$ 392	\$ (263)	\$ 179	\$ 391
Corporate Real Estate	815	846	952	890	955
Facilities Maintenance	2,265	2,340	2,449	2,908	3,118
Facilities Management	1,825	1,980	1,921	1,908	1,965
Fleet Management	6,630	7,367	7,510	8,219	7,830
Laboratory Technical Services	1,994	1,886	2,057	1,919	2,131
Resource Protection & Compliance	4,954	4,989	5,949	5,454	6,281
Security	1,976	2,245	2,653	2,799	2,541
Service Center Facility Plan	58	93	108	108	105
Total Before Capitalized Costs	20,975	22,138	23,336	24,384	25,317
Capitalized Costs	(1,657)	(1,880)	(1,897)	(1,942)	(2,097)
Net O&M Expenditures	\$ 19,318	\$ 20,258	\$ 21,439	\$ 22,442	\$ 23,220

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Operations Services Adm	3	3	3		3
Corporate Real Estate	9	9	8		9
Facilities Maintenance	28	28	28		28
Facilities Management	7	7	7		7
Fleet Management	48	47	49		49
Laboratory Technical Services	24	23	22		23
Resource Protection & Compliance	71	72	69		71
Security	7	8	8		10
Service Center Facility Plan	1	0	1		1
Total Authorized Positions	198	197	195		201



ENGINEERING AND CONSTRUCTION

Engineering and Construction coordinates the development and execution of the annual Capital Improvements Program. The group performs engineering analysis of existing facilities and plans new infrastructure to meet the increasing water and wastewater demands of the growing community. The group also designs and manages the construction of new and replacement water and wastewater infrastructure. The Engineering and Construction group is comprised of the following departments:

Collection and Distribution Engineering – Plans and designs water distribution and the wastewater collection systems.

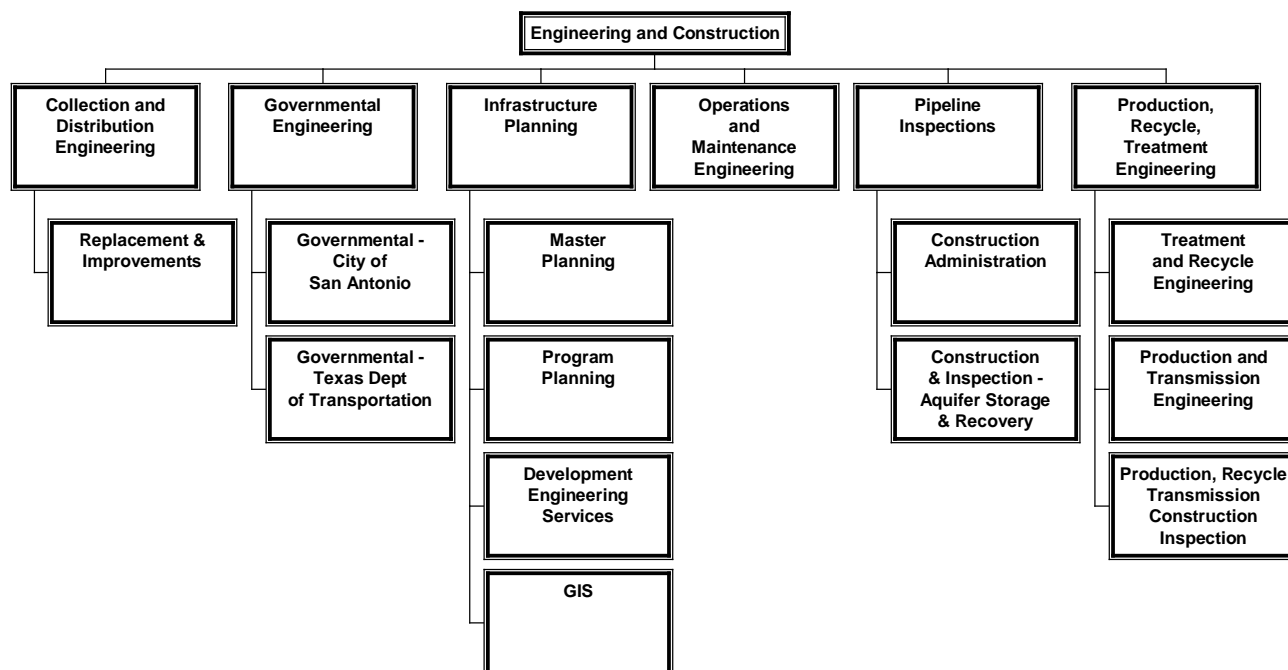
Governmental Engineering – Plans and designs water distribution and wastewater collection systems that support intergovernmental capital projects.

Infrastructure Planning – Manages SAWS' impact fee program, maintains infrastructure maps and GIS databases, tracks population growth, and develops the water and wastewater master plans.

Operations and Maintenance Engineering – Provides operational and maintenance engineering support for Production and Treatment, and Distribution and Collection.

Pipeline Inspections – Inspects pipeline construction projects and water supply projects, and manages the backflow prevention program.

Production, Recycle, Treatment Engineering – Handles planning, design and construction management of water production facilities, recycled water infrastructure, and wastewater treatment facilities.



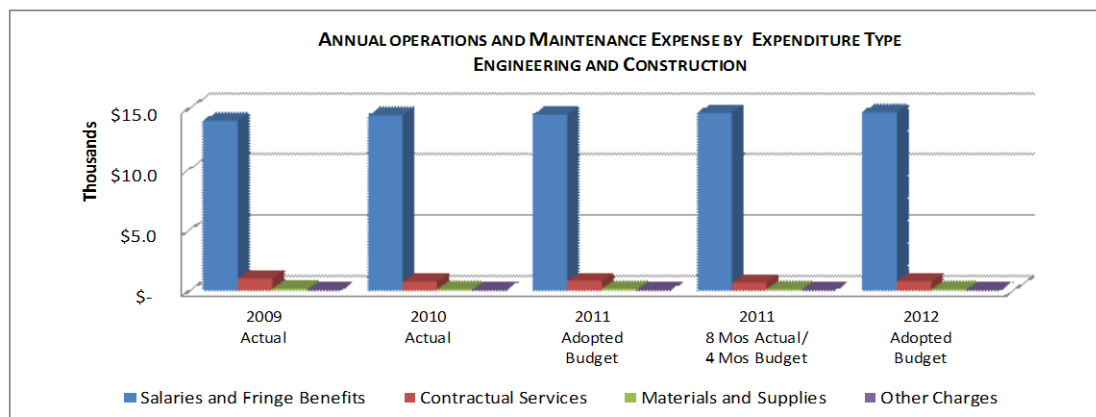
ENGINEERING AND CONSTRUCTION

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 13,928	\$ 14,388	\$ 14,440	\$ 14,581	\$ 14,620
Contractual Services	981	705	764	618	729
Materials and Supplies	131	88	123	90	81
Other Charges	2	-	2	1	-
Total Before Capitalized Costs	15,042	15,181	15,329	15,290	15,430
Capitalized Costs	(14,455)	(14,526)	(14,787)	(14,711)	(14,859)
Net O&M Expenditures	\$ 587	\$ 655	\$ 542	\$ 579	\$ 571
Capital Outlay	\$ 52	\$ -	\$ -	\$ 11	\$ 26

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Engineering and Construction Adm	\$ 466	\$ 429	\$ (354)	\$ 104	\$ 406
Collection and Distribution	1,153	1,284	1,308	1,422	1,347
Governmental Engineering	1,905	1,982	2,103	1,983	1,963
Infrastructure Planning	4,765	4,462	4,876	4,454	4,535
Operations and Maintenance Eng.	873	812	875	834	734
Pipeline Inspections	3,828	3,946	4,207	4,162	4,098
Production, Recycle, Treatment Engineering	2,052	2,266	2,314	2,331	2,347
Total Before Capitalized Costs	15,042	15,181	15,329	15,290	15,430
Capitalized Costs	(14,455)	(14,526)	(14,787)	(14,711)	(14,859)
Net O&M Expenditures	\$ 587	\$ 655	\$ 542	\$ 579	\$ 571

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Engineering and Construction Adm	6	4	3		3
Collection and Distribution	14	15	16		17
Governmental Engineering	24	26	26		25
Infrastructure Planning	66	67	62		59
Operations and Maintenance Eng.	11	11	10		9
Pipeline Inspections	61	62	60		62
Production, Recycle, Treatment Engineering	27	28	27		28
Total Authorized Positions	209	213	204		203

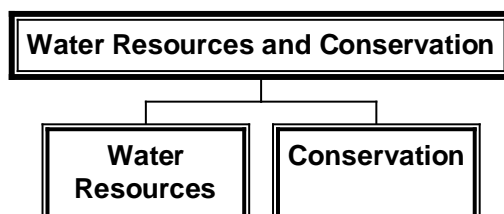


WATER RESOURCES AND CONSERVATION

The Water Resources and Conservation group is responsible for the development, management and conservation of water supplies, as well as drought management and water rights acquisitions. SAWS' proven conservation programs have become a cornerstone of the community's long-term water management strategy. The group consists of the following two departments:

Water Resources – Develops and implements long-term, sustainable water projects while proactively managing existing supplies. SAWS has already successfully developed projects from Canyon Lake, the Trinity Aquifer and the Carrizo Aquifer to supplement our foundational Edwards Aquifer supply. Potential future supplies include supply from the Carrizo Aquifer in Western Gonzales County, groundwater desalination and ocean desalination. Other proven innovations, like our 100-mile recycled water system and underground storage reservoir, leverage technology to secure San Antonio's water future.

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 — water we don't use. To help keep rates affordable, SAWS aggressively promotes more efficient landscape water use through education, outreach, drought ordinance rules, and inverted block structure pricing, while continuing to encourage indoor conservation via high-efficiency fixtures for homes and businesses.



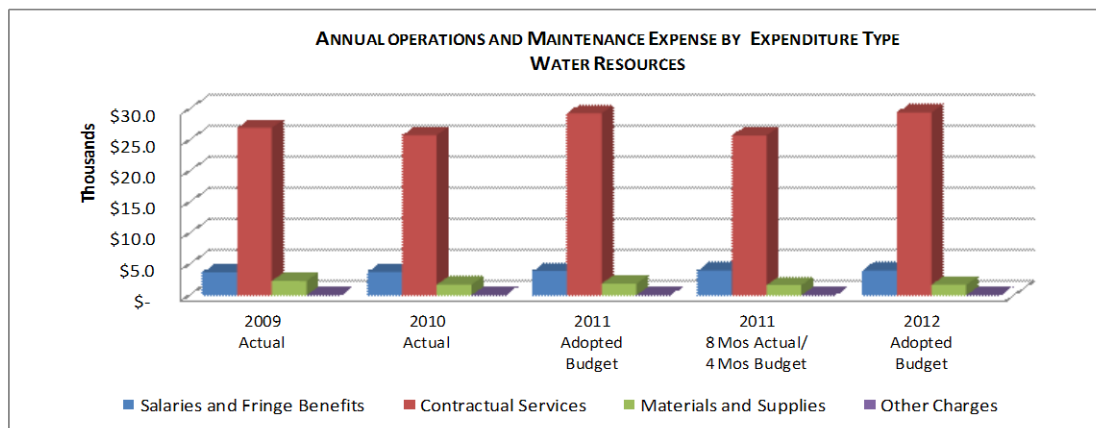
WATER RESOURCES AND CONSERVATION

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 3,704	\$ 3,752	\$ 3,884	\$ 3,960	\$ 3,984
Contractual Services	26,942	25,759	29,275	25,724	29,408
Materials and Supplies	2,288	1,689	1,849	1,621	1,682
Other Charges	-	-	-	-	-
Total Before Capitalized Costs	32,934	31,200	35,008	31,305	35,074
Capitalized Costs	(1,024)	(871)	(992)	(580)	(167)
Net O&M Expenditures	\$ 31,910	\$ 30,329	\$ 34,016	\$ 30,725	\$ 34,907
Capital Outlay	\$ 20	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Water Resources Adm	\$ 234	\$ 230	\$ 248	\$ 240	\$ 231
Conservation	5,799	5,079	5,372	4,701	5,140
Regional Initiatives and Special Projects	226	275	472	284	401
Water Resources	26,675	25,616	28,916	26,080	29,302
Total Before Capitalized Costs	32,934	31,200	35,008	31,305	35,074
Capitalized Costs	(1,024)	(871)	(992)	(580)	(167)
Net O&M Expenditures	\$ 31,910	\$ 30,329	\$ 34,016	\$ 30,725	\$ 34,907

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Water Resources Adm	2	2	2		2
Conservation	27	28	27		27
Regional Initiatives and Special Projects	2	3	2		2
Water Resources	33	25	24		24
Total Authorized Positions	64	58	55		55



FINANCIAL SERVICES

The Financial Services Group 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 departments:

Accounting – Manages payroll, general records, property records and accounts payable

Finance and Treasury – Responsible for the securitization and overall management of the utility's debt, as well as investments, cash, and bank relationship management.

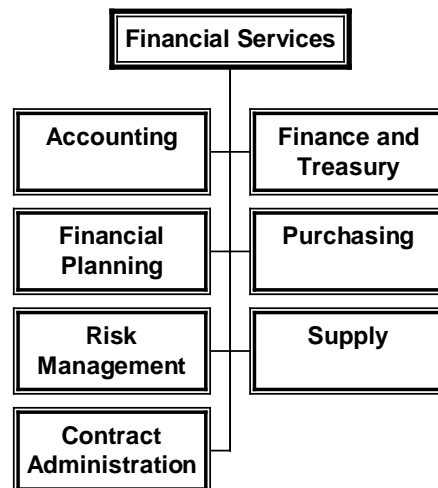
Financial Planning – Responsible for short and long-range financial plans and developing and implementing the budget.

Purchasing – Manages the processing and contracting of all purchasing requests for materials, supplies and services.

Risk Management – Manages all facets of SAWS Comprehensive Commercial Insurance Program. Through our agent of record, this area responds to inquiries from Legal, Contract Administration, Purchasing and Counter Services (water and sewage connection permits) about insurance matters. It also conducts premises risk assessments.

Supply – Responsible for inventory and distribution support of all materials for SAWS.

Contract Administration – Responsible for the administration of construction and professional services contracts. This includes contract preparation, solicitation, negotiation, acceptance, monitoring, compliance, approval of payments and closeout. Contract Administration also coordinates and administers the Texas Water Development Board program.



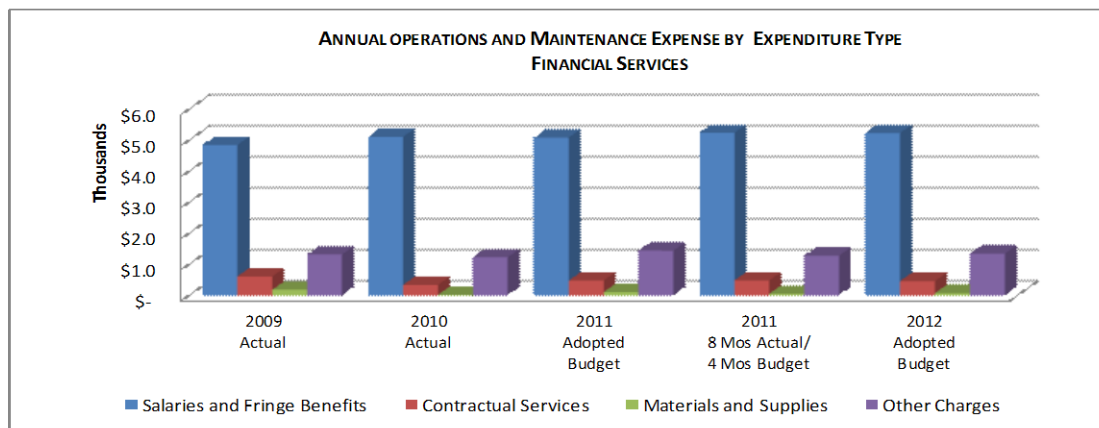
FINANCIAL SERVICES

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 4,836	\$ 5,101	\$ 5,077	\$ 5,231	\$ 5,225
Contractual Services	604	331	469	476	456
Materials and Supplies	174	12	98	47	68
Other Charges	1,311	1,221	1,434	1,272	1,338
Total Before Capitalized Costs	6,925	6,665	7,078	7,026	7,087
Capitalized Costs	(1,376)	(1,684)	(1,950)	(2,112)	(2,269)
Net O&M Expenditures	\$ 5,549	\$ 4,981	\$ 5,128	\$ 4,914	\$ 4,818
Capital Outlay	\$ 3	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Office of the CFO	\$ 331	\$ 317	\$ 305	\$ 329	\$ 335
Contracting	968	1,138	1,129	1,245	1,216
Accounts Payable	326	339	320	341	334
Treasury	451	347	464	387	411
Financial Planning	844	718	692	666	688
Accounting	1,099	1,092	1,141	1,182	1,137
Risk Management	1,316	1,289	1,428	1,337	1,381
Supply	970	791	980	896	949
Purchasing	620	634	619	643	636
Total Before Capitalized Costs	6,925	6,665	7,078	7,026	7,087
Capitalized Costs	(1,376)	(1,684)	(1,950)	(2,112)	(2,269)
Net O&M Expenditures	\$ 5,549	\$ 4,981	\$ 5,128	\$ 4,914	\$ 4,818

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Office of the CFO	2	2	2		2
Contracting	15	14	14		15
Accounts Payable	6	6	6		6
Treasury	3	3	3		3
Financial Planning	8	8	8		8
Accounting	13	13	13		13
Risk Management	1	1	1		1
Supply	20	19	19		18
Purchasing	7	7	7		7
Total Authorized Positions	75	73	73		73



INFORMATION SYSTEMS

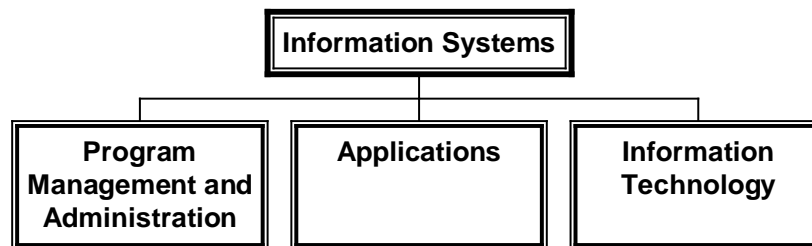
Information Services seamlessly delivers quality, cost effective information technology services, promoting innovation, sustaining growth and enabling SAWS to better serve our community. Information Services delivers a broad spectrum of applications and technology services and supports all areas of SAWS.

This is accomplished through:

Information Technology - provides the following services: Data Center Services, Network Engineering Services, IP Telephony Services, Computer Operations, Print Shop Services, Client Services and Desktop Support Services.

Applications - responsible for developing, implementing, maintaining and upgrading internal business applications and interfaces as well as business process analysis.

Program Management and Administration - provides the following services: program management, testing, change control and quality assurance, project management, and overall administrative support for Information Systems and SAWS programs.



