OFFICIAL STATEMENT
Dated November 18, 2014

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: Fitch: "AAA"
Moody's: "Aaa"
S&P: "AAA"
(See "RATINGS" herein.)

In the opinion of Co-Bond Counsel (defined below), under existing law interest on the Bonds (defined below) is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds." See "TAX MATTERS" herein for a discussion of the opinion of Co-Bond Counsel, including a description of alternative minimum tax consequences for corporations.

CITY OF SAN ANTONIO, TEXAS

$51,955,000
GENERAL IMPROVEMENT REFUNDING BONDS, SERIES 2014

Date: December 1, 2014 (interest accrues from initial delivery date) **Due: February 1, as shown herein**

The $51,955,000 "City of San Antonio, Texas General Improvement Refunding Bonds, Series 2014" (the "Bonds") are being issued by the City of San Antonio, Texas (the "City") for the purposes herein-described pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), the Home Rule Charter of the City (the "City Charter"); and an ordinance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on October 9, 2014. In the Bond Ordinance, the City Council delegated to certain City officials and staff, pursuant to the provisions of Chapter 1207, authority to effectuate the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the Bonds and the sale were established in a pricing certificate executed by the City's Chief Financial Officer on November 18, 2014 (the "Pricing Certificate," and together with the Bond Ordinance, the "Ordinance").

Interest on the Bonds will accrue from the date of their initial delivery to the initial purchasers thereof named below (the "Underwriters"), will be payable on February 1 and August 1 of each year, commencing February 1, 2015, until stated maturity of the Bonds, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued as fully registered obligations in book-entry-only form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds. So long as the Securities Depository is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by U.S. Bank National Association, Dallas, Texas, as the initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners. (See "THE BONDS - Book-Entry-Only System" herein.)

The Bonds are payable from ad valorem taxes levied annually against all taxable property located within the City, within the limitations prescribed by law, including the constitutional tax limit of $2.50 per $100 of assessed valuation. (See "THE BONDS – Security" herein.)

SEE INSIDE COVER PAGE FOR MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS

*The Bonds are offered for delivery, when, as, and if issued and received by the Underwriters, and subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of Bracewell & Giuliani LLP and LM Tatum, PLLC, both of San Antonio, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Winstead PC and Kassahn & Ortiz, P.C., both of San Antonio, Texas, and for the City by the City Attorney. (See "*LEGAL MATTERS*" herein.) It is expected that the Bonds will be available for initial delivery through the services of DTC on or about December 16, 2014.*

SIEBERT BRANDFORD SHANK & CO., L.L.C.

FROST BANK **RBC CAPITAL MARKETS** **SOUTHWESTERN CAPITAL MARKETS, INC.**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS
(Due February 1)

$51,955,000
CITY OF SAN ANTONIO, TEXAS
GENERAL IMPROVEMENT REFUNDING BONDS, SERIES 2014
(CUSIP No.[1] Prefix: 796237)

Stated Maturity	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP No. [1] Suffix:
2015	$ 1,000,000	0.50	0.10	R80
2016	12,630,000	5.00	0.28	R98
2017	11,675,000	5.00	0.55	S22
2018	9,860,000	5.00	0.83	S30
2019	3,670,000	5.00	1.14	S48
2020	3,860,000	5.00	1.44	S55
2021	1,660,000	5.00	1.73	S63
2022	1,740,000	5.00	2.01	S71
2023	1,830,000	5.00	2.20	S89
2024	1,965,000	5.00	2.33	S97
2025	2,065,000	5.00	2.44	T21

Redemption. The Bonds are not subject to redemption prior to stated maturity.

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[1] CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the City, or the Co-Financial Advisors shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF SAN ANTONIO, TEXAS
ADMINISTRATION

CITY COUNCIL:

Name	Years on City Council	Term Expires	Occupation
Ivy R. Taylor, Mayor [1]	4 Months	May 31, 2015	College Lecturer
Diego M. Bernal, District 1 [2]	3 Years, 5 Months	May 31, 2015	Attorney
Keith Toney, District 2 [3]	3 Months	May 31, 2015	School Liaison Officer
Rebecca J. Viagran, District 3	1 Year, 6 Months	May 31, 2015	Business Owner
Rey Saldaña, District 4	3 Years, 6 Months	May 31, 2015	Adjunct Professor
Shirley Gonzales, District 5	1 Year, 5 Months	May 31, 2015	Business Owner
Ray Lopez, District 6	5 Years, 6 Months	May 31, 2015	Retired
Cris Medina, District 7 [4]	3 Years, 5 Months	May 31, 2015	Business Owner
Ron Nirenberg, District 8	1 Year, 5 Months	May 31, 2015	Broadcast General Manager
Joe Krier, District 9 [5]	1 Year	May 31, 2015	Business Owner
Mike Gallagher, District 10 [6]	10 Months	May 31, 2015	Retired

[1] Mayor Julián Castro was appointed by President Obama to join his Cabinet as Secretary of the U.S. Department of Housing and Urban Development. On July 9, 2014, Julián Castro received U.S. Senate confirmation to become the nation's Housing Secretary. As a result of the Senate's confirmation of this appointment, a special meeting was held on Tuesday, July 22, 2014, at which time the City Council selected Councilwoman Ivy R. Taylor to fill the vacated position for the remainder of the unexpired term, through May 31, 2015.