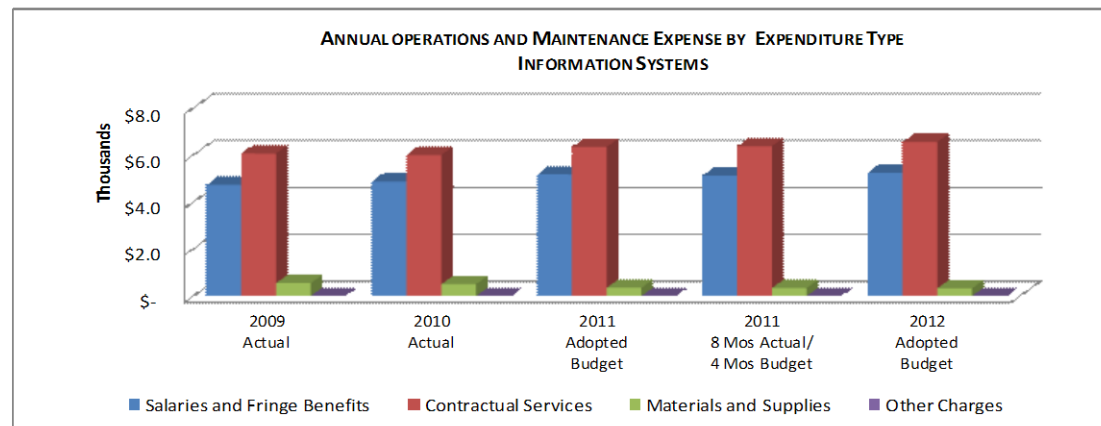
INFORMATION SYSTEMS

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 4,737	\$ 4,872	\$ 5,177	\$ 5,124	\$ 5,245
Contractual Services	6,064	6,002	6,339	6,379	6,554
Materials and Supplies	544	499	350	341	327
Other Charges	4	-	-	1	-
Total Before Capitalized Costs	11,349	11,373	11,866	11,845	12,126
Capitalized Costs	(1,907)	(1,056)	(1,253)	(975)	(1,016)
Net O&M Expenditures	\$ 9,442	\$ 10,317	\$ 10,613	\$ 10,870	\$ 11,110
Capital Outlay	\$ 2,098	\$ 2,208	\$ 1,835	\$ 879	\$ 1,835

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Information Systems Adm	\$ 615	\$ 812	\$ 488	\$ 494	\$ 584
Application Services	2,894	1,740	1,829	2,062	2,530
Information Services Programs	1,109	448	860	576	502
Information Technology	6,731	8,373	8,689	8,713	8,510
Total Before Capitalized Costs	11,349	11,373	11,866	11,845	12,126
Capitalized Costs	(1,907)	(1,056)	(1,253)	(975)	(1,016)
Net O&M Expenditures	\$ 9,442	\$ 10,317	\$ 10,613	\$ 10,870	\$ 11,110

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Information Systems Adm	5	3	3		4
Application Services	13	15	15		15
Information Services Programs	10	6	6		5
Information Technology	32	37	38		37
Total Authorized Positions	60	61	62		61



HUMAN RESOURCES

The Human Resource Group engages in attracting, training, and retaining a workforce of qualified employees to help SAWS in reaching its organizational goals and mission through a focus on safety, excellence and continuous improvement. This is accomplished through the functions listed below, which are performed by 4 departments: Claims, Corporate Training, Human Resources, and Safety and Environmental Health.

Human Resources

Employment and Staffing – Provides staffing and recruiting services for internal and external candidates in order to fully meet the needs of our customers.

Compensation & Benefits – Plans, develops and manages the employees' compensation and benefit programs to ensure competitive and cost-effective plans and programs are in place.

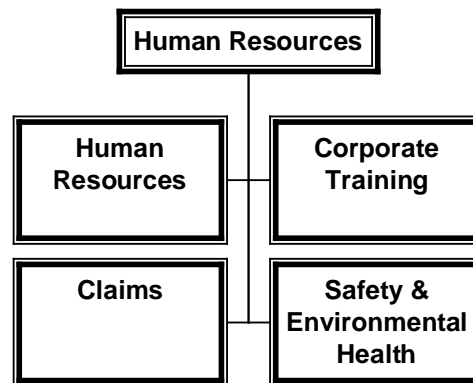
Employee Development & Communications – Develops and administers a variety of employee development and communications programs including career development, orientations, education assistance, mentoring and internship programs.

Wellness – Coordinates system-wide wellness programs to enhance employee health while promoting programs to minimize future cost increases for medical care.

Claims – Operates as a small insurance claims office for SAWS. All Worker Compensation, casualty and subrogation claims handling originates here.

Corporate Training – Establishes training objectives and strategies that integrate with SAWS strategic plan and implements both in-house and off-site employee training for career and self-development.

Safety and Environmental Health – Coordinates all SAWS safety activities and ensures a safe environment for employees.



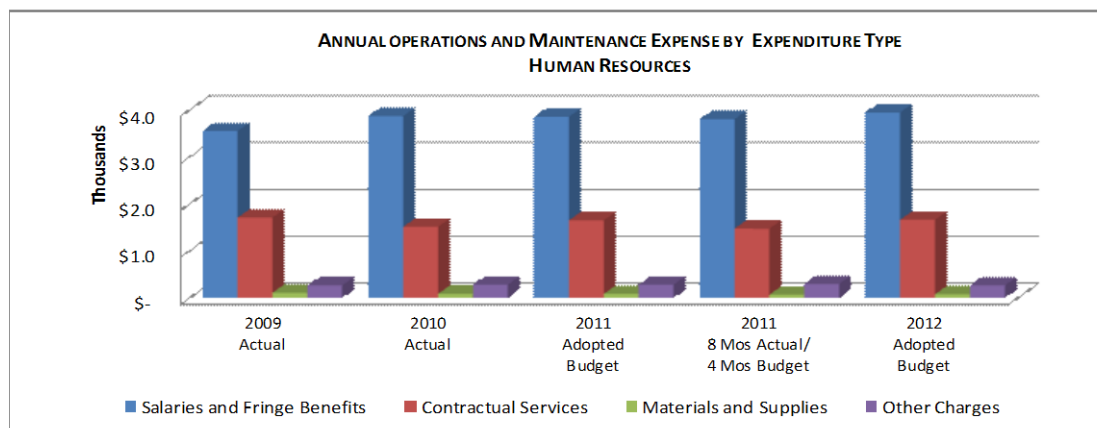
HUMAN RESOURCES

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 3,552	\$ 3,871	\$ 3,855	\$ 3,806	\$ 3,949
Contractual Services	1,709	1,514	1,651	1,475	1,665
Materials and Supplies	109	87	84	69	79
Other Charges	266	283	282	299	265
Total Before Capitalized Costs	5,636	5,755	5,872	5,649	5,958
Capitalized Costs	-	-	-	-	-
Net O&M Expenditures	\$ 5,636	\$ 5,755	\$ 5,872	\$ 5,649	\$ 5,958
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Human Resources Adm	\$ 614	\$ 735	\$ 525	\$ 600	\$ 701
Safety and Environmental Health	1,003	1,081	1,144	1,035	1,080
Claims	522	506	502	486	504
Corporate Training	1,572	1,378	1,507	1,396	1,473
Human Resources	1,925	2,055	2,194	2,132	2,200
Total Before Capitalized Costs	5,636	5,755	5,872	5,649	5,958
Capitalized Costs	-	-	-	-	-
Net O&M Expenditures	\$ 5,636	\$ 5,755	\$ 5,872	\$ 5,649	\$ 5,958

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Human Resources Adm	4	5	5		5
Safety and Environmental Health	12	12	12		12
Claims	7	7	7		8
Corporate Training	10	10	10		10
Human Resources	15	16	17		17
Total Authorized Positions	48	50	51		52

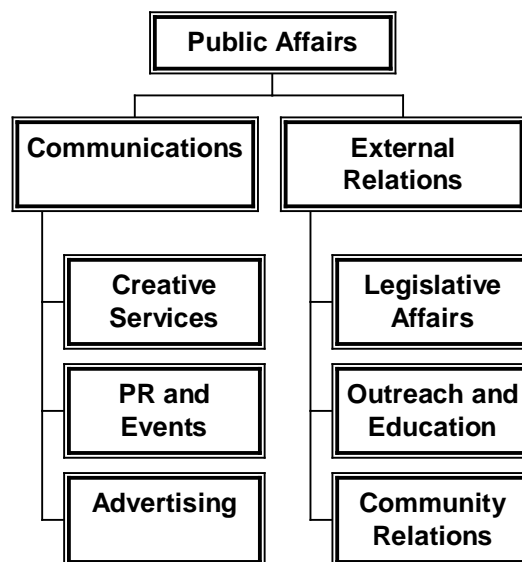


PUBLIC AFFAIRS

The Public Affairs Group engages in proactive strategic outreach and partnerships to inform and involve SAWS customers and stakeholders, driving the image and success of the organization. This is accomplished through:

Communications – Encompasses media relations for accuracy in news coverage concerning SAWS and advertising for building and maintaining awareness of corporate programs, projects and image. This department handles internal and external publications, including newsletters, brochure development, Internet, intranet, marketing brochures, audio/video presentation support, video production, etc.

External Relations – Covers all community outreach efforts such as community relations with: neighborhood leaders; governmental relations with elected officials and agencies; and youth education in developing tomorrow's informed water consumers.



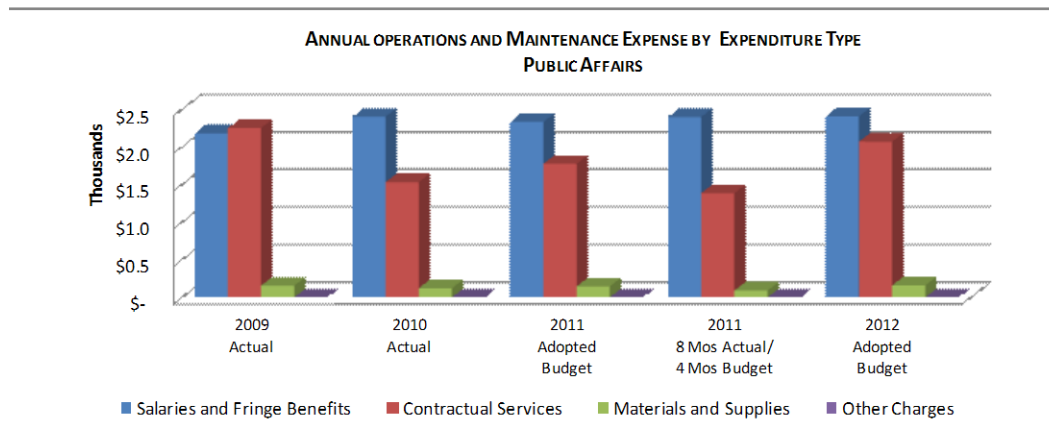
PUBLIC AFFAIRS

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 2,179	\$ 2,402	\$ 2,331	\$ 2,398	\$ 2,406
Contractual Services	2,250	1,531	1,775	1,385	2,069
Materials and Supplies	155	122	146	90	159
Other Charges	-	-	-	-	-
Total Before Capitalized Costs	4,584	4,055	4,252	3,873	4,634
Capitalized Costs	(902)	(770)	(808)	(738)	(865)
Net O&M Expenditures	\$ 3,682	\$ 3,285	\$ 3,444	\$ 3,135	\$ 3,769
Capital Outlay	\$ 5	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Public Affairs Adm	\$ 585	\$ 455	\$ 469	\$ 363	\$ 399
Communications and External Relations	3,999	3,600	3,783	3,510	4,235
Total Before Capitalized Costs	4,584	4,055	4,252	3,873	4,634
Capitalized Costs	(902)	(770)	(808)	(738)	(865)
Net O&M Expenditures	\$ 3,682	\$ 3,285	\$ 3,444	\$ 3,135	\$ 3,769

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Public Affairs Adm	6	4	4		3
Communications and External Relations	24	28	28		29
Total Authorized Positions	30	32	32		32



CUSTOMER SERVICE

The Customer Service Group is responsible for providing the highest level of service to SAWS 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 SAWS customers and the maintenance of customer accounts. This is accomplished by 3 departments – Customer Care, Field Operation, and Quality – performing the following functions:

Billing Support – Ensures customer billing is accurate and timely; provides support for the billing process, validates consumption prior to billing, and responds to and resolves high bill inquiries.

Billing Operations – Coordinates specialized billing programs such as the Flat Rate Sewer Program, Stormwater Billing, and Ancillary Billing.

Call Center – Serves as the primary liaison between SAWS and its customers; promptly handles all inbound telephone customer inquiries regarding billing, account information, service problems, and payments.

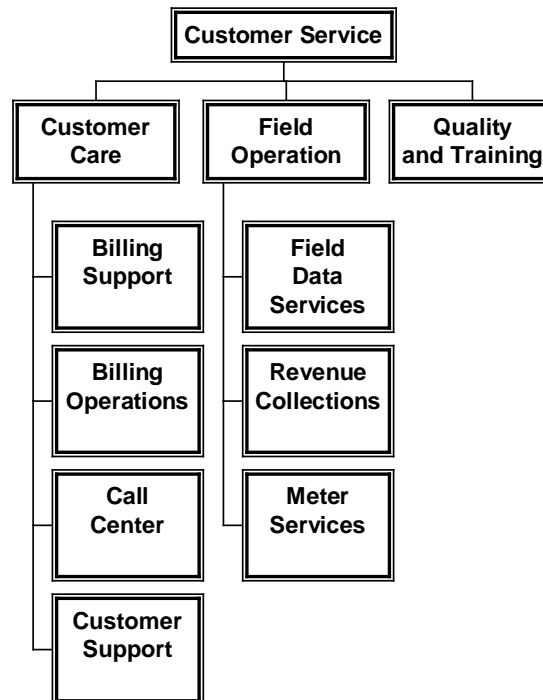
Customer Support – Operates three full service walk-in locations and manages Remittance Processing, which processes all payments received by mail and summarizes payments collected from pay stations throughout our service area.

Field Data Services – Ensures all meter reads are collected and accurate as the first step in the billing process.

Revenue Collections – Dedicated to reducing and mitigating revenue losses to SAWS associated with theft or unauthorized use of services, as well as proactively collecting revenue from delinquent accounts.

Meter Services – Ensures meter equipment remains functional and operational.

Quality and Training – Responsible for training and process improvements throughout the various division in Customer Service.



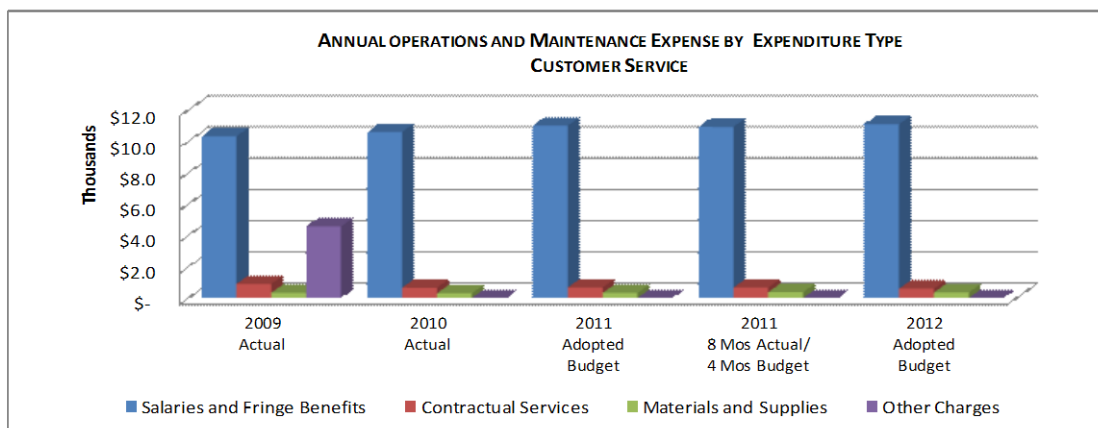
CUSTOMER SERVICE

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 10,322	\$ 10,598	\$ 11,001	\$ 10,925	\$ 11,093
Contractual Services	895	655	669	661	589
Materials and Supplies	331	296	318	372	348
Other Charges	4,562	-	5	3	5
Total Before Capitalized Costs	16,110	11,549	11,993	11,961	12,035
Capitalized Costs	(869)	(531)	(354)	(396)	(354)
Net O&M Expenditures	\$ 15,241	\$ 11,018	\$ 11,639	\$ 11,565	\$ 11,681
Capital Outlay	\$ 31	\$ -	\$ 174	\$ -	\$ 42

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Customer Service Adm	\$ 340	\$ 251	\$ 262	\$ 261	\$ 253
Customer Care	5,398	4,709	5,071	4,868	4,976
Field Operations	9,956	6,184	6,193	6,328	6,265
Quality	416	405	467	504	541
Total Before Capitalized Costs	16,110	11,549	11,993	11,961	12,035
Capitalized Costs	(869)	(531)	(354)	(396)	(354)
Net O&M Expenditures	\$ 15,241	\$ 11,018	\$ 11,639	\$ 11,565	\$ 11,681

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Customer Service Adm	4	3	2		2
Customer Care	94	95	98		99
Field Operations	120	115	120		120
Quality	8	8	7		8
Total Authorized Positions	226	221	227		229

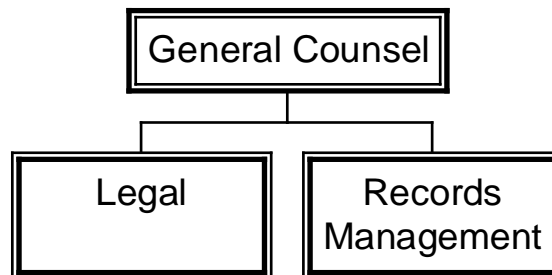


LEGAL

The Legal Group provides legal support to the San Antonio Water System through the Board of Trustees, the President/CEO, the Executive Management Team and directors and managers. The legal expertise, which they provide, includes water resources, labor employment, real estate, environmental, general transactional and public law.

Legal also incorporates the following function:

Records Management – Provides for efficient, economical, and effective controls over the creation, distribution, organization, maintenance, use, and disposition of all San Antonio Water System records consistent with the requirements of the Texas Local Government Records Act and best records management practice. Also coordinates responses to public information requests.



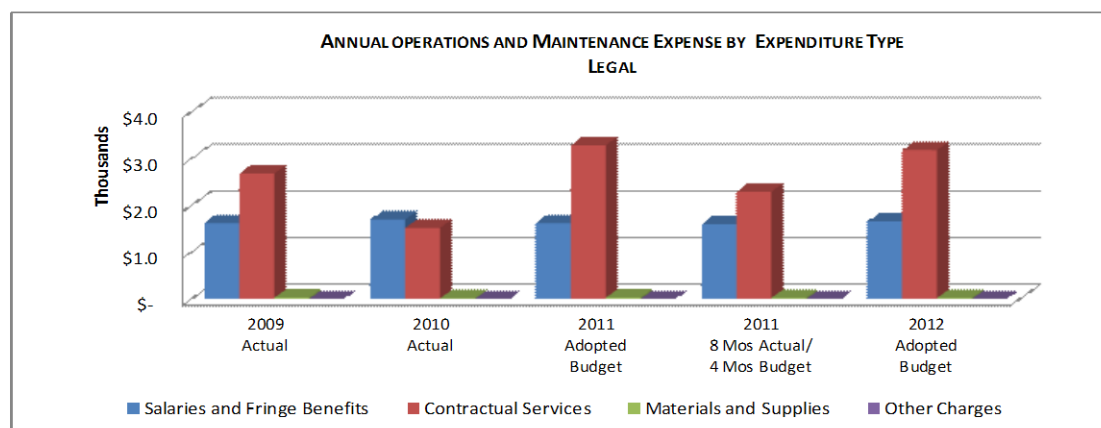
LEGAL

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 1,625	\$ 1,696	\$ 1,623	\$ 1,600	\$ 1,656
Contractual Services	2,682	1,519	3,286	2,293	3,183
Materials and Supplies	25	12	26	22	22
Other Charges	-	-	-	-	-
Total Before Capitalized Costs	4,332	3,227	4,935	3,915	4,861
Capitalized Costs	(409)	(561)	(1,369)	(832)	(1,086)
Net O&M Expenditures	\$ 3,923	\$ 2,666	\$ 3,566	\$ 3,083	\$ 3,775
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Legal	\$ 4,095	\$ 2,988	\$ 4,672	\$ 3,657	\$ 4,602
Records Management	237	239	263	258	259
Total Before Capitalized Costs	4,332	3,227	4,935	3,915	4,861
Capitalized Costs	(409)	(561)	(1,369)	(832)	(1,086)
Net O&M Expenditures	\$ 3,923	\$ 2,666	\$ 3,566	\$ 3,083	\$ 3,775

Authorized Positions by Department	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget		2012 Adopted Budget
Legal	11	12	12		12
Records Management	3	3	3		3
Total Authorized Positions	14	15	15		15



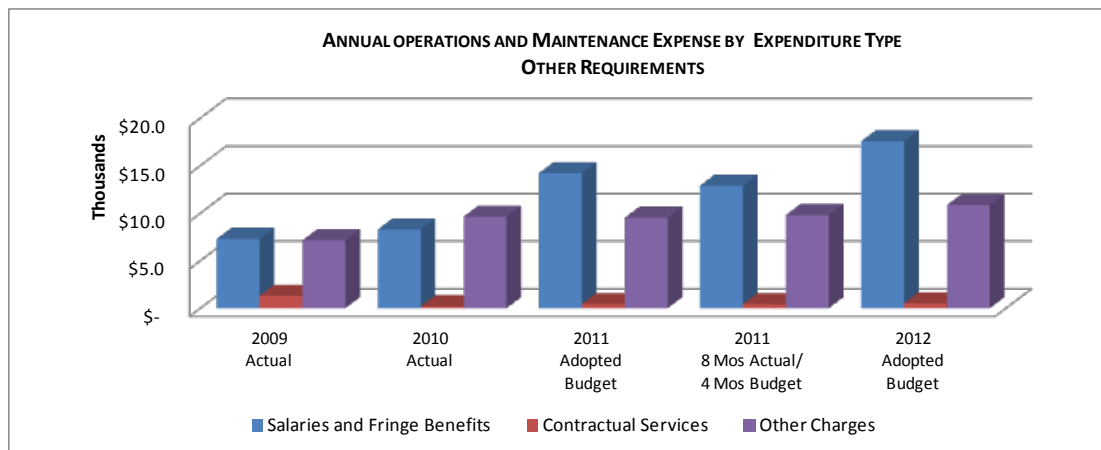
OTHER REQUIREMENTS

Other Requirements has been established to account for the maintenance and operational expenses that impact the overall system and are difficult to associate with specific cost centers. These expenses affect all cost centers within the system and are accumulated within this center to facilitate the budgeting and accounting process.