[2] On November 12, 2014, Councilman Bernal resigned as the District 1 City Councilmember. Councilman Bernal will remain as the District 1 City Councilman until the City Council appoints a replacement City Councilmember for District 1, which is currently anticipated to occur on December 11, 2014.

[3] On August 14, 2014, the City Council voted on applicants to fill the District 2 vacancy and selected Keith Toney to serve as the temporary replacement. On November 4, 2014, a Special Election was held to fill the District 2 vacancy and the elected councilmember will serve the remainder of the unexpired term, through May 31, 2015. An election runoff is scheduled for December 9, 2014 between Councilman Toney and Alan Warrick, II.

[4] On August 4, 2014, Councilman Cris Medina was activated into military service and temporarily vacated the City Council office for District 7. On August 14, 2014, the City Council adopted an ordinance (the "Appointment Ordinance") appointing Mari Aguirre-Rodriguez to serve as the temporary replacement City Councilwoman for District 7. Ms. Aguirre-Rodriguez was serving as City Councilwoman for District 7 at the time of the adoption of the Bond Ordinance on October 9, 2014. On October 10, 2014, Mr. Medina's military service concluded and Ms. Aguirre-Rodriguez's position as City Councilwoman for District 7 expired in accordance with the Appointment Ordinance. Councilman Medina was reinstated as City Councilman for District 7 on October 10, 2014.

[5] Councilwoman Elisa Chan filed to become a candidate for another public office and tendered notice of resignation from her place on the City Council on October 18, 2013. At the November 7, 2013 City Council meeting, City Council appointed Joe Krier as a member of the City Council for District 9, to serve until the elected candidate takes office. Following the canvassing of the May 10, 2014 special election, Joe Krier was elected to serve the remainder of the unexpired term, through May 31, 2015.

[6] Councilman Carlton Soules filed to become a candidate for another public office and tendered notice of resignation from his place on the City Council on December 9, 2013. At the January 30, 2014 City Council meeting, City Council appointed Mike Gallagher as a member of the City Council for District 10, to serve until the elected candidate takes office. Following the canvassing of the May 10, 2014 special election, Mike Gallagher ran unopposed and was elected to serve the remainder of the unexpired term, through May 31, 2015.

CITY OFFICIALS:

Name	Position	Years with City of San Antonio	Years in Current Position
Sheryl L. Sculley [1]	City Manager	9 Years	9 Years
Erik J. Walsh	Deputy City Manager	20 Years, 5 Months	3 Years, 2 Months
Peter Zanoni	Deputy City Manager	17 Years, 8 Months	2 Years
Ed Belmares	Assistant City Manager	7 Years, 10 Months	3 Years, 1 Month
David Ellison	Assistant City Manager	3 Years, 5 Months	2 Years, 8 Months
Carlos Contreras	Assistant City Manager	5 Years, 10 Months	2 Years
Gloria Hurtado	Assistant City Manager	3 Years, 8 Months	2 Years
Robert F. Greenblum [2]	City Attorney	5 Years, 6 Months	11 Months
Leticia M. Vacek	City Clerk	10 Years, 5 Months	10 Years, 5 Months
Ben Gorzell, Jr.	Chief Financial Officer	24 Years	4 Years, 3 Months
Troy Elliott	Director of Finance	18 Years, 3 Months	3 Years, 2 Months
Maria Villagomez	Director of Management and Budget	17 Years, 2 Months	5 Years, 1 Month

[1] Hired as City Manager in November 2005 with more than 30 years of public management experience, including serving as Assistant City Manager of the City of Phoenix, Arizona for 16 years and City Manager of Kalamazoo, Michigan, for which she worked for 15 years.

[2] Appointed as City Attorney effective December 6, 2013. Prior to his appointment, Mr. Greenblum served as the Mayor's Chief of Staff to which he was appointed on June 1, 2009. Mr. Greenblum is resigning as the City Attorney effective November 30, 2014. The City Council has appointed Martha Sepeda as the Acting City Attorney effective as of December 1, 2014.

CONSULTANTS AND ADVISORS:

Co-Bond Counsel — Bracewell & Giuliani LLP, San Antonio, Texas and LM Tatum, PLLC, San Antonio, Texas

Certified Public Accountant — Padgett, Stratemann & Co., L.L.P., San Antonio, Texas

Co-Financial Advisors — Coastal Securities, Inc., San Antonio, Texas and Estrada Hinojosa & Company, Inc., San Antonio, Texas

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement and the information contained herein are subject to completion and amendment. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. The information set forth herein has been compiled from sources which are believed by the City to be reliable but is not guaranteed as to accuracy or completeness by the Co-Financial Advisors or the Underwriters and is not to be construed as a promise or guarantee of the Co-Financial Advisors or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth hereinafter the date of this Official Statement.

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

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

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty, or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

None of the City, the Underwriters, or the Co-Financial Advisors makes any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System, as such information has been provided by DTC.

TABLE OF CONTENTS

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS ii
CITY OF SAN ANTONIO, TEXAS ADMINISTRATION iii
USE OF INFORMATION IN THE OFFICIAL STATEMENT iv
INTRODUCTION 1
PURPOSES AND PLAN OF FINANCING 1
- Purpose of the Bonds 1
- Refunded Obligations 1
- Sources and Uses of the Bonds 2

THE BONDS 2
- Description of the Bonds 2
- Authority for Issuance 3
- Security 3
- Redemption 3
- Paying Agent/Registrar 4
- Transfer, Exchange, and Registration 4
- Mutilated, Destroyed, Lost, or Stolen Bonds 4
- Defaults and Remedies 4
- Amendments 5
- Defeasance 5
- Payment Record 5
- Book-Entry-Only System 5
- Use of Certain Terms in Other Sections of this Official Statement 7

DEBT STATEMENT: ASSESSED VALUATION, OUTSTANDING DEBT PAYABLE FROM AD VALOREM TAXES, AND DEBT RATIOS 8
- Assessed Valuation (Table 1A) 8
- Debt Payable from Ad Valorem Taxes (Table 1B) 9
- Outstanding Principal and Interest Requirements (Table 2) 10
- Tax Adequacy (Table 3) 11
- Interest and Sinking Fund Management Index (Table 4) 11
- Ad Valorem Tax Debt Principal Repayment Schedule (Table 5) 12
- Debt Obligations – Capital Leases Payable (Table 6) 13
- Appropriation Obligations 13

AD VALOREM TAXATION 17
- Authority to Levy Ad Valorem Taxes; Tax Rate Limitations 17
- Texas Property Tax Code and County-Wide Appraisal District 17
- Property Subject to Taxation by the City 18

DEBT AND TAX RATE LIMITATIONS 24
- Tax Data (Table 7) 26
- Tax Rate Distribution (Table 8) 26
- Principal Taxpayers (Table 9) 26
- Net Taxable Assessed Valuation for Tax Years 2004-2013 (Table 10) 27
- Net Taxable Assessed Valuation and Ad Valorem Tax Debt (Table 11) 27
- Authorized but Unissued Ad Valorem Tax Debt (Table 12) 28
- Classification of Assessed Valuation (Table 13) 29
- Assessed Valuation and Tax Rate of Overlapping Issuers (Table 14) 30
- Direct and Overlapping Debt Data and Information (Table 15) 31

REVENUE SOURCES AND EXPENDITURES 32
- Sources of Revenues 32
- General Fund Comparative Statement of Revenues and Expenditures and Analysis of Changes in Fund Balances (Table 16) 32
- General Fund Update 33
- Financial Management Policies Update 33
- Internal Service Fund – Self Insurance 33
- Sales Taxation 33
- Special Entities 34
- Collections and Equivalent Rates 35
- Municipal Sales Taxes (Table 17) 35
- Comparison of Selected Sources of Revenues (Table 18) 36
- Expenditures for Selected Functions (Table 19) 37

THE CITY 38
Governmental Structure 38
City Charter 38
Services 38
Economic Overview 39
Employee Pension Plan and Benefits 41
Healthcare and Retirement Benefits Task Force 41
Employees 42
Financial Accounting and Financial Policies 42
Fiscal Year 2013 Management Letter 44
Information Regarding GASB Statements for Pension/Retirement Program 44
Debt Management 45
Debt Authorization 45
Debt Limitations 46
Long-Term Debt Planning 47
New Money Issues 47
Debt Service Tax Rate 47
The Budget Process 47
Three-Year Annexation Plan Process 49
Public Improvement District 49
Investments 50
Certain Significant Issues Affecting the City 52
LITIGATION AND REGULATION 63
General Litigation and Claims 63
Collective Bargaining Negotiations 65
CITY PENSION AND OTHER POSTEMPLOYMENT RETIREMENT BENEFIT LIABILITIES 65
City Pension Benefit Plans 65
Other City Postemployment Retirement Benefits 69
CAFR Discussion 71
TAX MATTERS 71
Tax Exemption 71
Additional Federal Income Tax Considerations 72
Tax Legislative Changes 72
REGISTRATION AND QUALIFICATION OF BONDS FOR SALE 72
LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS 73
LEGAL MATTERS 73
RATINGS 74
CONTINUING DISCLOSURE OF INFORMATION 74
Annual Reports 74
Notices of Certain Events 75
Availability of Information 75
Limitations and Amendments 75
Compliance with Prior Undertakings 76
EFFECT OF SEQUESTRATION 76
VERIFICATION OF MATHEMATICAL COMPUTATIONS 76
FORWARD-LOOKING STATEMENTS 77
UNDERWRITING 77
CO-FINANCIAL ADVISORS 77
CERTIFICATION OF THE OFFICIAL STATEMENT 78
AUTHORIZATION OF THE OFFICIAL STATEMENT 78

SCHEDULE I – Schedule of Refunded Obligations
APPENDIX A – City of San Antonio, Texas General Demographic and Economic Information
APPENDIX B – Form of Opinion of Co-Bond Counsel
APPENDIX C – Selected Portions of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013

The cover page, subsequent pages hereof, schedule and appendices attached hereto, are part of this Official Statement.

OFFICIAL STATEMENT
Relating to
CITY OF SAN ANTONIO, TEXAS
$51,955,000
GENERAL IMPROVEMENT REFUNDING BONDS,
SERIES 2014

INTRODUCTION

This Official Statement of the City of San Antonio, Texas (the "City") is provided to furnish information in connection with the sale of the "City of San Antonio, Texas General Improvement Refunding Bonds, Series 2014", in the principal amount of $51,955,000 (the "Bonds").