(\$ in thousands)

Expenditures by Type	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Operation and Maintenance					
Salaries and Fringe Benefits	\$ 7,277	\$ 8,266	\$ 14,191	\$ 12,875	\$ 17,544
Contractual Services	1,297	192	429	406	494
Materials and Supplies	(35)	-	-	1	-
Other Charges	7,136	9,621	9,510	9,795	10,845
Total Before Capitalized Costs	15,675	18,079	24,130	23,077	28,883
Capitalized Costs	(1,963)	(2,009)	(2,597)	(2,581)	(3,768)
Net O&M Expenditures	\$ 13,712	\$ 16,070	\$ 21,533	\$ 20,496	\$ 25,115
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2009 Actual	2010 Actual	2011 Adopted Budget	2011 8 Mos Actual/ 4 Mos Budget	2012 Adopted Budget
Other Requirements	\$ 15,675	\$ 18,079	\$ 24,130	\$ 23,077	\$ 28,883
Total Before Capitalized Costs	15,675	18,079	24,130	23,077	28,883
Capitalized Costs	(1,963)	(2,009)	(2,597)	(2,581)	(3,768)
Net O&M Expenditures	\$ 13,712	\$ 16,070	\$ 21,533	\$ 20,496	\$ 25,115



BUDGETED POSITIONS

The 2012 Budget includes funding for 1,748 full and part-time positions, which is a net decrease of seven positions from the 2011 budgeted amount of 1,755, as summarized in the following table:

	2009 Budget			2010 Budget			2011 Budget			2012 Proposed Budget		
	Full Time	Part Time	Total	Full Time	Part Time	Total	Full Time	Part Time	Total	Full Time	Part Time	Total
Board of Trustees	12	-	12	13	-	13	13	-	13	13	-	13
Distribution and Collection	439	1	440	437		437	437	12	449	437	2	439
Operations Services	198	-	198	194	3	197	193	2	195	199	2	201
Maintenance Planning	-	-	-	29	-	29	29	-	29	28	-	28
Production and Treatment	368	-	368	349	-	349	350	-	350	347	-	347
Information Systems	60	1	61	61	-	61	62	-	62	61	-	61
Financial Services	74	1	75	71	2	73	72	1	73	72	1	73
Public Affairs	30	-	30	32	-	32	31	1	32	31	1	32
Customer Service	226	-	226	221	-	221	227	-	227	229	-	229
Engineering and Construction	204	4	208	202	10	212	201	3	204	200	3	203
Human Resources	47	1	48	48	2	50	50	1	51	50	2	52
Legal	12	2	14	14	1	15	14	1	15	14	1	15
Water Resources and Conservation	58	6	64	54	5	59	50	5	55	50	5	55
Other Requirements	1	-	1	-	-	-	-	-	-	-	-	-
Total Authorized Positions	1,729	16	1,745	1,725	23	1,748	1,729	26	1,755	1,731	17	1,748

During the 2012 budget process, eight full-time positions were eliminated and ten new full-time positions were added back, resulting in a net increase of two full-time positions. Seven of the eight positions eliminated had supported the Chilled Water and Steam operations at Brooks City Base, which was closed in late 2010. Another full-time position was eliminated during the yearly assessment of vacant positions. The ten full-time positions that were added include seven positions to help support the elimination of sanitary sewer overflows (SSOs), two positions directed at collecting additional revenue, and one position to help ensure the accuracy of water production data.

- Four Emergency Operations Specialist positions were added in the Production and Treatment Operations area to support the around the clock monitoring of the wastewater collection system. These Emergency Operations Specialists will be dedicated to monitoring lift stations, smart covers, sewer flow meters, and dispatching crews to sewer overflows, and other sewer calls to support the elimination of sanitary sewer overflows.
- Three Environmental Protection Specialist positions were added in the Operations Services area to support the newly created Fats, Oils, and Grease (FOG) inspection program. San Antonio City Council passed an ordinance requiring the inspection of all food service establishments to ensure they are not discharging fats, oils, and grease (FOG) to the sanitary sewer system in an effort to help prevent sanitary sewer overflows. A Special Service fee has been enacted to fund the program that includes the added positions.

- Two Field Validation Specialist positions were added in the Customer Service area to focus on finding additional revenue that is not currently being realized due to under-reading meters.
- One Control System Technician position was added in the Production and Treatment Operations area to help ensure the accuracy of water production meters.

Other changes to head count include the reduction of a net nine part-time positions. The most significant changes include the elimination of ten part-time utility worker positions in Distribution and Collection.

Periodically, positions and resources are reallocated among different areas of the organization in order to better meet current and future needs. In such instances, where possible, prior year authorized position levels have been restated in order to be consistent with the current year organizational structure.



CAPITAL BUDGET

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CAPITAL IMPROVEMENT PROGRAM

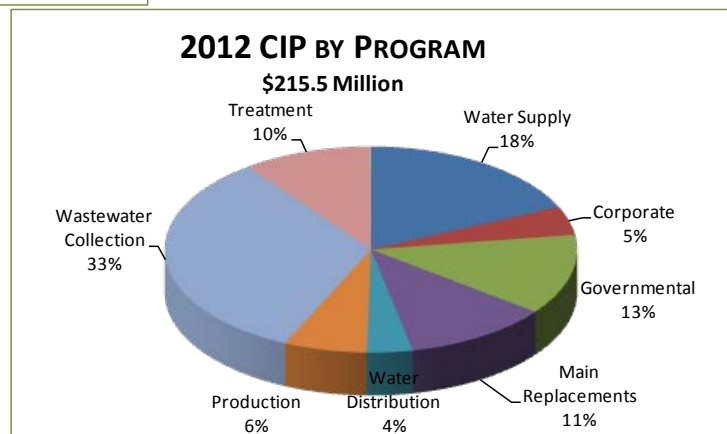
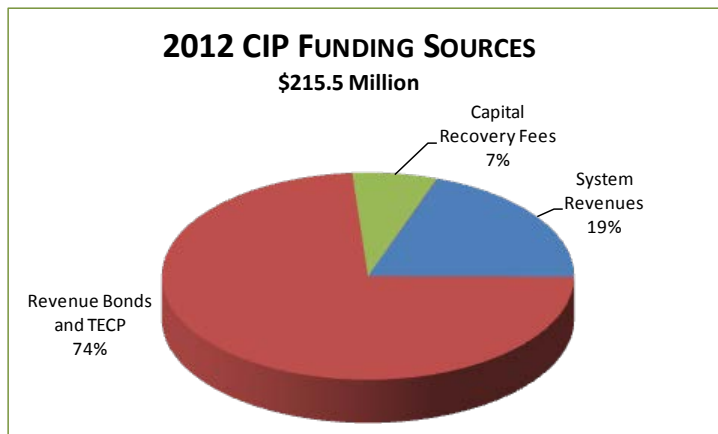
2012 CAPITAL IMPROVEMENT PROGRAM SUMMARY

The Capital Improvement Program (CIP) is a multi-year plan for implementing projects that support water supply, water delivery, wastewater collection and treatment, and heating and cooling infrastructure needs in the SAWS service area. The CIP is a financial planning and management tool that identifies facility and equipment requirements, and schedules funding for their implementation.

As San Antonio continues to grow and expand, it becomes increasingly critical to properly maintain our infrastructure. Extensive capital investment is required to repair and replace aging infrastructure and also to support future growth. Over the next five years, SAWS projects an investment in excess of \$1.4 billion for:

- Expanding the wastewater collection system
- Increasing wastewater treatment capacity
- Continuing to increase and diversify water supplies
- Expanding the water production and distribution network.

The proposed 2012 Capital Budget is projected to cost \$215.5 million, which is a decrease of \$39.4 or 15.5% below the 2011 budget.

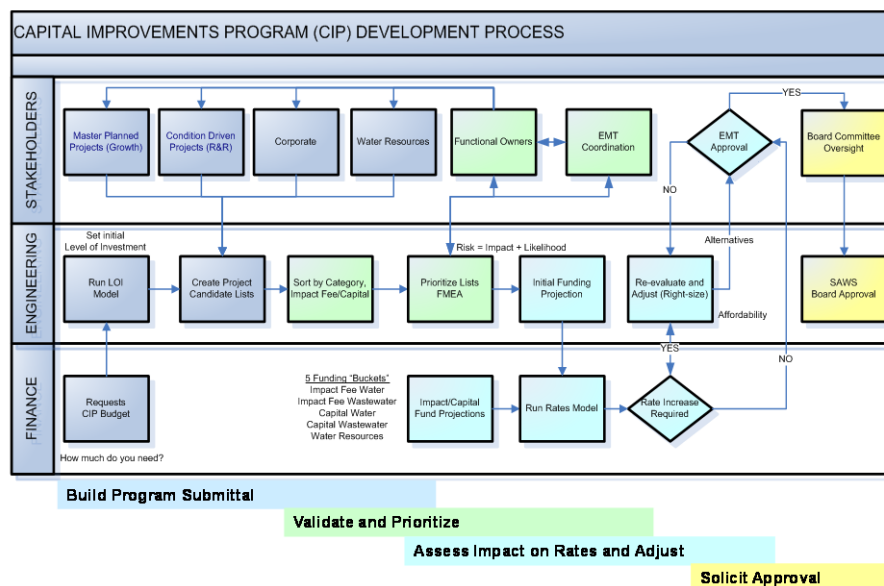


CAPITAL IMPROVEMENTS PROGRAM PLANNING PROCESS

Proposed capital improvements program projects were generated by the Treatment, Production, Master Planning, Facilities Engineering and Distribution and Collection Departments based on the Master Plan and operational needs. The CIP review team, consisting of managers and directors from the submitting departments, prioritized projects based on the following:

- Risk evaluated using FRAPPE (FMEA method used previously)
 - Focused
 - Risk
 - Analysis (for)
 - Project
 - Prioritization (and)
 - Evaluation
- Compare each major category to Level of Investment model (2% per year for 50 years)
- Executability (staff resources)
- Funding
 - Impact fees (Growth vs. R&R)
 - Cash
 - Bonds
 - Low cost loans (TWDB)

The Executive Management Team then reviewed and prioritized all known requirements for the budget year to ensure the highest priority requirements were addressed in a timely and fiscally responsible manner. Other criteria considered in prioritizing projects included available design capacity, coordination with outside agencies, potential savings to the annual Operation and Maintenance budget, improved customer service, regulatory mandates, criticality, and priority in relation to other projects.



CAPITAL IMPROVEMENT PROGRAM BY CORE BUSINESS

The Capital Improvement Program is comprised of separate programs for each of SAWS' four core business functions:

- Water Delivery
- Wastewater
- Water Supply
- Heating and Cooling

	Water Supply	Water Delivery	Wastewater	Chilled Water & Steam	Total
Water Supply	\$ 39,227	\$ -	\$ -	\$ -	\$ 39,227
Corporate		5,002	4,716		9,718
Governmental		15,529	11,680		27,209
Main Replacements		11,806	12,787		24,593
Water Distribution		7,689			7,689
Production		13,987			13,987
Wastewater Collection			71,138		71,138
Treatment			21,802		21,802
Chilled Water & Steam				115	115
Total	\$ 39,227	\$ 54,013	\$ 122,123	\$ 115	\$ 215,478

WATER DELIVERY PROGRAM

The Water Delivery system conveys water to customers through elevated and ground storage tanks, pump stations and transmission and distribution mains. As of December 31, 2010, the system consists of approximately 4,936 miles of transmission and distribution mains in place.

The Water Delivery CIP includes programs and projects designed to expand and improve water production, storage and transmission facilities in SAWS' service area.

The 2012 Water Delivery CIP includes the design and construction of projects to address critical low-pressure and low-flow areas that need to be addressed to assure continued sufficient flows for fire protection. The 2012 CIP funds projects proposed in the Water Master Plan to ensure that sufficient potable water service is available to meet growth within the SAWS service area. The selection of projects helps maintain the implementation schedule for water production, distribution, and storage facility improvements recommended in the Water Infrastructure Master Plan. Upgrades, replacements and rehabilitations of production facilities to maintain system integrity and meet Texas Commission on Environmental Quality (TCEQ) requirements are also included.

A major focus of the water delivery CIP continues to be repairing and adjusting water mains in coordination with the City of San Antonio's bond program. The repair and replacement portion also addresses water infrastructure by continuing an ongoing program to bring critical pump stations up to current standards.

Another focus of the 2012 water delivery CIP is to address regulatory and code issues within the water production systems. The program is broken out into two major components: 1) water production growth, and 2) water production facility repair and replacement. The growth portion will fund the construction of the Cibolo tank, a new water storage tank deemed

necessary to support the projected growth. A major project in the 2012 CIP will address chlorine system upgrades.

The 2012 water delivery program also funds the construction of large water transmission mains to ensure adequate capacity in the system, projects to provide fire flow for public health and safety, and replacing aging water meters to improve measurement accuracy.

WASTEWATER COLLECTION AND TREATMENT PROGRAM

As of December 31, 2010, the SAWS Wastewater Collection and Treatment system consists of approximately 5,118 miles of sanitary sewer mains, 158 lift stations, and 3 major wastewater treatment plants. The Wastewater CIP consists of programs and projects to upgrade and rehabilitate the wastewater collection and treatment systems, and increase their capacity to allow for future growth.

The wastewater component of the CIP focuses on sustaining aging collection systems, maintaining compliance with regulatory requirements, and supporting wet weather and operational demands. A major focus continues to be repairing and adjusting wastewater mains in coordination with the City of San Antonio's bond program.

Collection system projects funded in 2012 will rehabilitate critical mains and also continue to add capacity on the rapidly growing South side with the last two of six segments of the Southwest Bexar Sewer Pipeline (formerly Medina River Sewer Outfall) starting construction. Funding will also be provided for the elimination of two lift stations, reducing O&M expenses and the risk of overflows. Another major effort is rehabilitating sewer lines to reduce the occurrence of sanitary sewer overflows.

The wastewater treatment component of the 2012 CIP includes projects that will upgrade the Dos Rios treatment plant to accept the additional flows from the Southwest Bexar Sewer Pipeline, and the overhaul of sludge digesters, reducing maintenance expenses

WATER SUPPLY PROGRAM

The water supply program is intended to execute projects that will provide ratepayers with the most viable and affordable options to secure current and future water supplies. These project recommendations are outlined in the 2009 Water Management Plan. The plan, which includes population projections, per capita consumption estimates, aggregate demand forecasts, and supply development options, outline strategies to:

- Provide adequate water supplies, even during critical drought periods
- Postpone dependence on more costly resource supplies
- Promote greater use of non-Edwards Aquifer supplies in the long-term
- Fulfill the needs of San Antonio customers, while providing the region with the option to utilize SAWS as the regional wholesale provider
- Recognize the reality that future supplies must be affordable.

For the 2012 CIP, funding from the water supply fee will support the implementation of water resources projects, namely, brackish groundwater program management. The Water Supply

Core Business also provides support for the recycled water program and Edwards Aquifer groundwater rights purchases.

The 2012 Water Supply CIP budget is projected to total \$39.2 million, which is \$39.7 million or 50.3% less than the 2011 budget.

HEATING AND COOLING PROGRAM

The San Antonio Water System operates and maintains nine heating and cooling facilities located at various locations within the City of San Antonio (COSA). The Central Heating & Cooling plant located on East Commerce Street was constructed in 1967. This plant provides cooling and heating requirements to facilities owned by COSA, other governmental agencies and commercial businesses. The 2012 CIP includes funds to meet infrastructure and SCADA upgrades.

CAPITAL IMPROVEMENT PROGRAM FUNDING

Several sources are used to finance SAWS capital improvements, including revenues, revenue bonds, tax-exempt commercial paper (TECP), and capital recovery fees (impact fees and other fees). Funds from these sources are accounted for in the Renewal and Replacement Fund and the Project Fund, which are described below. In addition, SAWS is actively pursuing grant funds from State and Federal agencies.

The following table shows the sources of funding for the 2012 CIP program.

2012 CAPITAL IMPROVEMENT PROGRAM FUNDING					
(\$ in thousands)					
	Water Supply	Water Delivery	Wastewater	Chilled Water & Steam	Total
System Revenues	\$ 14,000	\$ 14,000	\$ 14,000	\$ 115	\$ 42,115
Revenue Bonds and TECP	19,167	39,953	99,636	-	158,756
Capital Recovery Fees	6,000	-	8,368	-	14,368
Investment Income	60	60	120	-	240
Total Funding	\$ 39,227	\$ 54,013	\$ 122,124	\$ 115	\$ 215,479

SYSTEM REVENUES

Revenues are used to meet the requirements of Ordinance No. 75686, which created San Antonio Water System. After covering maintenance and operations expenses and debt service requirements, revenues are distributed to the City of San Antonio's General Fund with an equal amount deposited to the SAWS Renewal and Replacement Fund. Any revenues in excess of these obligations are available for deposit to the SAWS Renewal and Replacement Fund. This fund is primarily used to finance property acquisition and system improvements.

REVENUE BONDS AND TAX EXEMPT COMMERCIAL PAPER

Revenue bonds and Tax Exempt Commercial Paper (TECP) are used to finance construction projects. SAWS is authorized to issue up to \$500 million in TECP to be used as interim financing for a portion of the capital improvement projects. Revenue bonds are issued to finance capital improvement projects and to refund outstanding TECP. Any proceeds received from the

issuance of revenue bonds and TECP are deposited into the Project Fund and used for capital improvements and system expansion.

CAPITAL RECOVERY FEES

The Capital Recovery Fees are designed to recoup the costs of capital expenditures used to meet the needs of new customers. These include impact fees – collected in accordance with Chapter 395 of the Local Government Code – and connection fees. Expenditure of impact fees may only be used to fund growth-related projects as identified in the 2006-2015 Land Use Assumptions Plan, Capital Improvement Plan, and Maximum Water and Wastewater Impact Fees report.