This Official Statement contains descriptions of the Bonds, the Ordinance (defined herein), and certain other information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the City Finance Department, 111 Soledad, 5th Floor, San Antonio, Texas 78205; or from the City's Co-Financial Advisors, Coastal Securities, Inc., 2526 North Loop 1604 West, Suite 150, San Antonio, Texas 78248 and Estrada Hinojosa & Company, Inc., 100 West Houston Street, Suite 1400, San Antonio, Texas 78205, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

PURPOSES AND PLAN OF FINANCING

Purpose of the Bonds

The Bonds are being issued to provide funds to: (1) currently refund certain outstanding City obligations as identified in Schedule I hereto (the "Refunded Obligations"); and (2) pay the costs of issuance of the Bonds.

Refunded Obligations

The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and Wilmington Trust, National Association, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Causey Demgen & Moore P.C., a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. **Such maturing principal and interest on the Federal Securities will not be available to pay the Bonds.** (See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein).

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effectuated the defeasance of all of the Refunded Obligations in accordance with the

law. It is the opinion of Co-Bond Counsel that as a result of such defeasance and in reliance upon the report of Causey Demgen & Moore P.C., the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes or other revenues nor for the purpose of applying any limitation on the issuance of debt.

Sources and Uses of the Bonds

The following table summarizes the application of the proceeds resulting from the sale of the Bonds and the uses of funds.

Sources of Funds	
Principal Amount of the Bonds	$51,955,000.00
Original Issue Premium	6,214,477.20
Total Sources of Funds	$58,169,477.20
Uses of Funds	
Cash Deposit to Escrow Fund	$ 0.38
SLGs Purchases for Escrow Fund	57,751,034.00
Costs of Issuance and Additional Proceeds	243,862.85
Underwriters' Discount	174,579.97
Total Uses of Funds	$58,169,477.20

THE BONDS

Description of the Bonds

Interest on the Bonds accrues from the date of their initial delivery to the initial purchasers thereof, will be computed on the basis of a 360-day year of twelve 30-day months, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015, until stated maturity of the Bonds or prior redemption. The principal of and interest on the Bonds are payable in the manner described herein under "THE BONDS - Book-Entry-Only System". If the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the applicable security register (the "Register") maintained by U.S. Bank National Association, Dallas, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) by check, mailed first-class, postage prepaid, to the address of such person on the Register, or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, the principal of the Bonds will be payable at stated maturity upon presentation and surrender thereof at the designated payment office of the Paying Agent/Registrar.

The date for determining the person to whom the interest on a Bond is payable on any interest payment date is the 15th calendar day of the month next preceding such interest payment date, as specified in the Ordinance (the "Record Date"). In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new Record Date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the applicable Register at the close of business on the day next preceding the date of mailing of such notice.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close or the United States Post Office is not open for business, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

Authority for Issuance

The Bonds

The Bonds are issued pursuant to the Home Rule Charter of the City (the "City Charter"); the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City (the "City Council") on October 9, 2014 authorizing the issuance of the Bonds (the "Bond Ordinance").

Delegation of Authority to Effect Sale

In the Bond Ordinance, the City Council delegated to certain City officials and staff, pursuant to the provisions of Chapter 1207, authority to effectuate the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the Bonds and the sale were established in a pricing certificate executed by the City's Chief Financial Officer on November 18, 2014 (the "Pricing Certificate," and together with the Bond Ordinance, the "Ordinance").

Security

Ad Valorem Tax Pledge

In the Ordinance, the City has covenanted that it will levy and collect an annual ad valorem tax, within the limitations prescribed by law, against all taxable property located within the City sufficient to meet the debt service requirements on the Bonds. The City had outstanding, as of September 30, 2014, $1,494,770,000 in principal amount of ad valorem tax-supported obligations prior to the issuance of the Bonds.

Tax Rate Limitations

The State Constitution and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General, who must approve the issuance of the Bonds, has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collections. In addition, Section 1331.051, Texas Government Code, and the City Charter prohibit the total debt of the City from exceeding 10% of the total assessed valuation of property shown by the last assessment roll, and the City Charter excludes (1) any indebtedness secured in whole or in part by special assessments, (2) the debt of any improvement district, and (3) any indebtedness secured by revenues, other than taxes of the City or of any department or agency thereof. The issuance of the Bonds does not result in the City's violation of these provisions. (See "DEBT AND TAX RATE LIMITATIONS" herein.)

Perfection of Security Interest

Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes thereto and such pledge is, therefore, valid, effective, and perfected. Should State law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the ad valorem taxes is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge or pledges to occur.

Redemption

The Bonds are not subject to redemption prior to stated maturity.

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Ordinance, the City covenants to provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar at all times until each series of the Bonds are duly paid. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, must be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as a Paying Agent/Registrar for the Bonds. Upon a change in the Paying Agent/Registrar for the Bonds, the City will promptly cause written notice thereof to be sent to each registered owner of Bonds by United States mail, first-class, postage prepaid.

Transfer, Exchange, and Registration

In the event the Book-Entry-Only System is discontinued, certificated Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or its designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer will be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar is required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, that such limitation of transfer is not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Mutilated, Destroyed, Lost, or Stolen Bonds

The City has agreed to replace damaged, mutilated, destroyed, lost, or stolen Bonds upon surrender of the damaged or mutilated Bonds to the Paying Agent/Registrar or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the City and the Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The City may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Defaults and Remedies

If the City defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the bondholders may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions

to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the bondholders. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Further, the bondholders cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce bondholders' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Co-Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and as to general principles of equity that permit the exercise of judicial discretion.