SIGNIFICANT NON-ROUTINE CAPITAL EXPENDITURES

The majority of SAWS' CIP projects provide for routine, ongoing expenditures for the repair of infrastructure and for the gradual replacement of various capital assets. Major projects that are typically "one time" in nature and involve the construction or expansion of new facilities or infrastructure, extensive renovation of existing facilities, the purchase of important capital assets, or the acquisition of new technology which will enhance service delivery could be considered significant non-routine capital expenditures. The 2012 CIP includes two projects, which are considered significant and non-routine, and account for \$ 9.7 million or 4.5% of the 2012 CIP. The projects are listed as follows:

Enterprise Resource Software System (ERSS) - This project is the continuation of a major implementation of an Enterprise Resource Software System (ERSS) that includes Customer Service, Financial, Human Resources, Work Order, and Permitting modules. This implementation is desired because the current legacy system is not integrated and does not provide all of the functionality required to run the business efficiently and effectively. To date, the Financial, Human Resources, Work Order, and Permitting modules have been successfully implemented. It is currently projected that an additional \$2.4 million will be required to complete the Customer Information System, with a projected completion date of May 2012.

Service Center Facility Plan Project – The purpose of this project is to program, design, locate, and construct new Service Centers, Satellite Centers and make any required adjustments to the existing properties as a result of relocated staff. SAWS currently has mixed use at service centers by having Fleet, Distribution and Collection, and Production crews based at these service centers, which has compromised efficiencies and has increased congestion at the sites. Realignment would address these embedded inefficiencies in operations. The Service Center Facility Plan project will have multiple phases. The 2012 project budget of \$7.3 million will fund real estate acquisitions and architectural design. The design phase should continue through 2014, with construction expected to begin in the 4th quarter of 2014.

San Antonio Water System 2012 Capital Improvement Program			
Project Title	Cost Element	Cost Estimate	Programmed Amount
WASTEWATER CORE BUSINESS			
Corporate			
Enterprise Resource Software System (ERSS) - WW Share	Acquisition	\$1,050,000	\$1,151,535
Service Center Project - A&E Services	Acquisition	\$3,250,000	\$3,564,275
		<u>\$4,300,000</u>	<u>\$4,715,810</u>
Collection Growth			
W-6 Leon Creek: Hwy 90 to New Laredo Hwy	Construction	\$12,000,000	\$13,160,400
MRSO Segment 4	Construction	\$17,523,899	\$19,218,460
MRSO Segment 5	Construction	\$14,342,060	\$15,728,937
Sewer Main Oversizing	Construction	\$300,000	\$329,010
		<u>\$44,165,959</u>	<u>\$48,436,807</u>
Collection R&R			
C-33 Broadway Corridor: Carnahan to E. Mulberry	Construction	\$8,000,000	\$8,773,600
Odor Control System Improvements Phase 2	Construction	\$500,000	\$548,350
LS 11 (Feathercrest) and LS 111 (Stone Ridge) Elimination	Acquisition	\$200,000	\$219,340
SSO Rehabilitation	Construction	\$12,000,000	\$13,160,400
		<u>\$20,700,000</u>	<u>\$22,701,690</u>
Governmental Sewer			
Adjustments	Construction	\$5,400,000	\$5,922,180
Installations	Construction	\$1,125,000	\$1,233,788
Replacements	Construction	\$4,125,000	\$4,523,888
		<u>\$10,650,000</u>	<u>\$11,679,855</u>
Main Replacements Sewer			
Main Replacements - Sewer - SAWS Crews	Construction	\$2,826,061	\$3,099,341
Open Cut Sewer Contract	Construction	\$911,826	\$1,000,000
Pipe Bursting and CIPP Contract 2012	Construction	\$2,917,844	\$3,200,000
Sewer Laterals 2012	Construction	\$3,004,134	\$3,294,634
Unspecified Services Engineering Contract 2011	Design	\$2,000,000	\$2,193,400
		<u>\$11,659,866</u>	<u>\$12,787,375</u>
Treatment Growth			
Dos Rios WRC Re-rating Phase II - Primary Settling Tanks Improvement	Design	\$2,700,000	\$2,961,090
Leon Creek to Dos Rios Raw Wastewater Transfer Phase I	Construction	\$7,500,000	\$8,225,250
		<u>\$10,200,000</u>	<u>\$11,186,340</u>
Treatment R&R			
Dos Rios WRC Digester Mixing and System Enhancements - Phase 2	Construction	\$8,930,000	\$9,793,531
Salado Creek WRC Headworks Improvements	Construction	\$750,000	\$822,525
		<u>\$9,680,000</u>	<u>\$10,616,056</u>
TOTAL WASTEWATER		\$111,355,825	\$122,123,933

San Antonio Water System 2012 Capital Improvement Program			
Project Title	Cost Element	Cost Estimate	Programmed Amount
WATER DELIVERY CORE BUSINESS			
Corporate			
Enterprise Resource Software System (ERSS) - WW Share	Acquisition	\$1,050,000	\$1,221,360
Service Center Project - A&E Services	Acquisition	\$3,250,000	\$3,780,400
		<u>\$4,300,000</u>	<u>\$5,001,760</u>
Distribution Growth			
Cross Mountain Trail 24-inch Main	Construction	\$2,699,135	\$3,139,634
Culebra 30-Inch Main, Wind Gate Pkwy to Talley Rd (8-5)	Acquisition	\$25,000	\$29,080
Dominion Fire Flow Improvement	Acquisition	\$250,000	\$290,800
Hidden Springs Water System Improvement	Construction	\$2,636,000	\$3,066,195
Water Main Oversizing	Construction	\$1,000,000	\$1,163,200
		<u>\$6,610,135</u>	<u>\$7,688,909</u>
Governmental Water			
Adjustments	Construction	\$5,089,688	\$5,920,325
Installations	Construction	\$584,063	\$679,382
Replacements	Construction	\$7,676,250	\$8,929,014
		<u>\$13,350,000</u>	<u>\$15,528,720</u>
Main Replacements Water			
Brooks City Base Waterline Improvements Phase II	Construction	\$1,200,000	\$1,395,840
Forest Crest Water Main	Construction	\$1,200,000	\$1,395,840
Main Replacements - Water - SAWS Crews	Construction	\$10,000	\$11,632
Meter Replacements	Construction	\$2,993,745	\$3,482,324
Unspecified Services Engineering Contract	Design	\$400,000	\$465,280
Valves, Services and Meters	Construction	\$3,346,143	\$3,892,234
Open Cut Water Contract	Construction	\$1,000,000	\$1,163,200
		<u>\$10,149,888</u>	<u>\$11,806,350</u>
Production Growth			
Cibola Tank and Main (10-1)	Construction	\$4,500,000	\$5,234,400
		<u>\$4,500,000</u>	<u>\$5,234,400</u>
Production R&R			
Chlorine System Upgrades	Construction	\$5,000,000	\$5,816,000
Replace Loma Linda Tank with Richland Hills Tank	Acquisition	\$400,000	\$465,280
Pump Station Rehabilitation Phase 4a – Basin	Design	\$475,000	\$552,520
University PS Improvements	Design	\$350,000	\$407,120
Pump Station Rehabilitation Phase 8 - Nacogdoches	Design	\$1,300,000	\$1,512,160
		<u>\$7,525,000</u>	<u>\$8,753,080</u>
TOTAL WATER DELIVERY		\$46,435,023	\$54,013,219
TOTAL WW & WD		\$157,790,848	\$176,137,152

San Antonio Water System 2012 Capital Improvement Program			
<i>Project Title</i>	<i>Cost Element</i>	<i>Cost Estimate</i>	<i>Programmed Amount</i>
WATER SUPPLY CORE BUSINESS			
Recycle Program			
University Health System Recycled Water Line	Construction	\$1,200,000	\$1,366,080
Recycle Customer Lines	Construction	\$1,000,000	\$1,138,400
San Jose Recycled Water Pump Station and Ground Storage Tank	Construction	\$700,000	\$796,880
Brooks Recycled Water Pump Station Upgrade	Construction	\$250,000	\$284,600
Convention Center Recycled Water Outfall Safety Upgrade	Design	\$40,000	\$45,536
		<u>\$3,190,000</u>	<u>\$3,631,496</u>
Water Resources			
Edwards Aquifer Acquisitions Contract Advisory Services	Acquisition	\$75,000	\$75,563
Edwards Aquifer Acquisitions Groundwater Rights Purchase	Acquisition	\$9,500,000	\$9,571,250
Desalination: Constructability Review	Construction	\$500,000	\$560,450
Desalination: Legal	Acquisition	\$150,000	\$168,135
Desalination: Land Acquisition (Production Well Field)	Acquisition	\$1,500,000	\$1,681,350
Desalination: Construction Manager At Risk (General & Pre-Construct	Construction	\$1,000,000	\$1,120,900
Desalination: Construction Manager At Risk (Construction Services)	Construction	\$15,000,000	\$16,813,500
Integration: Land Acquisition	Acquisition	\$5,000,000	\$5,604,500
		<u>\$32,725,000</u>	<u>\$35,595,648</u>
TOTAL WATER SUPPLY		\$35,915,000	\$39,227,144

San Antonio Water System 2012 Capital Improvement Program			
<i>Project Title</i>	<i>Cost Element</i>	<i>Cost Estimate</i>	<i>Programmed Amount</i>
HEATING & COOLING CORE BUSINESS			
Heating & Cooling			
Heating and Cooling System Infrastructure 2012	Construction	\$100,000	\$115,000
		<u>\$100,000</u>	<u>\$115,000</u>

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WASTEWATER CAPITAL IMPROVEMENT PROGRAM PROJECTS



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2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Enterprise Resource Software System (ERSS) - Wastewater Share

Programmed Amount: \$1,151,535

Core Business Wastewater

Category: Corporate WW

Phase: Acquisition

Council District System wide



PROJECT INFORMATION

Project Objective: Improve operational efficiency.

Description and Scope:

This project implements an Enterprise Resource Software System (ERSS) that includes the following modules: Customer Service, Financial, Human Resources, Work Order, and permitting at the SAWS Headquarters. This work is required because the current legacy systems are not integrated and do not provide the functionality needed to run the business efficiently and effectively. The costs include software, hardware, professional services, capitalized payroll for in-house staff, and capitalized facility expenses.

Remarks:

The 2012 funding will complete the Customer Information System with an implementation date of May 2012, subject to the vendor delivering the product by October 2011.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Corporate Mandate		Failure of Corporate Initiative		Corporate Mandate	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure		
10	10	10	1000		

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

2012

\$1,050,000

DesignYear:

Construction Year



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Service Center Facility Plan Project (Wastewater Share)

Programmed Amount: \$3,564,275

Core Business: Wastewater

Category: Corporate WW

Phase: Design

Council District: System wide

PROJECT INFORMATION

Project Objective: To develop a Service Center Master Plan through 2021

Description and Scope:

The purpose of this project is to program, design, locate and construct new Service Centers, Satellite Centers, and to make any required adjustments to the existing properties as a result of relocated staff. SAWS currently has mixed use at Service Centers by having Fleet, RPC, Customer Service, D&C, Lifts, and Production at shared service centers, which has compromised efficiencies and caused an increase of congestion on these sites. SAWS' infrastructure and customer growth has increased our crews' response time to the service call. Realignment would address these embedded inefficiencies in operations.

Remarks:

Based on previous Operations Research assessment, this project will improve D&C response time at all facilities and allow for a master planned realignment that increases efficiencies in production, RPC and customer service. This project will allow SAWS to meet current growth and proposed future growth to the system. **Operating Impact:** This project will reduce operating and maintenance costs.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Facilities		Environmental Impact	Corporate Mandate
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	9	648

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012
\$3,250,000

2013



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: W-6 Leon Creek: Hwy 90 to New Laredo Hwy

Programmed Amount: \$13,160,400

Core Business: Wastewater

Category: Collection Growth

Phase: Construction

Council District: 4



PROJECT INFORMATION

Project Objective: Construct sewer infrastructure to support growth in the Western Sewershed

Description and Scope:

This project consists of approximately 31,000 linear feet of 8-inch, 10-inch, 15-inch, 48-inch, 54-inch, and 60-inch wastewater mains. The project will construct 66-inch, 54-inch, and 48-inch gravity mains along Leon Creek between New Laredo Highway and Highway 90. This project also includes a 15-inch, 10-inch, and 8-inch main west of Leon Creek along Hall Street. There were several recent emergency projects on this main and this project is a high priority project.

(formerly Western Relief Main, Hwy 90 to Loop 410 Lower to Upper Segments) The lower segment includes W-39: New Laredo Hwy to Hwy 16.

Remarks:

Construction in 6 phases 2012-2017. Total construction cost \$85 million.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Line Surcharge	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	2010	2012
	\$3,500,000	\$2,000,000	\$12,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Medina River Sewer Outfall Segment 4

Programmed Amount: \$19,218,460

Core Business: Wastewater

Category: Collection Growth

Phase: Construction

Council District: OCL



PROJECT INFORMATION

Project Objective: Construct sewer infrastructure to support growth in the South and Lower Far West sewers

Description and Scope:

This Project will construct approximately 26 miles of sewer outfall main ranging in size from 24-inch to 96-inch diameter. This project will extend from Dos Rios WRC along Medina River to a point south of Highway 90 and west of Loop 1604 on the west side of Bexar County. The 2012 funding is for Segments 4 and 5. The economic impact of this project can be measured in making possible the future elimination of numerous lift stations in the Far West and South sewersheds, eliminating the need for future expansions to Leon Creek and Medio Creek WRCs, and preventing proliferation of package treatment plants in the South sewershed.

Remarks:

Construction schedule:

2010 - Segments 1 and 6

2011 - Segments 2 and 3

2012 - Segments 4 and 5

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Line Surcharge	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

2009

\$10,000,000

DesignYear:

2008

\$0

Construction Year

2012

\$17,523,899



2012 CAPITAL IMPROVEMENTS PROGRAM

Project Data Sheet

PROJECT DESCRIPTION

Project: Medina River Sewer Outfall Segment 5

Programmed Amount: \$15,728,937

Core Business Wastewater

Category: Collection Growth

Phase: Construction

Council District OCL



PROJECT INFORMATION

Project Objective: Construct sewer infrastructure to support growth in the South and Lower Far West sewers

Description and Scope:

This Project will construct approximately 26 miles of sewer outfall main ranging in size from 24-inch to 96-inch diameter. This project will extend from Dos Rios WRC along Medina River to a point south of Highway 90 and west of Loop 1604 on the west side of Bexar County. The 2012 funding is for Segments 4 and 5. The economic impact of this project can be measured in making possible the future elimination of numerous lift stations in the Far West and South sewersheds, eliminating the need for future expansions to Leon Creek and Medio Creek WRCs, and preventing proliferation of package treatment plants in the South sewershed.

Remarks:

Construction schedule:

2010 - Segments 1 and 6

2011 - Segments 2 and 3

2012 - Segments 4 and 5

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Capacity		Line Surge	Undersized Lines
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2009	2008	2012
	\$10,000,000	\$0	\$14,342,060



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Sewer Main Oversizing 2012

Programmed Amount: \$329,010

Core Business Wastewater

Category: Collection Growth

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Oversize sewage collection system for future growth.

Description and Scope:

Pay for SAWS proportionate share of the cost of mains which are necessary to serve anticipated growth but are larger than the size main required by a developer customer or single customer. This annual requirement provides funds to oversize various sewer main installations throughout the service area. Unspecified scope.

Remarks:

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Line Surcharge	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
5	8	10	400	

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2012

\$300,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: C-33 Broadway Corridor: Carnahan to Mulberry

Programmed Amount: \$8,773,600

Core Business Wastewater

Category: Collection R&R

Phase: Construction

Council District 9



PROJECT INFORMATION

Project Objective: Construct sewer infrastructure to support growth in the Central Sewershed

Description and Scope:

This project consists of approximately 7,200 linear feet of 12-inch, 36-inch, 42-inch, 54-inch, and 60-inch wastewater mains. The project will construct a 60-inch, 54-inch, 42-inch, and 36-inch gravity main in the Central Sewershed along Avenue B from East Mulberry Avenue to north of Tuleta and a 12-inch gravity main along Broadway between East Mulberry Avenue and Pershing Avenue.

SAWS staff checked the limits of this project and determined that there is no overlap between the C_13, C_14, and C_33 projects.

Remarks:

Formerly called C-3 (C-2 to C-6). Construction 2012-16 at a total cost of \$38 million.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Line Collapse		SSO	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2009	2012
	\$0	\$1,200,000	\$8,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Odor Control System Improvements Phase 2

Programmed Amount: \$548,350

Core Business: Wastewater

Category: Collection R&R

Phase: Construction

Council District: OCL



PROJECT INFORMATION

Project Objective: Mitigate unwanted odors in the collection system

Description and Scope:

The project entails design and construction of three (3) new Odor Control Injection sites to mitigate odors in the downstream wastewater collection system. Ferrous sulfate will be injected into the sewer line to prevent unwanted odors. After completion, all injection sites will operate efficiently and effectively, complying with all applicable standards and regulations.

If this project is not implemented, SAWS will be likely to have increased customer complaints.

Remarks:

The project is scheduled for design in the second and third quarter of 2011 with anticipated construction start date in the first quarter of 2012.

Design will be done in-house and using annual design services contracts.

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Unsustainable Equipment		Increased Maintenance	System Improvement
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	7	7	441

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0		2012
	\$0		\$500,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: LS 11 and LS 111 Elimination

Programmed Amount: \$219,340

Core Business Wastewater

Category: Collection R&R

Phase: Acquisition

Council District 9, 10



PROJECT INFORMATION

Project Objective: Construct sewer infrastructure to support growth in the Eastern Sewershed

Description and Scope:

This project will eliminate Lift Stations #11 (Feathercrest) & #111 (Stone Ridge) by constructing a 24-inch main from the existing location of Lift Station #11 to the proposed CIP project E-20. The 24 inch main is approximately 9,765 linear feet in length. This main will connect to an existing 36-inch gravity sewer main. The existing 36-inch sewer gravity main along Salado Creek that has been identified as undersized and will need to be replaced or paralleled as recommended in the 2008 CWWIP. This project is known as E-20 Salado Creek : Nacogdoches Rd. to Jones Maltsberger Rd. (formerly E_15 PBS&J, E_10 PBS&J, E_09 PBS&J, E_06 PBS&J, E_05A PBS&J).

Design in 2011 using unspecified contract. Acquire easements in 2012.

Remarks:

The lift station can be eliminated now, at minimal risk of surcharging the new mains. On the other hand, if we wait until E-20 is built to eliminate it (past 2020), we will most definitely experience multiple overflows at the station between now and then.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Capacity	SSO	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	9	9	729

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2011	2013
	\$200,000	\$0	\$1,769,311



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Sanitary Sewer Overflow Rehabilitation

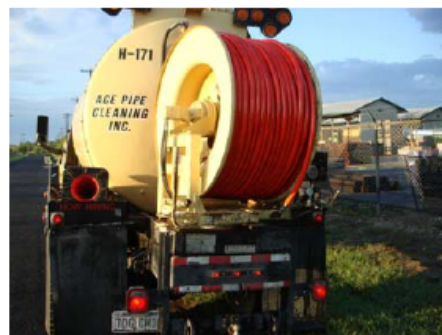
Programmed Amount: \$13,160,400

Core Business: Wastewater

Category: Collection R&R

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Rehabilitate Pipelines that are experiencing Sanitary Sewer Overflows (SSO)

Description and Scope:

This project will assess and rehabilitate sanitary sewer pipelines that experience SSOs throughout the service area, and rehabilitate the pipelines using the appropriate method. This is a multiyear project with construction 2011-2020.

Remarks:

\$8 million per year through 2020.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Line Collapse		SSO	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0		2012
	\$0		\$12,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Sewer Adjustments

Programmed Amount: \$5,922,180

Core Business: Wastewater

Category: Governmental Sewer

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Realign Collection lines due to conflicts with other agencies work.

Description and Scope:

Governmental Program Adjustments consists of projects implemented in conjunction with other government entities, when they implement maintenance or capital improvement projects. Through this program, SAWS participates in the relocation and replacement of sewer facilities, when appropriate or required. Unspecified scope.

Remarks:

This is an annually recurring project.

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Service Interruption		Excessive Downtime	Conflict with City or State	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	10	810	

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$5,400,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Sewer Installations

Programmed Amount: \$1,233,788

Core Business: Wastewater

Category: Governmental Sewer

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Increase system capacity for future growth.

Description and Scope:

Governmental Program Installations is used to install new mains in conjunction and coordination with Master Plan projects. Unspecified scope.

Remarks:

This is an annually recurring project.

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Service Interruption

Failure Impact:

Service Interruption

Failure Root Cause:

Conflict with City or State

Impact Severity

9

Likelihood of Occurrence

9

Risk Mitigation

8

Risk Exposure

648

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2012

\$1,125,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Sewer Replacements

Programmed Amount: \$4,523,888

Core Business: Wastewater

Category: Governmental Sewer

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Replace Collection lines due to condition by joint bidding with other agencies work.

Description and Scope:

Governmental Program Replacements consists of projects implemented in conjunction with other government entities, when they implement maintenance and/or capital improvement projects. Through this program, SAWS participates in the relocation and replacement of sewer facilities, when appropriate or required. Unspecified scope.

Remarks:

This is an annually recurring project.

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Service Interruption		Excessive Downtime	Conflict with City or State	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	8	10	720	

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$10,125,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Main Replacements - Sewer - SAWS Crews

Programmed Amount: \$3,099,341

Core Business Wastewater

Category: Main Replacement - Sewer

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

This project involved the emergency or high priority replacement of failing sewer mains in various parts of the city. The work is performed by SAWS Distribution and Collection Operations crews, as requirements arise. The project costs are capitalized.

Remarks:

This is an annually recurring project.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Repeated Line Breaks		SSO	Age/Deterioration
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$2,826,061



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Open-Cut Sewer Pipe Replacement Contract

Programmed Amount: \$1,000,000

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Replace aging/failing collection system infrastructure

Description and Scope:

Replace several thousand linear feet of various diameter sewer mains system-wide. Provides a mechanism to replace deteriorated small and medium diameter sewer mains quickly by conventional open-cut methods when rehabilitation by pipe-bursting or CIPP is not feasible. The replacement mains will range in size from 8-inches to 33-inches in diameter and will be sufficiently engineered to convey anticipated wastewater flows and maintain system integrity.

Remarks:

Projects will be tasked by work orders under this contract.

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Line Collapse

Failure Impact:

SSO

Failure Root Cause:

Age/Deterioration

Impact Severity

9

Likelihood of Occurrence

10

Risk Mitigation

8

Risk Exposure

720

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

0

\$0

DesignYear:

Construction Year

2012

\$911,826



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Pipe Bursting and CIPP Contract 2012

Programmed Amount: \$3,200,000

Core Business Wastewater

Category: Main Replacement - Sewer

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

Rehabilitate several thousand linear feet of various diameter sewer mains systemwide. Provides a mechanism to rehabilitate deteriorated small and large diameter sewer mains that cannot be repaired using conventional open cut methods. The contracts allow either method to be used as appropriate for the street and pipe conditions.

Remarks:

This is an annually recurring project.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Line Collapse

Failure Impact:

SSO

Failure Root Cause:

Age/Deterioration

Impact Severity

9

Likelihood of Occurrence

10

Risk Mitigation

8

Risk Exposure

720

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$2,917,844



2012 CAPITAL IMPROVEMENTS PROGRAM

Project Data Sheet

PROJECT DESCRIPTION

Project: Sewer Laterals 2012

Programmed Amount: \$3,294,634

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction

Council District: System wide

PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

This is a project performed by SAWS Distribution and Collection Operations construction crews. The work involves replacement of failing sewer laterals to eliminate or reduce inflow and infiltration of storm water into wastewater mains. This project improves the operational efficiency and reduces the potential and risk of surcharges in the collection system.

Remarks:

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Line Collapse	SSO	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
8	8	10	640

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$3,004,134



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Unspecified Services Engineering Contract Sewer

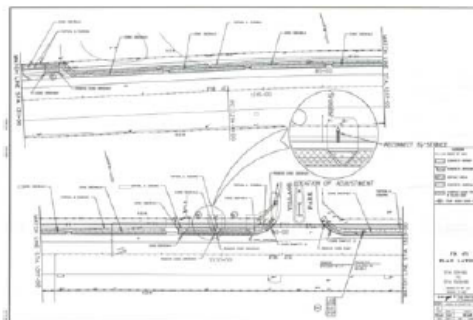
Programmed Amount: \$2,193,400

Core Business Wastewater

Category: Main Replacement - Sewer

Phase: Design

Council District System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

This annual fund will fund design services to repair/replace sewer mains that have experienced cave-ins and overflows. These projects vary in size and location and may require the solicitation of contractor construction services on an urgent basis. These projects will be constructed on an emergency basis to correct unsanitary and potentially hazardous conditions that pose a threat to public health and safety.

Remarks:

This is an annually recurring project.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: Inadequate Facilities		Failure Impact: Customer Disatisfaction		Failure Root Cause: Other/Deterioration	
Impact Severity 9	Likelihood of Occurrence 9	Risk Mitigation 9	Risk Exposure 729		

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$2,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM

Project Data Sheet

PROJECT DESCRIPTION

Project: Dos Rios WRC Re-rating Phase II - Primary Settling Tanks Improvements

Programmed Amount: \$2,961,090

Core Business Wastewater

Category: Treatment Growth

Phase: Design

Council District 3



PROJECT INFORMATION

Project Objective: Expand and improve primary treatment facilities at the Dos Rios WRC.

Description and Scope:

The second phase of the re-rating of the Dos Rios Water Recycling Center from 125 mgd annual average daily flow (AADF) to 217 mgd AADF consists of improvements and modifications to the Primary Settling facilities. The improvements and modifications generally consist of adding four (4) new primary settling tanks, including primary sludge and scum pump stations to provide capacity for growth; constructing new 1st and 2nd primary settling tank distribution boxes for even flow splitting; modifying the existing primary settling tanks to improve operational efficiency and extend their useful life; and associated electrical and I&C work.

Remarks:

Construction scheduled for 2014.

Operating Impact: This project will increase operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Capacity		SSO	Undersized Equipment
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	9	10	810

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2012	2014
	\$0	\$2,700,000	\$30,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM

Project Data Sheet

PROJECT DESCRIPTION

Project: Leon Creek to Dos Rios Raw Wastewater Transfer Phase I

Programmed Amount: \$8,225,250

Core Business Wastewater

Category: Treatment Growth

Phase: Construction

Council District 3



PROJECT INFORMATION

Project Objective: Transfer flows from Leon Creek to Dos Rios

Description and Scope:

This project includes the construction of approximately 12,000 LF of 60" sewer line to transfer flows from the Leon Creek WRC Flow Equalization Basin (FEB) Diversion Structure to the Medina River Sewer Outfall. Modifications to the Leon Creek WRC FEB Diversion Structure will be required to accommodate the tie-in for this 60" line. Segment 2 of the Medina River Sewer Outfall project, which is scheduled for completion in 2012, includes a stub-out for this 60" line. This project will avoid the need for expansion of the Leon Creek WRC as it will provide a means to transfer peak flows from the Leon Creek WRC to the Dos Rios WRC. The project will require a detailed hydraulic evaluation of the Leon Creek WRC. The project will also include required permitting, surveying, and geotechnical engineering services along with field notes and easement exhibits and environmental and archaeological services for the proposed pipeline. See PSR for detailed scope.

Remarks:

This project must be coordinated with the design and construction phases of Medina Outfall.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Inadequate Capacity		Enforcement Action		Undersized Equipment	
Impact Severity	Likelihood of Occurrence	Risk Mitigation		Risk Exposure	
10	10	10		1000	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2010	2012
	\$0	\$325,000	\$7,500,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Dos Rios WRC Digester Mixing and System Enhancements - Phase 2

Programmed Amount: \$9,793,531

Core Business Wastewater

Category: Treatment R&R

Phase: Construction

Council District 3



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing treatment infrastructure and increase digestion capacity.

Description and Scope:

The design will address improvements to four existing digesters at the digester complex including the repair of dome roof seams, roof liner, dome hatches/man-ways, dome pressure/vacuum relief assemblies and three-way valves. The existing digester mixing system will be replaced. Enhancements of up to four existing digester gas meters will be made if necessary. The digester pumping and heat exchanger system will be rehabilitated or replaced.

Remarks:

Operating Impact: This project will increase operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Unsustainable Equipment

Failure Impact:

Increased Maintenance

Failure Root Cause:

Age/Deterioration

Impact Severity

9

Likelihood of Occurrence

8

Risk Mitigation

9

Risk Exposure

648

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2011

2012

\$940,000

\$8,930,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Salado Creek WRC Headworks Improvements

Programmed Amount: \$822,525

Core Business Wastewater

Category: Treatment R&R

Phase: Construction

Council District 3



PROJECT INFORMATION

Project Objective: Replace headworks equipment at the Salado Creek WRC

Description and Scope:

Replace headworks equipment at the Salado Creek WRC that has exceeded its useful life and is no longer operational. This will improve grit removal at the Salado Creek WRC, thereby decreasing grit settlement in the Salado Creek WRC Interconnect line. Replace the three (3) vortex grit units; rehabilitate or replace the two (2) grit washer / classifiers; and replace the coarse bubble diffusers in the Pre-aeration Tank. The vortex grit units are no longer effective at fluidizing the grit for removal by the recently replaced grit pumps (therefore those pumps are mainly pumping water). The grit washer / classifiers are functioning at a reduced efficiency, but they may be able to be rehabilitated instead of replaced. Most of the diffusers that were fixed to the floor of the Pre-aeration Tank were washed away over the years and are missing.

Remarks:

If grit removal at the Salado Creek WRC is not restored, the 90-inch Interconnect line and the siphons under the San Antonio River may eventually have enough of a reduced capacity to cause surcharging and back-ups at Salado. Removing the grit can reduce the probability of this event. D&C has been unable to clean the siphons using in-house equipment due to accessibility and would have to contract that work out if failure occurs, which would take more time.

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Equipment Failure	Increased Maintenance	Critical Equipment Failure	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	8	576

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2012
	\$0	\$750,000



**WATER DELIVERY
CAPITAL IMPROVEMENT PROGRAM PROJECTS**



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2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Enterprise Resource Software System (ERSS) - Water Share

Programmed Amount: \$1,221,360

Core Business Water Delivery

Category: Corporate WD

Phase: Acquisition

Council District System wide



PROJECT INFORMATION

Project Objective: Improve operational efficiency.

Description and Scope:

This project implements an Enterprise Resource Software System (ERSS) that includes the following modules: Customer Service, Financial, Human Resources, Work Order, and permitting at the SAWS Headquarters. This work is required because the current legacy systems are not integrated and do not provide the functionality needed to run the business efficiently and effectively. The costs include software, hardware, professional services, capitalized payroll for in-house staff, and capitalized facility expenses.

Remarks:

The 2012 funding will complete the Customer Information System with an implementation date of May 2012, subject to the vendor delivering the product by October 2011.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Corporate Mandate		Failure of Corporate Initiative	Corporate Mandate	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012		
	\$1,050,000		



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Service Center Facility Plan Project (Water Share)

Programmed Amount: \$3,780,400

Core Business: Water Delivery

Category: Corporate WD

Phase: Design

Council District: System wide

PROJECT INFORMATION

Project Objective: To develop a Service Center Master Plan through 2021

Description and Scope:

The purpose of this project is to program, design, locate and construct new Service Centers, Satellite Centers, and to make any required adjustments to the existing properties as a result of relocated staff. SAWS currently has mixed use at Service Centers by having Fleet, RPC, Customer Service, D&C, Lifts, and Production at shared service centers, which has compromised efficiencies and caused an increase of congestion on these sites. SAWS' infrastructure and customer growth has increased our crews' response time to the service call. Realignment would address these embedded inefficiencies in operations.

Remarks:

Based on previous Operations Research assessment, this project will improve D&C response time at all facilities and allow for a master planned realignment that increases efficiencies in production, RPC and customer service. This project will allow SAWS to meet current growth and proposed future growth to the system. Operating Impact: This project will reduce operating and maintenance costs.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Facilities		Environmental Impact	Corporate Mandate
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	9	648

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2013
	\$3,250,000	



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Cross Mt Trail 24-inch Main

Programmed Amount: \$3,139,634

Core Business Water Delivery

Category: Distribution Growth

Phase: Construction

Council District OCL



PROJECT INFORMATION

Project Objective: Improve operational efficiency and increase system capacity for future growth.

Description and Scope:

The proposed 24-inch water main project connects the Shields Pump Station with the Winwood station, which is necessary to provide additional capacity to the aforementioned pump station and connects the current system. The new Cross Mountain Tank will provide additional capacity due to an existing 24-inch main installed for this purpose according to the Cielo Vista – 24" Oversize On-Site Water Main project (Job # 07-3014).

Remarks:

The service area is approaching TCEQ minimums for 2500 customers. This project will provide additional capacity.

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Low Flow/Pressure	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	9	729	

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2009	2010	2012
	\$25,000	\$269,914	\$2,699,135



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Culebra 30-Inch Main, Wind Gate Pkwy to Talley Rd (8-5)

Programmed Amount: \$29,080

Core Business Water Delivery

Category: Distribution Growth

Phase: Acquisition

Council District OCL



PROJECT INFORMATION

Project Objective: Improve operational efficiency and increase system capacity for future growth.

Description and Scope:

Install approximately 4,600 feet of 30 inch main along Culebra Road connecting to the existing 24-inch main at Talley Road the existing 30-inch main near Kallison Bend.

This project will close the Culebra Gap.

Remarks:

In order to stay in compliance with TCEQ regulations as development occurs, a connection is required between the Package Plant and Pressure Zone 8.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Low Flow/Pressure	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
8	8	8	512	

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2015	2016
	\$25,000	\$207,104	\$2,071,040



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Dominion Fire Flow Improvement

Programmed Amount: \$290,800

Core Business: Water Delivery

Category: Distribution Growth

Phase: Acquisition

Council District: 8



PROJECT INFORMATION

Project Objective: Increase system fire flow capacity.

Description and Scope:

Project installs 1,750 linear feet of 8-inch water main. Along Galleria from Devonwood and Galleria to the end of Galleria (Included in 2008 WIP as 8-inch, recommending it be changed to a 12-inch for fire protection) (PZ11B-01) \$234,197.00

Project installs 650 linear feet of 8-inch water main. Along Devonwood from Dominion Pump Station south to the end of Devonwood (PZ11B-02) \$57,992.00

Project installs 275 linear feet of 8-inch water main. Through an easement, from Vineyard Dr. to an existing 8-inch main along Admirals Way (PZ11B-03) \$24,535.00

Project installs 2,350 linear feet of 8-inch water main. Along Galleria, Courtenay Lane, an easement and Carriage Hills from Devonwood to the end of Carriage Hills (PZ11B-04) \$209,662.00

Remarks:

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Flow/Pressure Problems		Jeopardize Life/Safety	Undersized Lines
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
2	2	2	8

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2011	2013
	\$250,000	\$0	\$1,600,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Hidden Springs Fire Flow Improvement

Programmed Amount: \$3,066,195

Core Business: Water Delivery

Category: Distribution Growth

Phase: Construction

Council District: 8



PROJECT INFORMATION

Project Objective: Increase system fire flow capacity.

Description and Scope:

Project installs 870 linear feet of 16-inch water main along Aue Rd. from existing 16-inch main to proposed 12-inch main near the intersection on Aue Rd. and Whistling Wind. (PZ11-17) \$147,526.00

Project installs 1,700 linear feet of 12-inch water main. Along Aue Rd. from proposed 16-inch main to proposed Rocky Hill Booster Station. (PZ11-18) \$227,506.00

Project installs 2,300 linear feet of 12-inch water main. From intersection of Aue Rd. and Whistling Wind along Whistling Wind, Black Creek and easement to proposed Rocky Hill Booster Station. (PZ11-19) \$307,802.00

Project installs 1,200 linear feet of 8-inch water main. From the intersection of Black Creek and Whistling Wind along Whistling Wind (PZ11-20) \$107,062.00

Project installs 930 linear feet of 12-inch water main. Along Rocky Hill from the proposed Rocky Hill Booster

Remarks:

Hidden Springs Estates has their own water supply system based on Trinity Aquifer wells. SAWS recently became the owner of this system. In order to provide water service consistent with that provided to the rest of SAWS customers it is necessary to remove this neighborhood's dependence upon Trinity wells and instead connect it to the nearby SAWS infrastructure. In addition to fully incorporating this neighborhood into SAWS system, this construction will make it possible for better supply of water in the area (including possible future interconnection with Dominion).

Operating Impact: This project will increase operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Flow/Pressure Problems		Jeopardize Life/Safety	Undersized Lines
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	9	9	729

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2011	2012
	\$0	\$0	\$2,636,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Water Main Oversizing 2012

Programmed Amount: \$1,163,200

Core Business: Water Delivery

Category: Distribution Growth

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Oversize water distribution system for future growth.

Description and Scope:

Pay for SAWS proportionate share of the cost of mains which are necessary to serve anticipated growth but are larger than the size main required by a developer customer or single customer. This annual requirement provides funds to oversize various water main installations throughout the service area. Unspecified scope.

Remarks:

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: Inadequate Capacity		Failure Impact: Low Flow/Pressure		Failure Root Cause: Undersized Lines	
Impact Severity 5	Likelihood of Occurrence 8	Risk Mitigation 10	Risk Exposure 400		

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$1,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Water Adjustments

Programmed Amount: \$5,920,325

Core Business: Water Delivery

Category: Governmental Water

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Realign water lines due to conflicts with other agencies work.

Description and Scope:

Governmental Program Adjustments consists of projects implemented in conjunction with other government entities, when they implement maintenance and/or capital improvement projects. Through this program, SAWS participates in the relocation and replacement of water facilities, when appropriate or required. Unspecified scope.

Remarks:

This is an annually recurring project.

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Service Interruption	Excessive Downtime	Conflict with City or State	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	9	10	810

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$5,089,688



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Water Installations

Programmed Amount: \$679,382

Core Business: Water Delivery

Category: Governmental Water

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Increase system capacity for future growth.

Description and Scope:

Governmental Program Installations is used to install new mains in conjunction and coordination with Master Plan projects. Unspecified scope.

Remarks:

This is an annually recurring project.

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Service Interruption		Service Interruption	Conflict with City or State
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	9	8	648

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$584,063



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Water Replacements

Programmed Amount: \$8,929,014

Core Business: Water Delivery

Category: Governmental Water

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Replace aging/failing Distribution infrastructure.

Description and Scope:

Governmental Program Replacements consists of projects implemented in conjunction with other government entities, when they implement maintenance and/or capital improvement projects. Through this program, SAWS participates in the relocation and replacement of water facilities, when appropriate or required. Unspecified scope.

Remarks:

This is an annually recurring project.

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Service Interruption

Failure Impact:

Service Interruption

Failure Root Cause:

Conflict with City or State

Impact Severity

9

Likelihood of Occurrence

8

Risk Mitigation

10

Risk Exposure

720

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2012

\$7,676,250



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Brooks City Base Waterline Improvements Phase II

Programmed Amount: \$1,395,840

Core Business Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District 3



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

This project will replace the 6 and 8-inch existing water mains with 12-inch and 16-inch mains. Approximately 11,550 LF of main will be constructed under an EPA grant on the Brooks City Base facility. This project will utilize the remaining funds from the Brooks grant. The professional services will be funded under a current unspecified design contract.