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) affect the rights of the owners of less than all of the Bonds then outstanding; (2) make any change in the maturities of the Bonds; (3) reduce the rate of interest borne by any of the Bonds; (4) reduce the amount of the principal payable on the Bonds; (5) modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payment; or (6) change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

Defeasance

The Ordinance provides that the Bonds may be discharged, defeased or refunded in any manner permitted by then applicable law.

Payment Record

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

Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of each series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for about 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as: tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices are provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC

mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Paying Agent/Registrar on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered owner of the Bonds, the City will have no obligation or responsibility to the DTC Participants or Indirect Participants, or to the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners, bondholders, or holders should be read to include the person for which the Direct Participant or Indirect Participant acquires an interest in the Bonds, but (1) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (2) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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The following Tables 1A – 6 contain information on assessed valuation, debt payable from ad valorem taxes, estimated debt payable from ad valorem taxes, tax adequacy, indicated interest and sinking fund, ad valorem tax debt principal repayment schedule, and debt obligations – capital leases payable.

DEBT STATEMENT:
ASSESSED VALUATION, OUTSTANDING DEBT PAYABLE FROM AD VALOREM TAXES, AND DEBT RATIOS

Assessed Valuation [1]		**Table 1A**
Tax Year 2014 Actual Market Value of Taxable Property		$92,723,752,948
Less:		
Residence Homestead Exemptions - Optional 65 or Older	$4,770,109,903	
Residence Homestead Exemptions - Disabled	108,580,178	
Disabled Veterans' Exemptions	179,860,221	
Disabled Veterans' 100% Exemptions	668,628,048	
Historical Property Exemptions	95,578,906	
Freeport Goods Exemptions	445,142,740	
Tax Abatement/Phase-In Exemptions	900,486,805	
Residence Homestead Appraised Value 10% Limitations	275,933,445	
Agricultural Productivity Loss	474,530,769	
Pollution Control Exemptions	72,192,648	
Low Income Housing Exemptions	65,090,928	
Absolute Value Exemptions	4,597,430,892	
Pro-Rated Exemptions	8,963,566	
Community Housing Development Organizations	286,768,226	
Armed Services Surviving Spouse Exemptions	2,603,028	
Personal Property Vehicle Exemptions	2,191,300	
Total Exemptions	$12,954,091,603	
Tax Year 2014 Net Taxable Assessed Valuation (100% of Actual Market) [2]		$79,769,661,345

[1] Based on Tax Year 2014 Net Taxable Assessed Valuation certified by the Bexar Appraisal District as of July 19, 2014.
[2] The City anticipates that the taxable assessed value of real property subject to the 65 years of age and older and disabled homeowners tax freeze totals approximately $1,060,950,874, resulting in a fiscal year 2015 loss in ad valorem tax revenue of approximately $6,001,693.

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Debt Payable from Ad Valorem Taxes		**Table 1B**
The Outstanding Ad Valorem Tax Debt (at 12/16/2014)		
General Obligation Bonds	$	1,155,330,000
Combination Tax and Revenue Certificates of Obligation		283,870,000
Tax Notes		38,070,000
Public Property Finance Contractual Obligations		17,500,000
Gross Outstanding Ad Valorem Tax Debt	$	1,494,770,000
Less: The Refunded Obligations	$	56,290,000
The Bonds	$	51,955,000
Total Gross Outstanding Ad Valorem Tax Debt	$	1,490,435,000
Less: Self-Supporting Debt [1]		69,915,000
Total Net Debt Payable from Ad Valorem Taxes	$	1,420,520,000
Estimated, Unaudited Interest and Sinking Fund Balance (at 9/30/2014)	$	41,532,859
Ratio of Gross Debt to Actual Market Value [2]		1.61%
Ratio of Gross Debt to Net Taxable Assessed Value [2]		1.87%
Ratio of Net Debt to Actual Market Value [2]		1.53%
Ratio of Net Debt to Net Taxable Assessed Value [2]		1.78%
Tax Year 2014 Actual Market Value of Taxable Property [2]	$	92,723,752,948
Tax Year 2014 Net Taxable Assessed Value (100% of Actual Market) [2]	$	79,769,661,345
Per Capita 2014 Net Taxable Assessed Valuation [2, 3]	$	56,543
Per Capita Gross Debt [3]	$	1,056
Per Capita Net Debt [3]	$	1,007

[1] To maintain this debt as self-supporting, payments will be made from Solid Waste Management Fees, Police Confiscated Property Funds, Brooks City-Base Tax Increment Financing Revenue, Golf Course Revenue, Midtown Tax Increment Reinvestment Zone Revenue, Parking System Revenue, Stormwater Revenue, Edwards Venue Project Sales Tax Revenue, and Mission del Lago Tax Increment Reinvestment Zone Revenue. Though expected to be self-supporting from these respective sources, the sole or primary source of payment for these obligations is the City's pledge of ad valorem tax collections, within the limitations prescribed by law.

[2] Based on Tax Year 2014 Net Taxable Assessed Valuation certified by the Bexar Appraisal District as of July 19, 2014.

[3] Based on the City's Information Technology Services Department estimated population of 1,410,782 in 2014.