Remarks:

Project will replace undersized mains, and provide interconnected mains by eliminating dead end mains. This project will also provide improved hydraulic conditions for fire flow conditions with installation of larger mains.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Repeated Line Breaks		Low Flow/Pressure	Age/Deterioration
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
7	8	5	280

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	2012
	\$0	\$1,200,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Forest Crest Water Main

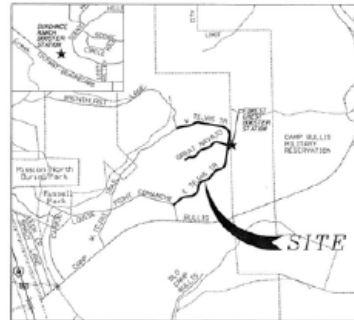
Programmed Amount: \$1,395,840

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District: 8



PROJECT INFORMATION

Project Objective: Fulfill local benefit obligation.

Description and Scope:

This local benefit project will connect the Forest Crest subdivision to SAWS water system. The project will install approximately 6,200 linear feet of 12-inch water main along West and East Tejas Trail and Great Navajo Trail. The existing Forest Crest inline booster station will be relocated. The project will also install 32 water service lines, and include trench restoration for installation in pavement.

Remarks:

Operating Impact: This project will increase operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Repeated Line Breaks		Low Flow/Pressure	Age/Deterioration
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
8	8	8	512

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$1,200,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Main Replacements - Water - SAWS Crews

Programmed Amount: \$11,632

Core Business Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Distribution infrastructure.

Description and Scope:

CIP funds transferred to Distribution and Collection Operations for the replacement of failing water mains, emergencies or otherwise, in various parts of the city. The work is performed by in-house construction crews. Unspecified scope.

Remarks:

This is an annually recurring project.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Repeated Line Breaks		Increased Maintenance	Age/Deterioration
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	10	720

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$10,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Meter Replacements

Programmed Amount: \$3,482,324

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Replace aging water meters

Description and Scope:

This project will replace aging water meters in a defined geographical area, reducing the amount of unaccounted for water. The old water meters tend to slow down, especially at low flow rates, and underrecord the amount of water used. New water meters will accurately record water usage and increase revenues. The plan is to replace 35,000+ meters in various routes in all districts.

Remarks:

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Corporate Mandate		Failure of Corporate Initiative		Corporate Mandate	
Impact Severity	Likelihood of Occurrence	Risk Mitigation		Risk Exposure	
10	10	10		1000	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0	2012
	\$0	\$0	\$2,993,745



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Unspecified Services Engineering Contract Water

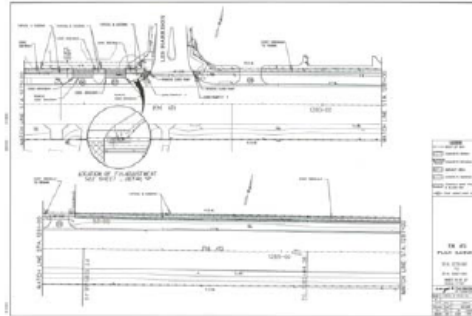
Programmed Amount: \$465,280

Core Business Water Delivery

Category: Main Replacement - Water

Phase: Design

Council District System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Distribution infrastructure.

Description and Scope:

This annual fund will fund design services to repair/replace water mains that have experienced a high rate of main failure. These projects vary in size and location, and may require the solicitation of contractor construction services on an urgent basis. Projects will replace sub-standard or deteriorated water mains requiring immediate replacements.

Remarks:

This is an annually recurring project.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Service Interruption		Customer Disatisfaction	Other/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	9	729	

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012
\$400,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Valves, Services and Meters

Programmed Amount: \$3,892,234

Core Business Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Replace obsolete or unsustainable Distribution systems or equipment.

Description and Scope:

This project provides for the installation or replacement of unserviceable valves, services, meters, fire hydrants, and other water system appurtenances. The work is performed by SAWS Distribution and Collection Operations crews, as requirements arise. The project costs are capitalized.

Remarks:

This is an annually recurring project.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Unsustainable Equipment		Service Interruption	Critical Equipment Failure
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
8	9	8	576

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2012

\$3,346,143



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Open Cut Water Contract

Programmed Amount: \$1,163,200

Core Business Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Replace several thousand feet of various diameter water mains system wide.

Description and Scope:

Replace several thousand feet of various diameter water mains system wide.

Remarks:

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Line Collapse		Low Flow/Pressure	Age/Deterioration
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	10	720

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0	2012
	\$0	\$0	\$1,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Cibolo Tank and 24" Main (PZ10)

Programmed Amount: \$5,234,400

Core Business Water Delivery

Category: Production Growth

Phase: Construction

Council District OCL



PROJECT INFORMATION

Project Objective: Additional water storage for Pressure Zone 10

Description and Scope:

This project constructs a 2.5 MG elevated storage tank, per the 2008 Water Master Plan, with an overflow elevation of 1258 msl to provide storage for developments in the east part of Pressure Zone 10. The project will also install approximately 3,300 linear feet of 24" water main from the existing 16" main along TPC Parkway to the Cibolo Tank site.

Remarks:

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Storage		Low Flow/Pressure	System Optimization
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
8	7	8	448

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2009	2012
\$300,000		\$4,500,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Chlorine System Upgrades

Programmed Amount: \$5,816,000

Core Business: Water Delivery

Category: Production R&R

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Improve safety of chlorine systems at primary pump stations.

Description and Scope:

The purpose of the chlorine upgrade project is to provide scales for chlorine containers for facilities which do not currently have scales and are not planned for upgrade in the next several years. The project will also provide scrubbers or other type of secondary containment at our primary pump station chlorine buildings to minimize the risk to the public in case of an accidental release of chlorine from one of these sites. The project will include the following 8 pump stations: 34th Street, Artesia, Maltsberger, Marbach, Micron, Randolph, Seale and Wurzbach.

Remarks:

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Regulatory Compliance		Jeopardize Life/Safety	System Improvement	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2011	2012
	\$0	\$0	\$5,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Replace Loma Linda Tank with Richland Hills Tank

Programmed Amount: \$465,280

Core Business Water Delivery

Category: Production R&R

Phase: Acquisition

Council District 1, 6



PROJECT INFORMATION

Project Objective: Demolish old tank and construct new tank close to Marbach PS

Description and Scope:

Project consists of the demolition of the existing 1.5 MG Loma Linda EST located on Loma Linda Drive and the construction of a new 1.5 MG elevated storage tank located close to Marbach PS.

Remarks:

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Storage		Customer Disatisfaction	Undersized Equipment
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
7	6	6	252

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2011	2016
	\$400,000	\$350,000	\$4,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Water Production Facility Upgrades Program Phase 4a – Basin

Programmed Amount: \$552,520

Core Business Water Delivery

Category: Production R&R

Phase: Design

Council District 1



PROJECT INFORMATION

Project Objective: Multi-year program to rehabilitate Primary and Booster water production pump stations.

Description and Scope:

Phase IVa of multi-year program to rehabilitate Primary and Booster water production pump stations. Project will rehabilitate aging, obsolete and unserviceable equipment and components, including the upgrade of chlorination facilities at the primary stations to bring them into compliance with current Fire Codes, as well as OSHA, TCEQ and AWWA standards and requirements.

Remarks:

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Unsustainable Equipment		Low Flow/Pressure	Age/Deterioration
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	9	648

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2012	2014
	\$0	\$475,000	\$4,750,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: University PS Improvements

Programmed Amount: \$407,120

Core Business: Water Delivery

Category: Production R&R

Phase: Design

Council District: 8



PROJECT INFORMATION

Project Objective: Increase system capacity for future growth.

Description and Scope:

Per 2008 Water Infrastructure Plan, add one 10 mgd pump for PZ 8 at University Pump Station with electrical and controls.

Remarks:

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Capacity		Low Flow/Pressure	Undersized Equipment
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
8	8	8	512

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
0	2012	2014
\$0	\$350,000	\$3,500,000

Amounts shown are estimated costs without SAWS overhead.



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Water Production Facility Upgrades Program Phase 8 - Nacogdoches

Programmed Amount: \$1,512,160

Core Business Water Delivery

Category: Production R&R

Phase: Design

Council District 10



PROJECT INFORMATION

Project Objective: Multi-year program to rehabilitate Primary and Booster water production pump stations.

Description and Scope:

Phase 8 of multi-year program to rehabilitate Primary and Booster water production pump stations. Project will rehabilitate aging, obsolete and unserviceable equipment and components, including the upgrade of chlorination facilities at the primary stations to bring them into compliance with current Fire Codes, as well as OSHA, TCEQ and AWWA standards and requirements.

Project includes the replacement of all electrical switchgear, chlorination and fluoridation equipment, miscellaneous valves, piping and other items.

Project also includes the installation of a new 7.5 mgd ground storage tank and two (2) additional high service pumps to prevent the elevated tanks in PZ 9 from draining too quickly.

Remarks:

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Unsustainable Equipment		Low Flow/Pressure	Age/Deterioration
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	9	648

FUNDING INFORMATION

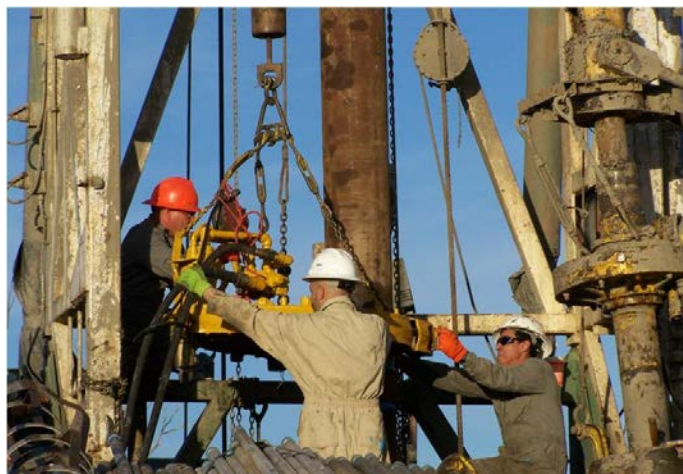
LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2013
\$0	\$1,300,000	\$13,000,000

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Major Aquifers of Texas



WATER SUPPLY CAPITAL IMPROVEMENT PROGRAM PROJECTS



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2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: University Health System Recycle Main Installation

Programmed Amount: \$1,366,080

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District: 8



PROJECT INFORMATION

Project Objective: Increase use of Recycled Water

Description and Scope:

This project will install approximately 4,000 feet of 12-inch recycle main for the University Health System from an existing main within the Floyd Curl ROW to a connection point within the Merton Minter ROW. The San Antonio Water System has executed a Recycled Water Service Agreement with Bexar County Hospital District d/b/a University Health System. The recycle water shall be used for make-up water associated with the Central Utility Plant, including blow down and windage losses and on-site irrigation of trees, plantings, ground cover, turf, living walls and roof gardens.

Remarks:

The design will be prepared in 2011 and the construction will occur in 2012.

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
None		Failure of Corporate Initiative	System Optimization
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2011

2012

\$1,200,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Recycle Customer Lines

Programmed Amount: \$1,138,400

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District: System wide



PROJECT INFORMATION

Project Objective: Increase use of Recycled Water

Description and Scope:

Economic incentives provided to encourage greater use of recycled water.

Remarks:

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2012

\$1,000,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: San Jose Recycled Water Pump Station and Ground Storage Tank

Programmed Amount: \$796,880

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District: 3



PROJECT INFORMATION

Project Objective: Build RW Pump Station and Ground Storage Tank

Description and Scope:

Construct a 300,000 gallon ground storage tank and recycled water booster pump station at Riverside near VFW Blvd to supply recycled water to Mission County Park, the City's Mission Library and associated development, and the National Park Service at Mission San Jose. SAWS Job No. 10-8622-202 includes construction of a recycled water line extension under the San Antonio River from the existing recycled water line on Riverside Dr to Mission County Park. This separate project will provide the infrastructure to support recycled water service to the three customers at the Mission Park Redevelopment Area. Per Master Planning modeling efforts, the recycled water line to Riverside Golf Course does not have sufficient pressure (or capacity) to supply the Mission Park Redevelopment Area and the Golf Course. This tank will address the capacity issue, and the booster pumps will address the pressure issue.

Remarks:

This project is being programmed to coincide with completion of SARA's San Antonio River Improvements Project (by August 31, 2013). Construction needs to begin in 2012 to meet that schedule. Recycle Operations is securing contracts with the three customers. This has a high level of PR.

Operating Impact: This project will have no significant impact on operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Capacity		Low Flow/Pressure	System Improvement
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2011	2012
	\$0	\$75,000	\$700,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Brooks Recycled Water Pump Station Upgrade

Programmed Amount: \$284,600

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District: 3



PROJECT INFORMATION

Project Objective: Upgrades to RW Pump Station at Brooks City Base

Description and Scope:

Brooks Pump station currently feeds the Riverside golf course and will soon provide for the development at the San Jose site which is situated near the Riverside golf course. These two sites are fed through a long dead end system (approximately 16,000 feet of 8-inch and 12-inch recycle main).

In order to maintain a consistent pressure the Brooks Pump station pumping system cycles on and off too often and due to the length of the main, is prone to surges. The need for mitigating the surges and maintaining a consistent pressure can be addressed by a hydropneumatic/surge tank. This project includes the construction of a 7,500 gallon hydropneumatic/surge tank at the Brooks Recycle Water Pump Station. Additionally, with the addition of the hydropneumatic/surge tank the controls at the Pump station will require replacement.

Remarks:

This project is being programmed to coincide with completion of San Jose Recycled Water Pump Station and Ground Storage Tank Project (by August 31, 2013).

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Equipment Failure		Low Flow/Pressure	System Improvement
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
8	8	8	512

FUNDING INFORMATION	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2011	2012
	\$0	\$50,000	\$250,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Convention Center Recycled Water Outfall Safety Upgrade

Programmed Amount: \$45,536

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District: 1



PROJECT INFORMATION

Project Objective: Safety enhancements to Convention Center RW Outfall

Description and Scope:

One of SAWS' recycled water outfalls to the San Antonio River is located adjacent to the Heating & Cooling Plant across from the Convention Center. The ventilation system for the sodium bisulfite storage room is insufficient and needs to be redesigned to ensure the environment is safe for employees to work in. A heating system needs to be added to prevent the chemical feed lines from freezing. Due to the gases from the sodium bisulfite not being properly evacuated from the room, the structural beams, roof panels, and entrance doors are corroding and need to be blasted and coated. Stairs over the recycled water line need to be added to facilitate access to the chemical feed area. The overhead door needs to be inspected for corrosion damage, and the condition of the exterior roof needs to be evaluated and repairs made to prevent leaks.

Remarks:

HVAC design to be performed using an existing unspecified services contract.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Facilities		Jeopardize Life/Safety	Failed System Component
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

FUNDING INFORMATION	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2012	2013
	\$0	\$40,000	\$200,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Edwards Aquifer Acquisitions Contract Advisory Services

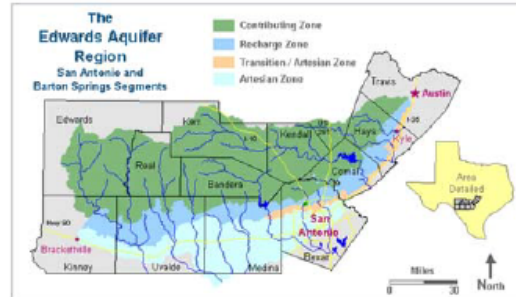
Programmed Amount: \$75,563

Core Business: Water Supply

Category: Edwards Aquifer

Phase: Acquisition

Council District: System wide



PROJECT INFORMATION

Project Objective: Increase Edwards Aquifer Supply.

Description and Scope:

Legal assistance to support the acquisition of Edwards Aquifer groundwater rights through agricultural conservation and purchases of authorized withdrawal permits.

Remarks:

Increase non-Edwards Aquifer supplies in accordance with goals outlined in 50-year water resource plan

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:
None	Failure of Corporate Initiative	System Optimization
Impact Severity	Likelihood of Occurrence	Risk Mitigation
		Risk Exposure

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

2011

\$75,000

DesignYear:

Construction Year

2011



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Edwards Aquifer Acquisitions Groundwater Rights Purchase

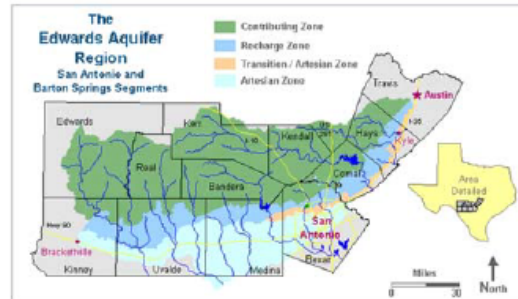
Programmed Amount: \$9,571,250

Core Business: Water Supply

Category: Edwards Aquifer

Phase: Acquisition

Council District: System wide



PROJECT INFORMATION

Project Objective: Increase Edwards Aquifer Supply.

Description and Scope:

Acquire Edwards Aquifer groundwater rights through agricultural conservation and purchases of authorized withdrawal permits.

Remarks:

Increase non-Edwards Aquifer supplies in accordance with goals outlined in 50-year water resource plan

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

2012

\$9,500,000

DesignYear:

Construction Year

2011



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Desalination: Constructability Review

Programmed Amount: \$560,450

Core Business Water Supply

Category: Water Resources

Phase: Design

Council District System wide



PROJECT INFORMATION

Project Objective: Obtain constructability review of the design work produced by the Program Manager on t

Description and Scope:

The Scope of Work will include the review of designs for each component of the Brackish Groundwater Desalination Program. Review will be coordinated with each of the design engineers under the Brackish Groundwater Desalination Program Manager

Remarks:

Increase non-Edwards Aquifer supplies in accordance with goals outlined in 50-year water resource plan.

Operating Impact: This project will increase operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2012

\$500,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Desalination: Legal

Programmed Amount: \$168,135

Core Business: Water Supply

Category: Water Resources

Phase: Acquisition

Council District: System wide

PROJECT INFORMATION

Project Objective: Increase available water supply.

Description and Scope:

The legal services required are associated with land purchase, easement acquisition, acquisition of groundwater rights, and development of an alternative procurement service contract for the desalination project.

Remarks:

Increase non-Edwards Aquifer supplies in accordance with goals outlined in 50-year water resource plan.

Operating Impact: This project will increase operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

2012

\$150,000

DesignYear:

0

\$0

Construction Year



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Desalination: Land Acquisition (Production Well Field)

Programmed Amount: \$1,681,350

Core Business: Water Supply

Category: Water Resources

Phase: Acquisition

Council District: System wide



PROJECT INFORMATION

Project Objective: Increase available water supply.

Description and Scope:

Acquire additional property required for the development of the production well field and conveyance pipeline to support the Brackish Groundwater Desalination Project. Based on the groundwater modeling, brackish production wells will need to be spaced approximately 4,000 feet apart in order to minimize interference between wells.

Remarks:

Increase non-Edwards Aquifer supplies in accordance with goals outlined in 50-year water resource plan.

Operating Impact: This project will increase operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Failure Impact:

Failure Root Cause:

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2012

\$1,500,000



2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Integration: Land Acquisition

Programmed Amount: \$5,604,500

Core Business Water Supply

Category: Water Resources

Phase: Acquisition

Council District System wide



PROJECT INFORMATION

Project Objective: Increase available water supply.

Description and Scope:

Acquisition of easements for pipeline Right-of-Way and permanent property purchases for facilities to integrate water treated at the ASR facility with the western portion of the SAWS service area.

Remarks:

Increase non-Edwards Aquifer supplies in accordance with goals outlined in the 50-year water resource plan.