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Outstanding Principal and Interest Requirements [1] **Table 2**

Year	Existing Debt Service [2]	Refunded Debt Service	The Bonds Principal	The Bonds Interest	Total Debt Service	New Aggregate Debt Service [2]
2015	$ 182,341,653	$ 2,922,069	$ 1,000,000	$ 1,592,969	$ 2,592,969	$ 182,012,553
2016	172,412,311	15,641,606	12,630,000	2,232,000	14,862,000	171,632,705
2017	142,385,764	14,001,408	11,675,000	1,624,375	13,299,375	141,683,731
2018	141,464,822	11,648,226	9,860,000	1,086,000	10,946,000	140,762,596
2019	138,350,145	5,122,880	3,670,000	747,750	4,417,750	137,645,015
2020	132,315,511	5,123,123	3,860,000	559,500	4,419,500	131,611,888
2021	128,552,311	2,784,345	1,660,000	421,500	2,081,500	127,849,466
2022	123,036,734	2,779,540	1,740,000	336,500	2,076,500	122,333,694
2023	114,657,861	2,783,528	1,830,000	247,250	2,077,250	113,951,583
2024	107,000,984	2,822,888	1,965,000	152,375	2,117,375	106,295,471
2025	98,897,929	2,822,188	2,065,000	51,625	2,116,625	98,192,366
2026	95,152,971					95,152,971
2027	83,873,376					83,873,376
2028	85,543,667					85,543,667
2029	55,277,670					55,277,670
2030	55,271,870					55,271,870
2031	55,255,258					55,255,258
2032	44,283,165					44,283,165
2033	34,664,573					34,664,573
2034	26,013,194					26,013,194
2035	13,639,332					13,639,332
2036	13,621,251					13,621,251
2037	13,601,037					13,601,037
2038	13,583,081					13,583,081
2039	13,561,565					13,561,565
2040	13,545,878					13,545,878
	$2,098,303,913	$68,451,801	$51,955,000	$9,051,844	$61,006,844	$2,090,858,956

[1] As of December 16, 2014.

[2] Excludes debt service anticipated to be paid by Build America Bonds direct subsidy which, effective October 1, 2014, will be reduced by 7.3% due to the effect of Sequestration. (See "EFFECT OF SEQUESTRATION" herein.)

Tax Adequacy	**Table 3**
2014 Net Taxable Assessed Valuation [1]	$79,769,661,345
Maximum Annual Debt Service Requirements, Fiscal Year Ended 2015 [2]	$182,012,553
Indicated Interest and Sinking Fund Tax Rate	$0.2329
Indicated Interest and Sinking Fund Tax Levy at 98% Collections	$182,067,870

[1] Based on Tax Year 2014 Net Taxable Assessed Valuation certified by the Bexar Appraisal District as of July 19, 2014.
[2] Includes the Bonds, excludes the Refunded Obligations.

Interest and Sinking Fund Management Index	**Table 4**
Estimated, Unaudited Interest and Sinking Fund Balance, Fiscal Year Ended 2014	$ 41,532,859
2014 Actual Interest and Sinking Fund Rate	0.2115
2014 Interest and Sinking Fund Tax Levy at 98% Collections Produces [1]	160,318,042
Total Available for Debt Service	$ 201,850,901
Less: Ad Valorem Debt Service Requirements, Fiscal Year Ended 2015 [2]	182,012,553
Estimated Surplus at Fiscal Year Ended 2015 [3]	$ 19,838,348

[1] Includes deductions for loss in ad valorem tax revenue due to delinquencies, tax increment reinvestment zone contribution, the 65 years of age and older exemption, and the disabled homeowners tax freeze exemption.
[2] Excludes debt service anticipated to be paid by Build America Bonds direct subsidy, which takes into account the effects of Sequestration. (See "EFFECT OF SEQUESTRATION" herein.)
[3] Does not include revenues derived from self-supporting debt operations, delinquent tax collections, penalties and interest on delinquent tax collections, or investment earnings.

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Ad Valorem Tax Debt Principal Repayment Schedule [1] **Table 5**

Fiscal Year	Currently Outstanding Obligations [1]	Less: Refunded Obligations	The Bonds	Total Outstanding	Obligations Remaining Outstanding End of Year	Cumulative Percent of Principal Retired
2015	$ 116,940,000		$ 1,000,000	$ 117,940,000	$1,372,495,000	7.91%
2016	110,940,000	$13,060,000	12,630,000	110,510,000	1,261,985,000	15.33%
2017	85,070,000	12,075,000	11,675,000	84,670,000	1,177,315,000	21.01%
2018	88,415,000	10,305,000	9,860,000	87,970,000	1,089,345,000	26.91%
2019	89,510,000	4,155,000	3,670,000	89,025,000	1,000,320,000	32.88%
2020	87,800,000	4,375,000	3,860,000	87,285,000	913,035,000	38.74%
2021	88,250,000	2,205,000	1,660,000	87,705,000	825,330,000	44.62%
2022	86,640,000	2,315,000	1,740,000	86,065,000	739,265,000	50.40%
2023	82,280,000	2,440,000	1,830,000	81,670,000	657,595,000	55.88%
2024	78,470,000	2,610,000	1,965,000	77,825,000	579,770,000	61.10%
2025	73,925,000	2,750,000	2,065,000	73,240,000	506,530,000	66.01%
2026	73,515,000			73,515,000	433,015,000	70.95%
2027	65,420,000			65,420,000	367,595,000	75.34%
2028	70,245,000			70,245,000	297,350,000	80.05%
2029	43,235,000			43,235,000	254,115,000	82.95%
2030	45,185,000			45,185,000	208,930,000	85.98%
2031	47,160,000			47,160,000	161,770,000	89.15%
2032	38,230,000			38,230,000	123,540,000	91.71%
2033	30,010,000			30,010,000	93,530,000	93.72%
2034	22,450,000			22,450,000	71,080,000	95.23%
2035	10,740,000			10,740,000	60,340,000	95.95%
2036	11,160,000			11,160,000	49,180,000	96.70%
2037	11,595,000			11,595,000	37,585,000	97.48%
2038	12,050,000			12,050,000	25,535,000	98.29%
2039	12,520,000			12,520,000	13,015,000	99.13%
2040	13,015,000			13,015,000	0	100.00%
	$1,494,770,000	$56,290,000	$51,955,000	$1,490,435,000		

[1] As of December 16, 2014.

Debt Obligations – Capital Leases Payable **Table 6**

The City has entered into various lease purchase agreements for the acquisition of various refuse collection containers, refuse collection trucks (diesel and compressed natural gas), brush collection trucks, brush grappler trucks, brush tractor/trailer combinations, and energy/water savings conservation improvements. Shown below is the gross value of the assets at December 16, 2014. Payments on each of the lease purchases will be made from budgeted annual appropriations approved by the City Council. The following is a schedule of the projected remaining future minimum lease payments under these capital leases together with the net minimum lease payments as of December 16, 2014.

Description	Lease Termination Date	Minimum Lease Payment	Amount Representing Interest	Total Minimum Lease Payments
17 Refuse Collection Trucks, 5 Brush Grappler Trucks, and 10 Brush Tractor/Trailers	11/1/2015	$869,536	$20,969	$890,505
15 Automated Refuse Collection Trucks (CNG)	2/1/2016	760,805	24,479	785,284
42 Automated Refuse Collection Trucks	5/1/2016	2,429,456	69,984	2,499,440
8 Automated Refuse Collection Trucks and 1 Brush Collection Tractor	2/1/2017	407,649	17,938	425,587
Brush Collection Trucks and Refuse Trucks	8/1/2019	3,803,142	142,275	3,945,417
Automated Trucks, Brush Trucks, Wheel Loaders, Grapplers, and Roll Off Trucks	8/1/2021	4,319,433	260,161	4,579,594
Energy/Water Savings Conservation Improvements (Aviation)	11/1/2026	2,696,542	620,597	3,317,139
Energy/Water Savings Conservation Improvements (Convention, Sports, and Entertainment Facilities)	11/1/2026	7,367,801	1,667,490	9,035,291
Total		$22,654,364	$2,823,893	$25,478,257

Appropriation Obligations

On May 15, 2001, the City became obligated to pay $14,465,000 in lease revenue bonds (the "2001 Lease Revenue Bonds") issued through the City of San Antonio, Texas Municipal Facilities Corporation (the "Corporation") to provide funds for the construction of the "Development & Business Services Center Project", a municipal office facility. The City and the Corporation entered into a lease whereby the Corporation agreed to cause such facility to be built and leased by the City. The lease commenced May 15, 2001 and the City agreed to pay annual lease payments, subject to annual appropriation, sufficient to pay principal and interest on the 2001 Lease Revenue Bonds when due. On March 31, 2010, the Corporation delivered its Lease Revenue Refunding Bonds, Series 2010 (the "2010 Lease Revenue Bonds") to refund the callable portion of the 2001 Lease Revenue Bonds to achieve debt service savings. The unrefunded portion of the Series 2001 Lease Revenue Bonds was fully paid at scheduled maturity in 2011 and is no longer outstanding.

On August 10, 2011, the Corporation issued its Lease Revenue Bonds, Series 2011 (the "2011 Lease Revenue Bonds"). The proceeds from the 2011 Lease Revenue Bonds were utilized to fund the construction of a new Fire and Police Emergency Dispatch Center, also known as the Public Safety Answering Point ("PSAP") facility located at Brooks City-Base, adjacent to the Emergency Operations Center. See "City of San Antonio, Texas – General Demographic and Economic Information" attached hereto as APPENDIX A for a description of Brooks City-Base. Proceeds of the 2011 Lease Revenue Bonds were also used to construct a parking lot for joint use by the new PSAP facility and the City's Emergency Operations Center. The new PSAP facility replaces the original PSAP facility located in the City's Police Headquarters. Similar to the City's Development & Business Service Center project's structure, the City and the Corporation entered into a lease agreement whereby the Corporation has caused the PSAP facility to be built and leased by the City. The City has agreed to make annual lease payments, subject to annual appropriation, sufficient to pay principal and interest on the 2011 Lease Revenue Bonds when due.

The Corporation's indebtedness related to the two projects identified above represent separate, distinct, and unrelated financing regimes of the Corporation, each secured by and payable from separate sources of security that are unrelated to the other. A security source for one debt regime is not available for payment of the other and a default with respect to debt of one financing regime will not directly result in a default of debt incurred under the other. The Corporation is permitted under State law to incur additional debt under an existing regime or to create new regimes under which additional, unrelated debt may be incurred.