Operating Impact: This project will reduce operating and maintenance costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Failure Impact:

Failure Root Cause:

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2012

0

0

\$5,000,000

\$0


\$0

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**HEATING AND COOLING
CAPITAL IMPROVEMENT PROGRAM
PROJECTS**

|

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 2012 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet									
PROJECT DESCRIPTION Project: Heating and Cooling System Infrastructure 2012 Programmed Amount: \$115,000 Core Business Heating & Cooling Category: Heating & Cooling Phase: Construction Council District 1,2									
PROJECT INFORMATION Project Objective: Heating & Cooling Infrastructure Repair and Rehabilitation Description and Scope: Annual requirement for emergency repair and/or replacement of Heating & Cooling related capital assets; including distribution mains and chilled water and steam equipment and facilities. Projects vary in size and location. Unspecified scope.									
Remarks: Operating Impact: This project will have no significant impact on operating and maintenance costs.									
FAILURE ANALYSIS AND RISK RATINGS <table border="1"> <tr> <td>Failure Mode: Equipment Failure</td> <td>Failure Impact: Service Interruption</td> <td colspan="2">Failure Root Cause: Failed System Component</td> </tr> <tr> <td>Impact Severity 10</td> <td>Likelihood of Occurrence 10</td> <td>Risk Mitigation 10</td> <td>Risk Exposure 1000</td> </tr> </table>		Failure Mode: Equipment Failure	Failure Impact: Service Interruption	Failure Root Cause: Failed System Component		Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 1000
Failure Mode: Equipment Failure	Failure Impact: Service Interruption	Failure Root Cause: Failed System Component							
Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 1000						
FUNDING INFORMATION Amounts shown are estimated costs without SAWS overhead.	LandYear: DesignYear: Construction Year 2012 \$100,000								

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A high-speed photograph of a water droplet hitting a surface, creating a crown-shaped splash. The water is clear and bright against a solid blue background. Numerous small droplets are suspended in the air around the main splash, creating a sense of motion and energy. The lighting highlights the edges of the water droplets, giving them a three-dimensional appearance.

Supplemental Information

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SUPPLEMENTAL INFORMATION

STATISTICAL SECTION

Revenue Capacity - Water Production, Water Usage and Wastewater Treated

Fiscal Year	Gallons of Water Production (c)	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate			
						Water Base Rate (d)	Water Usage Rate (e)	Sewer Base Rate (f)	Sewer Usage Rate (g)
2010 (a)	60,428	52,578	7,850	12.99%	48,503	\$ 7.10	\$ 18.10	\$ 8.73	\$ 10.78
2009	60,646	55,295	5,351	8.82%	51,987	6.77	20.04	7.76	9.63
2008	67,523	58,828	8,695	12.88%	50,347	6.56	19.92	7.37	9.14
2007	55,043	49,511	5,532	10.05%	49,218	6.56	19.59	7.37	9.14
2006	63,388	57,724	5,664	8.94%	53,268	6.56	19.69	7.37	9.14
2005	58,990	55,005	3,985	6.76%	49,287	6.11	18.42	7.33	9.10
2004	51,231	49,367	1,864	3.64%	49,593	5.61	15.47	6.60	8.19
2003	55,039	50,575	4,464	8.11%	49,669	5.61	13.20	5.70	7.14
2002	52,691	51,850	841	1.60%	52,180	5.61	11.97	5.70	7.14
2001 (b)	36,883	34,716	2,167	5.88%	29,561	5.61	9.19	5.70	7.14

(a) Reflects rate increase and rate restructuring for water usage beginning in November 2010. Prior to November, Water Base Rate (including TCEQ fees) was \$6.96, Water Usage Rate was \$20.52, Sewer Base Rate (including TCEQ fees) was \$7.81 and Sewer Usage Rate was \$9.63.

(b) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year-end from May 31st to December 31st.

(c) Pumpage is total potable water production less Aquifer Storage and Recovery recharge

(d) Rate shown is for 5/8" meters. See Schedule 7 for the rates of other meter sizes.

(e) Represents standard (non-seasonal) usage charge for monthly residential water usage of 7,788 gallons per month. Includes water supply and EAA fees.

(f) Minimum service availability charge (includes charge for first 1,496 gallons)

(g) Represents usage charge for a residential customer based on winter average water consumption of 6,178 gallons per month

Sales by Source

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)
Water Sales:										
Residential Class	\$66,410	\$65,333	\$68,516	\$56,096	\$65,927	\$58,351	\$44,829	\$45,147	\$45,414	\$30,258
General Class	32,326	32,943	32,330	29,313	31,606	28,613	24,006	23,219	23,682	15,839
Wholesale Class	136	204	179	120	145	182	114	143	173	312
Irrigation Class (b)	12,909	12,176	16,124	10,659	12,541	11,723	8,210	8,666	8,535	4,108
Total Water	111,781	110,656	117,149	96,188	110,219	98,869	77,159	77,175	77,804	50,517
Wastewater Sales:										
Residential Class	79,118	81,202	75,752	72,212	72,901	63,605	55,763	48,649	48,877	27,279
General Class	41,573	41,220	39,892	38,372	38,166	37,181	31,495	28,293	30,422	17,262
Wholesale Class	5,239	5,348	5,423	6,651	6,863	6,596	5,822	4,810	4,870	2,991
Surcharge	4,861	4,648	4,614	4,409	4,271	4,081	4,019	4,075	3,526	2,989
Total Wastewater	130,791	132,418	125,681	121,644	122,201	111,463	97,099	85,827	87,695	50,521
Conservation Fees:										
Residential Class	2,814	2,962	3,663	1,986	4,112	3,291	2,411	2,411	2,507	2,644
General Class	4,461	4,008	3,938	3,957	3,637	3,968	3,558	3,519	3,599	1,843
	7,275	6,970	7,601	5,943	7,749	7,259	5,969	5,930	6,106	4,487
Water Supply Fees (c)										
Pass-through fees (d)	11,099	6,500	10,497	6,614	8,573	8,571	6,030	5,945	4,926	3,010
Recycled Water Sales	3,955	4,393	4,287	3,244	3,795	3,100	2,669	2,455	2,444	1,412
Stormwater Fees	3,745	3,358	3,037	3,056	3,056	2,938	2,746	2,400	2,133	2,146
Chilled Water & Steam	12,337	12,714	12,758	13,101	13,243	13,371	12,028	12,193	10,857	6,822
Miscellaneous Fees and Charges	8,872	9,266	9,541	7,944	8,204	7,374	6,756	6,521	6,016	3,565
Provision for Uncollectible Accounts	(3,463)	(3,711)	(3,288)	(2,619)	(2,638)	(1,637)	(1,415)	(1,260)	(993)	(377)
Total Operating Revenue	\$368,780	\$365,342	\$374,621	\$327,718	\$358,656	\$326,533	\$261,272	\$239,826	\$234,215	\$134,328

(a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to Dec

(b) Effective December 1, 2000, an irrigation rate class was approved for water service provided through separate irrigation meters.

(c) Effective December 1, 2000, a water supply fee was approved on all potable water service.

(d) Pass-through fees are designed to recoup fees charged by Edwards Aquifer Authority (EAA) and the Texas Commission on Env. Quality (TCEQ)

Sales in Gallons (Gallons billed, in millions)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)
Water Sales (b):										
Residential Class	28,932	30,667	33,025	26,651	33,162	30,917	27,054	27,624	28,227	19,398
General Class	19,465	20,309	20,297	19,166	20,232	19,769	18,851	19,464	20,155	13,444
Wholesale Class	101	119	108	90	114	121	98	137	173	347
Irrigation Class	4,080	4,200	5,398	3,604	4,216	4,198	3,364	3,350	3,295	1,527
Total Water	52,578	55,295	58,828	49,511	57,724	55,005	49,367	50,575	51,850	34,716
Wastewater Sales:										
Residential Class	26,746	29,825	28,148	27,384	28,857	25,293	25,421	24,860	25,565	13,594
General Class	19,003	19,714	19,609	18,670	21,152	21,414	20,952	21,418	22,319	13,209
Wholesale Class	2,402	2,448	2,590	3,164	3,259	2,580	3,220	3,391	4,297	2,758
Total Wastewater	48,151	51,987	50,347	49,218	53,268	49,287	49,593	49,669	52,181	29,561
Conservation - Residential Class (c)	2,935	3,469	3,948	2,432	4,276	3,613	2,634	2,636	2,742	2,757
Recycled Water Sales	14,968	16,321	16,559	14,148	14,836	14,048	13,626	13,643	13,762	4,654

(a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.

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

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

Number of Customers (Average number billed)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)
Water Sales (b):										
Residential Class	331,853	327,610	323,754	318,270	308,807	298,271	289,458	282,016	276,340	271,597
General Class	23,225	23,242	23,104	22,943	22,662	22,384	22,092	21,894	21,869	21,695
Wholesale Class	7	7	7	7	7	6	6	7	7	7
Total Water	355,085	350,859	346,865	341,220	331,476	320,661	311,556	303,917	298,216	293,299
Irrigation Class (c)	8,350	8,202	7,940	7,602	7,232	6,883	6,522	6,283	6,125	3,329
Wastewater Sales:										
Residential Class	373,755	368,948	361,966	352,038	338,693	326,516	316,498	313,042	310,842	301,845
General Class	24,401	24,279	23,993	23,598	23,402	23,010	22,584	22,379	22,541	22,753
Wholesale Class	18	18	19	17	18	18	18	18	20	26
Total Wastewater	398,174	393,245	385,978	375,653	362,113	349,544	339,100	335,439	333,403	324,624
Conservation - Residential Class (d)	21,769	26,665	29,973	15,548	31,716	27,963	18,754	22,177	24,137	39,307
Recycled Water Sales	81	86	76	71	69	56	51	33	26	19

(a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.

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

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

(d) The residential class rate applied to monthly residential usage in excess of 17,205 gallons is designated as Conservation Fees. These customers are included in the residential class for water sales.

Ten Largest Customers – Water
(For Fiscal Year Ended December 31, 2010)

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (a) (in thousands)	%
City Of San Antonio	Municipal Entity	558	1.06	\$ 2,375	1.12
San Antonio Housing Authority	Public Housing	489	0.93	1,640	0.77
HEB Grocery	Grocery	451	0.86	1,478	0.70
Northside Independent School District	School System	277	0.53	1,114	0.52
Bexar County	County Government	338	0.64	1,079	0.51
CPS Energy	Public Power Utility	298	0.57	942	0.44
North East Independent School District	School System	205	0.39	815	0.38
JW Marriott Resort	Golf Resort	137	0.26	753	0.35
San Antonio Independent School District	School System	166	0.32	728	0.34
Maxim Integrated Product Inc.	Electronics	221	0.42	656	0.31
Subtotal (10 largest)		3,140	5.97	11,580	5.46
Balance from Other Customers		49,438	94.03	200,682	94.54
Total		52,578	100.00	\$ 212,262	100.00

(a) Includes Conservation, Water Supply and pass-through water fees.

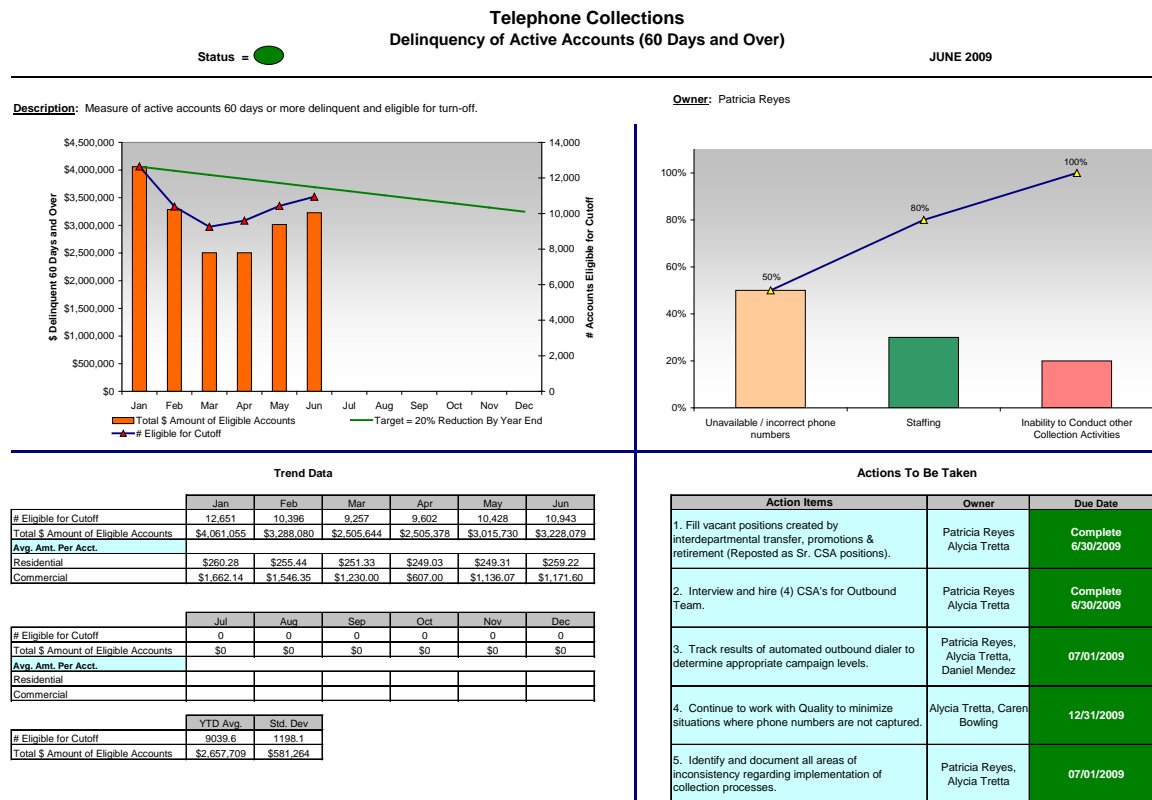
Ten Largest Customers – Wastewater
(For Fiscal Year Ended December 31, 2010)

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (a) (in thousands)	%
HEB Grocery	Grocery	388	0.85	\$ 1,669	1.33
San Antonio Housing Authority	Public Housing	492	1.08	1,030	0.82
Bexar County	County Government	271	0.59	644	0.51
City Of San Antonio	Municipal Entity	210	0.46	464	0.37
Frito Lay, Inc.	Food Manufacturer	63	0.14	458	0.36
Toyota	Automobile Manufacturer	168	0.37	451	0.36
L & H Packing Company	Beef Processor	144	0.31	446	0.35
Maxim Integrated Product, Inc.	Electronics	194	0.42	403	0.32
Oak Farms Dairy	Dairy Producer	57	0.12	391	0.31
American Opportunity For Housing	Housing Services	163	0.36	340	0.27
Subtotal (10 largest)		2,150	4.70	6,296	5.00
Balance from Other Customers		43,599	95.30	119,537	95.00
Total		45,749	100.00	\$ 125,833	100.00

PERFORMANCE MEASURES

SAWS uses a four-block method, known as a Building Block, to track performance within the organization. These one page reports consist of four sections that present an abundance of information regarding the past and current activity and trend data for the various divisions within the group. Each Building Block is 'owned' by one or more stakeholders, usually a manager or director, but the ultimate responsibility for the accuracy of the information lies with the appropriate Executive Team member. Owners present these reports in bi-monthly meetings attended by the Executive Management Team and various stakeholders.






























Sample Building Block













The left side of the report displays the trend data being captured and a chart showing values reflective of performance over time of the key performance indicator (KPI) for which the chart is titled. Each chart also contains a target goal value for this performance indicator. A colored icon at the top of the sheet indicates the current month's status in relationship to the target goal.






The upper right side of the report contains a Pareto chart which shows drivers (issues that drive the direction of the bars in the trend data chart) and the percentage of overall impact they have on performance. Below the Pareto chart is a list of action items that are being pursued to remove or lessen the impact of the drivers.



Current Key Performance Indicators for the various organizational groups, as of June 2010, are summarized as follows:

Customer Service	Target	Threshold	Status
Call Center Service Level	70%	65%	
Collection Delinquency	10% Reduction by Year End	8% Reduction by Year End	
Billing Adjustments	1.0% of Revenue Billed	1.5% of Revenue Billed	
Public Affairs	Target	Threshold	Status
Media Exposure	2.5% Negative	3.5% Negative	
Strategic Resources	Target	Threshold	Status
USAs/GCPs	90/90	100/100	 
2011 CIP (Also Water Supply)	100% Commitment of Budget	N/A	
Human Resources	Target	Threshold	Status
Turnover Rate - 12-month Cumulative	6.6%	9.0%	
Total Recordable Incident Rate (TRIR)	5.2	6.0	
Vehicle Safety (Preventable)	≤ 67	≤ 74	
Sick Leave Taken	≤ 3.2%	≤ 3.4%	
Vacancy Rate	7%	9%	
Operations Services	Target	Threshold	Status
Vehicle Status	2 Days	3 Days	 
Potable Water Testing	95%	90%	
Security Deficiencies Discovered	≥ 200	≥ 180	
Production & Treatment	Target	Threshold	Status
Permit Violations	WRC/Mitchell 0 0	WRC/Mitchell 2/2	 
SSO/LSO Violations	SSO 125 Per Year, LSO 0	SSO = TBD, LSO 2	 
Production	Zero Events	2 Events	
EOC	80%	75%	
Distribution & Collection	Target	Threshold	Status
High Priority Responses - Water	2 Hours	4 Hours	
High Priority Responses - Sewer	1 Hour	2 Hours	
Line Cleaning	EARZ - 50,900 Ft., Non-EARZ - 236,392 Ft., Contractor EARZ - 137,280 Ft, Contractor Non-EARZ - TBD.	EARZ - 40,700 Feet, Non-EARZ - 189,113 Ft., Contractor EARZ - 109,824 Ft., Contractor Non-EARZ - TBD	   
Water Main Repairs	48 Hours	90 Hours	

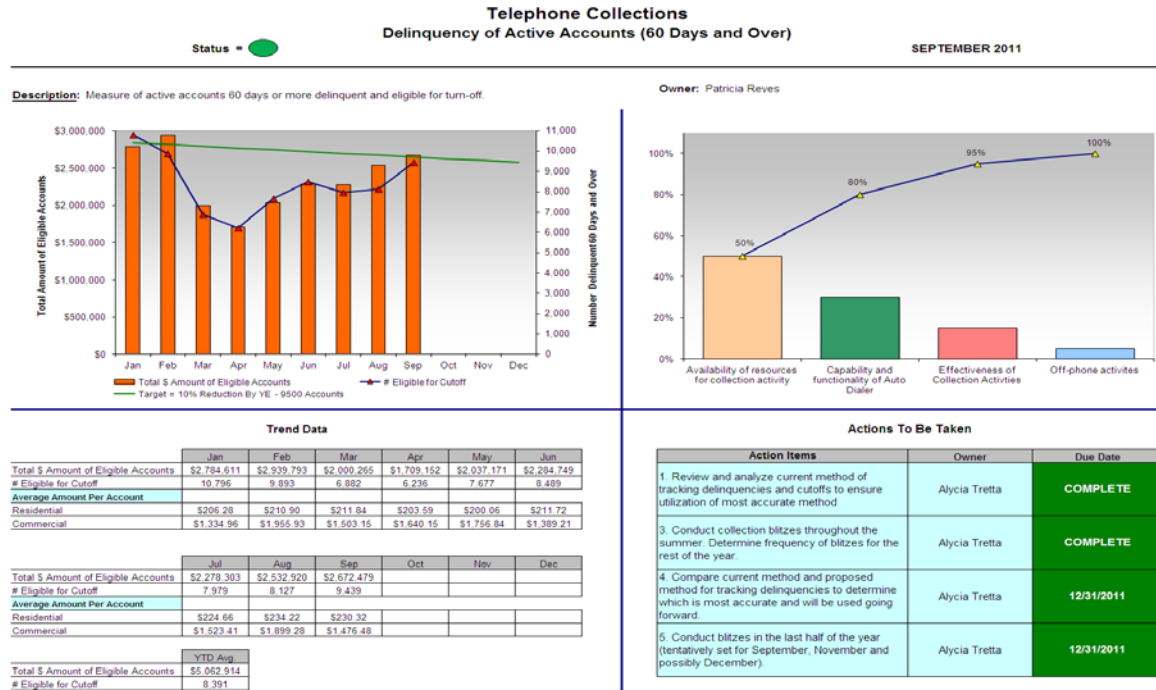
Current Key Performance Indicators for the various organizational groups, as of June 2010, are summarized as follows:

Financial Services	Target	Threshold	Status
Operating Ratio	52.80%	54.40%	
Current Year Senior Lien Debt Coverage Ratio	2.0	1.5	
Days Cash on Hand	300	250	
Order Fill Ratio	98%	95%	
RSS Ratio	85%	80%	
Construction Contracts	Solicitation ≤ 90 Days/Execution ≤ 45 Days	Solicitation ≤ 100 Days/Execution ≤ 60 Days	 
Professional Services Contracts	Solicitation ≤ 90 Days/Execution ≤ 60 Days	Solicitation ≤ 100 Days/Execution ≤ 75 Days	 
SMWB Participation—Combined	20% Cumulative YTD	20% Cumulative YTD	

Business Support Services	Target	Threshold	Status
Technical Support	70% ≤ 1 Day	55% ≤ 1 Day	
TeleComm/Communications	70% ≤ 1 Day	55% ≤ 1 Day	
User Acceptance	In Development	In Development	
Delivery and Cost	In Development	In Development	
Incorporated Processes	In Development	In Development	

Corporate	Target	Threshold	Status
Customer to Employee Ratio	471	464	
Overtime	5%	6%	

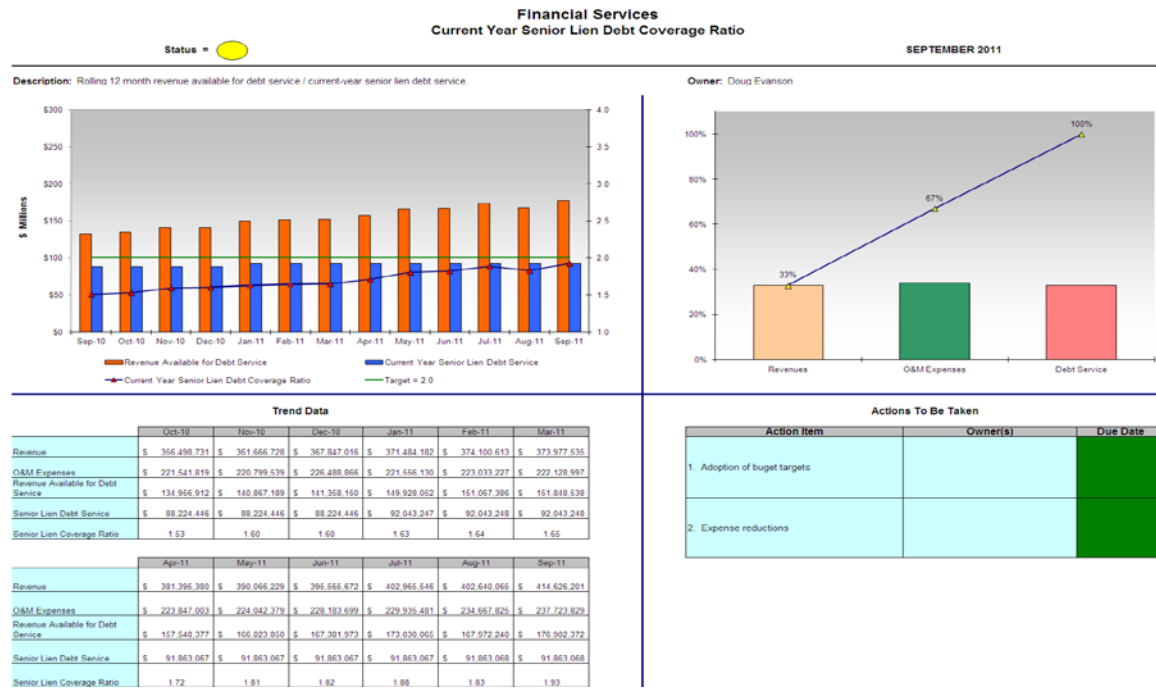
Examples of Key Performance Indicators utilized are as follows



Examples of Key Performance Indicators utilized are as follows



Examples of Key Performance Indicators utilized are as follows



GLOSSARY

Acre-Foot	The volume of water that would cover one acre to a depth of one foot. It is equal to 325,851 gallons.
Affordability Discount	Customer program designed to provide a discount to customers who meet income eligibility requirements.
Annual Budget	A financial plan for a specified period of time (fiscal year) that assigns resources to each activity in sufficient amounts so as to reasonably expect accomplishment of the objectives in the most cost effective manner.
Aquifer	A wet underground layer of water-bearing permeable rock or unconsolidated materials (gravel, sand, or silt) from which groundwater can be usefully extracted using a water well.
Aquitard	A bed of low permeability along an aquifer
Balanced Budget	A budget in which planned revenues generated from various user fees and receipts are sufficient to fund planned expenditures.
Board	Board of Trustees of the San Antonio Water System
Bonds	City of San Antonio, Texas Water System Revenue and Refunding Bonds
Brackish Groundwater	Either slightly or moderately saline water containing between 1,000 and 10,000 milligrams per liter (mg/L) of total dissolved solids (TDS).
Build America Bonds	Taxable municipal bonds that carry special tax credits and federal subsidies for either the bond issuer or the bondholder. Build America Bonds were created under the American Recovery and Reinvestment Act on February 17, 2009.
Capital Improvement Program	The Capital Improvement Program (CIP) is a planning and budgeting tool that provides information about SAWS' infrastructure needs. It identifies facility and equipment requirements for sustaining, restoring and modernizing the facilities and infrastructure that support water supply and delivery, wastewater collection and treatment, and heating and cooling requirements in the SAWS service area. It also prioritizes and schedules them for funding and implementation through a multi-year plan.
Capital Expenditure	An expenditure that: <ul style="list-style-type: none"> • results in additions or improvements of a permanent nature • is in an amount exceeding \$5,000 • adds value and has a useful life of more than one year • prolongs the life of the improved or enhanced property • is necessary to establish or implement the use of a fixed asset such that the modification of other existing assets makes the <u>new</u> asset operational.
City	The City of San Antonio, located in the State of Texas (COSA).

City Council	The current elected officials of the City of San Antonio, as set forth in the City's Charter. Unless otherwise stated, the Mayor is considered part of the City Council.
Commercial Paper	See "Tax Exempt Commercial Paper"
CPS Energy	Municipally owned utility providing electric and gas to the San Antonio and Bexar County area - formerly City Public Service (CPS).
CPS Contract Or CPS Energy Contract	The Wastewater Contract executed on September 15, 1990 between the Alamo Conservation and Reuse District and the City Public Service Board of San Antonio.
Cured-in-place pipe (CIPP)	A cured-in-place pipe (CIPP) is one of several trenchless rehabilitation methods used to repair existing pipelines. CIPP is a jointless, seamless, pipe-within-a-pipe with the capability to rehabilitate pipes ranging in diameter from 0.15 - 2.8 meter (6"-110"). As one of the most widely used rehabilitation methods CIPP has application in water, sewer, gas, and chemical pipelines
Debt	All indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money and all other SAWS financing obligations 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.
Debt Service Requirements	As of any particular date of computation, with respect to any obligation and 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.
Encumbrance	Amount for which there is a legal obligation to spend in the future. A purchase order is a typical encumbrance transaction
Failure Impact	The impact on the customer
Failure Mode	The manner by which a failure is observed; it generally describes the way the failure occurs.
Failure Root Cause	Defects in design, process, quality, or part application, which are the underlying cause of the failure or which initiate a process which leads to failure.
Fiscal Year	The twelve month accounting period used by SAWS 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.

Gross Revenues	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, any impact fees charged by the System, 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.
Junior Lien Obligations	Bonds, Previously Issued Junior Lien Obligations, and any Additional 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 SAWS' Net Revenues
Net Revenues	Gross Revenues of the System, with respect to any period, after deducting the System's Operating and Maintenance Expenses during such period.
Operating and Maintenance Expense	<p>All current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including:</p> <ol style="list-style-type: none"> (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, 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, (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
Ordinance	Ordinance No. 75686 adopted by the City Council on April 30, 1992.

Pledged Revenues	The Net Revenues, plus any additional revenues, income, receipts, or other resources, including, without limitation any grants, donations, or income received or to be 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.
Potable Water	Water fit to drink.
Senior Lien Obligations	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.
Strategic Plan	Strategic plan is a process of identifying corporate goals and priorities. The Strategic Plan becomes a management tool used to help an organization ensure that members of the organization are working toward the same goals, and to assess and adjust the organization's direction in response to a changing environment. Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future.
Subordinate Lien Obligations	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.
Swap	An exchange of streams of payments over time according to specified terms. The most common type is an interest rate swap, in which one party agrees to pay a fixed interest rate in return for receiving an adjustable rate from another party.
Tax Exempt Commercial Paper	An unsecured, short-term debt instrument maturing between 1 and 270 days, that provides the debt holders (bondholders) exemption from at least some taxes on the earnings at a local, state or federal level, or a combination thereof. The debt is usually issued at a discount, reflecting prevailing market interest rates. Tax-Exempt commercial paper is typically backed only by the issuer's promise to pay the face amount on the maturity date specified on the note.
Water Supply Fee	A consumption based fee that funds the acquisition of new water sources to reduce San Antonio's dependence on the Edwards Aquifer.

GLOSSARY OF ABBREVIATIONS

APB	Accounting Principals Board
ARB's	Accounting Research Bulletins
ASR	Aquifer Storage and Recovery
AWC	Average Winter Consumption
BRAC	Base Realignment and Closure
BSR	Bulverde Sneckner Ranch
CIP	Capital Improvement Program
CIPP	Cured-in-place pipe
CPS	City Public Service Energy
CSA or COSA	City of San Antonio
EAA	Edwards Aquifer Authority
EARIP	Edwards Aquifer Recovery Implementation Program
EMT	SAWS Executive Management Team
ERSS	Enterprise Resource Software System
ETJ	Extraterritorial Jurisdiction
FASB	Financial Accounting Standards Board
FMEA	Failure Methods and Effects Analysis
FOG	Fats, oil, grease
FRAPPE	Focused Risk Analysis for Project Prioritization and Evaluation
GASB	Government Accounting Standards Board
GPCD	Gallons per capita per day
KPI	Key Performance Indicator
LCRA	Lower Colorado River Authority
MGD	Million gallons per day
MGL	Milligrams per liter

MSA	Metropolitan Statistical Area
O&M	Operations and Maintenance
OPEB	Other post employment benefits
OSHA	Occupational Safety and Health Administration
RAC	Rates Advisory Committee
RFCS	Request for Competitive Sealed Proposal
RIP	Recovery Implementation Program
SAWS	San Antonio Water System
SWOT	SWOT Analysis is a strategic planning method used to evaluate the S trengths, W eaknesses, O pportunities, and T hreats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective.
TCEQ	Texas Commission on Environmental Quality
TECP	Tax exempt commercial paper
TWDB	Texas Water Development Board
WRC	Water Recycling Center

RATE SCHEDULES

RESIDENTIAL CLASS WATER AND SEWER RATES SCHEDULES SAN ANTONIO WATER SYSTEM

San Antonio, Texas

Effective for Consumption on or about January 1, 2012

The Service Availability Charge (minimum bill) for all residential water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons of 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"	\$ 7.14
3/4"	10.01
1"	15.75
1-1/2"	30.09
2"	47.28
3"	87.44
4"	144.78
6"	288.17
8"	460.22
10"	660.95
12"	1,234.47

MONTHLY VOLUME CHARGE

Usage Blocks	Rate Per 100 Gallons	
Gallons	Standard	Seasonal
First 5,985	\$0.0948	\$0.0948
Next 6,732	0.1372	0.1492
Next 4,488	0.1935	0.2219
Over 17,205	0.3388	0.4597

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

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

MONTHLY SERVICE AVAILABILITY CHARGE

Meter Size	Service Availability Charge
5/8"	\$ 9.29
3/4"	13.02
1"	20.47
1-1/2"	39.12
2"	61.48
3"	113.68
4"	188.23
6"	374.62
8"	598.30
10"	859.24
12"	1,604.82

MONTHLY VOLUME CHARGE

Usage Blocks	Rate Per 100 Gallons	
Gallons	Standard	Seasonal
First 5,985	\$0.1234	\$0.1234
Next 6,732	0.1784	0.1940
Next 4,488	0.2516	0.2885
Over 17,205	0.4405	0.5975

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

SEWER

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

INSIDE CITY LIMITS (ICL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$9.86
Over 1,496 gallons - \$0.2615 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$27.47 per month.

OUTSIDE CITY LIMITS (OCL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$11.85
Over 1,496 gallons - \$0.3138 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$32.97 per month.

**GENERAL CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2012

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
Meter Size	Service Availability Charge	Usage Blocks	Rate Per 100 Gallons
5/8"	\$ 9.92	Base*	\$0.1148
3/4"	14.18	>100-125% of Base	0.1372
1"	22.68	>125-175% of Base	0.1924
1-1/2"	43.95	>175% of Base	0.2818
2"	69.48		
3"	129.04		
4"	214.13		
6"	426.86		
8"	682.12		
10"	979.93		
12"	1,830.83		

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
Meter Size	Service Availability Charge	Usage Blocks	Rate Per 100 Gallons
5/8"	\$ 12.89	Base*	\$0.1492
3/4"	18.43	>100-125% of Base	0.1783
1"	29.48	>125-175% of Base	0.2501
1-1/2"	57.14	>175% of Base	0.3662
2"	90.33		
3"	167.76		
4"	278.37		
6"	554.91		
8"	886.76		
10"	1,273.92		
12"	2,380.08		

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

SEWER

Sewer service charges are computed from the water usage schedules below for all metered connections.

INSIDE CITY LIMITS (ICL)	OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) - \$9.86	Monthly Service Availability Charge (includes first 1,496 gallons) - \$11.85
Over 1,496 gallons - \$0.2615 per 100 gallons.	Over 1,496 gallons - \$0.3138 per 100 gallons.

**WHOLESALE CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2012

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

MONTHLY SERVICE AVAILABILITY CHARGE		<u>MONTHLY VOLUME CHARGE</u>	
Meter Size†	Service Availability Charge	Usage Blocks	Rate Per 100 Gallons
6"	\$ 288.17	Base*	\$0.0796
8"	460.22	>100-125% of Base	0.1196
10"	660.95	>125-175% of Base	0.1727
12"	1,234.47	>175% of Base	0.2442

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	Usage Blocks	Rate Per 100 Gallons
6"	\$ 374.62	Base*	\$0.1035
8"	598.30	>100-125% of Base	0.1555
10"	859.24	>125-175% of Base	0.2245
12"	1,604.82	>175% of Base	0.3174

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

† 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."

SEWER

INSIDE CITY LIMITS (ICL)

\$0.2357 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$1.77 per 100 cubic feet)

OUTSIDE CITY LIMITS (OCL)

\$115.82 Monthly Service Availability Charge plus \$0.2830 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.12 per 100 cubic feet)

**IRRIGATION CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2012

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE Rate Per 100 Gallons		
<u>Meter Size</u>	<u>Service Availability Charge</u>	Usage Blocks, Gallons	Standard	Seasonal
5/8"	\$ 9.92	0 Gallons	\$0.0000	\$0.0000
3/4"	14.18	Next 6,732	0.1613	0.1613
1"	22.68	Next 10,473	0.1935	0.2246
1-1/2"	43.95	Over 17,205	0.3388	0.4650
2"	69.48	The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.		
3"	129.04			
4"	214.13			
6"	426.86			
8"	682.12			
10"	979.93			
12"	1,830.83			

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE Rate Per 100 Gallons		
<u>Meter Size</u>	<u>Service Availability Charge</u>	Usage Blocks, Gallons	Standard	Seasonal
5/8"	\$ 12.89	0 Gallons	\$0.0000	\$0.0000
3/4"	18.43	Next 6,732	0.2097	0.2097
1"	29.48	Next 10,473	0.2515	0.2920
1-1/2"	57.14	Over 17,205	0.4405	0.6045
2"	90.33	The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.		
3"	167.76			
4"	278.37			
6"	554.91			
8"	886.76			
10"	1,273.92			
12"	2,380.08			

**WATER SUPPLY FEE SCHEDULE
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2012

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

Rate Class	Usage Blocks, Gallons	Fee to be Assessed (per 100 gallons)
Residential	First 5,985	\$0.1054
	Next 6,732	\$0.1524
	Next 4,488	\$0.2150
	Over 17,205	\$0.3763
General	Base*	\$0.1620
	>100-125% of Base	\$0.1620
	>125-175% of Base	\$0.1620
	>175% of Base	\$0.1620
Wholesale	Base*	\$0.1620
	>100-125% of Base	\$0.1620
	>125-175% of Base	\$0.1620
	>175% of Base	\$0.1620
Irrigation	0 Gallons	\$0.0000
	Next 6,732	\$0.1620
	Next 10,473	\$0.2150
	Over 17,205	\$0.4081

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

RECYCLED WATER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM
San Antonio, Texas

Effective for Consumption on or about January 1, 2012

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 mo

EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$9.04
3/4"	\$11.76
1"	\$15.31
1-1/2"	\$24.35
2"	\$35.61
3"	\$94.71
4"	\$140.77
6"	\$268.54
8"	\$404.78
10"	\$555.04
12"	\$684.83

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
Transferred Amount	\$0.0238	\$0.0238
All in excess of transferred amount	\$0.0892	\$0.0948

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

NON EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$9.04
3/4"	\$11.76
1"	\$15.31
1-1/2"	\$24.35
2"	\$35.61
3"	\$94.71
4"	\$140.77
6"	\$268.54
8"	\$404.78
10"	\$555.04
12"	\$684.83

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 748,000	\$0.0955	\$0.1026
Over 748,000	\$0.0975	\$0.1036

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

AFFORDABILITY PROGRAM DISCOUNTS
SAN ANTONIO WATER SYSTEM
San Antonio, Texas

Effective on or about January 1, 2012
Ordinance No. 92752 dated October 19, 2000

Size of Family Unit	Federal Poverty Level *	Income at or below 50% Poverty *	Income at or below 75% Poverty *	Income at or below 100% Poverty *	Income at or below 125% Poverty *	Income above 125% Poverty *
1	\$10,890	\$5,445	\$8,168	\$10,890	\$13,613	\$13,614
2	\$14,710	\$7,355	\$11,033	\$14,710	\$18,388	\$18,389
3	\$18,530	\$9,265	\$13,898	\$18,530	\$23,163	\$23,164
4	\$22,350	\$11,175	\$16,763	\$22,350	\$27,938	\$27,939
5	\$26,170	\$13,085	\$19,628	\$26,170	\$32,713	\$32,714
6	\$29,990	\$14,995	\$22,493	\$29,990	\$37,488	\$37,489
7	\$33,810	\$16,905	\$25,358	\$33,810	\$42,263	\$42,264
8	\$37,630	\$18,815	\$28,223	\$37,630	\$47,038	\$47,039
9	\$41,450	\$20,725	\$31,088	\$41,450	\$51,813	\$51,814
10	\$45,270	\$22,635	\$33,953	\$45,270	\$56,588	\$56,589
11	\$49,090	\$24,545	\$36,818	\$49,090	\$61,363	\$61,364
12	\$52,910	\$26,455	\$39,683	\$52,910	\$66,138	\$66,139
13	\$56,730	\$28,365	\$42,548	\$56,730	\$70,913	\$70,914
14	\$60,550	\$30,275	\$45,413	\$60,550	\$75,688	\$75,689
15	\$64,370	\$32,185	\$48,278	\$64,370	\$80,463	\$80,464

2012 Discount

	Income at or below 50% Poverty *	Income at or below 75% Poverty *	Income at or below 100% Poverty *	Income at or below 125% Poverty *	Income above 125% Poverty *
Water and Sewer	\$11.80	\$8.25	\$5.90	\$4.70	None
Water only	\$6.36	\$4.44	\$3.61	\$3.50	None
Sewer only	\$5.55	\$4.23	\$3.61	\$3.50	None

* Poverty level figures based on U.S. Dept. of Health & Human Services 2011 guidelines



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