The table below shows the combined debt service schedule for the outstanding 2010 Lease Revenue Bonds and the 2011 Lease Revenue Bonds. In addition to the debt service on those bonds, the lease payments paid by the City include other expenses related to the operation and maintenance of the respective facilities.

MFC Lease Revenue Bonds [1]

Fiscal Year Ending 9/30	Principal	Interest	Annual Debt Service
2015	$ 1,540,000	$ 1,355,256.26	$ 2,895,256.26
2016	1,570,000	1,324,456.26	2,894,456.26
2017	1,605,000	1,288,206.26	2,893,206.26
2018	1,655,000	1,243,131.26	2,898,131.26
2019	1,695,000	1,193,481.26	2,888,481.26
2020	1,750,000	1,141,825.00	2,891,825.00
2021	690,000	1,083,287.50	1,773,287.50
2022	715,000	1,059,137.50	1,774,137.50
2023	745,000	1,030,537.50	1,775,537.50
2024	775,000	1,000,737.50	1,775,737.50
2025	805,000	969,737.50	1,774,737.50
2026	840,000	935,525.00	1,775,525.00
2027	875,000	899,825.00	1,774,825.00
2028	910,000	862,637.50	1,772,637.50
2029	950,000	821,687.50	1,771,687.50
2030	995,000	778,937.50	1,773,937.50
2031	1,040,000	731,675.00	1,771,675.00
2032	1,090,000	682,275.00	1,772,275.00
2033	1,145,000	630,500.00	1,775,500.00
2034	1,200,000	573,250.00	1,773,250.00
2035	1,260,000	513,250.00	1,773,250.00
2036	1,325,000	450,250.00	1,775,250.00
2037	1,390,000	384,000.00	1,774,000.00
2038	1,460,000	314,500.00	1,774,500.00
2039	1,530,000	241,500.00	1,771,500.00
2040	1,610,000	165,000.00	1,775,000.00
2041	1,690,000	84,500.00	1,774,500.00
	$32,855,000	$21,759,106.30	$54,614,106.30

[1] As of December 16, 2014.

In addition to the foregoing, the City Council, on June 14, 2012, adopted an ordinance creating the City of San Antonio, Texas Public Facilities Corporation (the "City PFC"), a Texas public facilities corporation created and existing under Chapter 303, as amended, Texas Local Government Code, for the purpose of refinancing and restructuring the City's then outstanding indebtedness supporting the Henry B. Gonzalez Convention Center (see "THE CITY – Debt Management") and to provide additional financing for a significant renovation and expansion of the same. On October 31, 2012, the City PFC issued its $550,373,641.50 Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project) (the "Convention Center

Lease Revenue Bonds"), the resultant proceeds from which, in the approximate amount of $325 million, are being used to finance the renovation and expansion of the existing Henry B. Gonzalez Convention Center and the remainder to refinance all then-outstanding Henry B. Gonzalez Convention Center related debt.

The City and the City PFC entered into a lease/sublease arrangement, whereby the City leased to the City PFC the Henry B. Gonzalez Convention Center for a nominal amount and the City PFC subleased the same facility back to the City for an amount of rent, subject to annual appropriation, sufficient to pay, when due and owing, scheduled debt service on the Convention Center Lease Revenue Bonds. Under the aforementioned lease agreements, the City retains responsibility for the maintenance and operation of the Henry B. Gonzalez Convention Center, as well as the costs therefor. The City is also responsible for managing the construction project that is the renovation and expansion of the Henry B. Gonzalez Convention Center, but the cost of such renovation and expansion is the obligation of the City PFC (to be paid from the proceeds of the Convention Center Lease Revenue Bonds). The City PFC's pledge of the "subject to annual appropriation" lease payments to be received from the City pursuant to the aforementioned sublease represents the source of security for and payment of the Convention Center Lease Revenue Bonds. No mortgage on any leasehold interest in or the real property comprising the Henry B. Gonzalez Convention Center is granted as additional security for the Convention Center Lease Revenue Bonds. The Henry B. Gonzalez Convention Center Expansion project is currently tracking under budget and on time. Construction of the new facility is on schedule to be complete on or before the contract substantial completion date of April 2016. The west wing demolition is on schedule to be completed on or before the contract final completion date of July 2016. Steel erection and the installation of concrete foundations continues to progress along the north façade and is progressing to the south and east. Decking is following quickly behind in most areas and roofing is nearly completed over the new kitchen area. Steel for the south stairs was also erected. Onsite utility work, by the San Antonio Water System ("SAWS") and CPS Energy ("CPS"), continues to progress.

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The table below shows the debt service schedule for the Convention Center Lease Revenue Bonds:

Convention Center Lease Revenue Bonds Debt Service Requirements [1]

Fiscal Year Ending 9/30	CIB Principal ($)	CIB Interest ($)	CAB Maturity Amount ($)	Total Debt Service Requirement ($)
2015	-	21,207,750	-	21,207,750
2016	-	21,207,750	-	21,207,750
2017	2,770,000	21,207,750	-	23,977,750
2018	2,880,000	21,096,950	-	23,976,950
2019	2,995,000	20,981,750	-	23,976,750
2020	3,115,000	20,861,950	-	23,976,950
2021	3,270,000	20,706,200	-	23,976,200
2022	5,540,000	20,542,700	-	26,082,700
2023	7,050,000	20,265,700	-	27,315,700
2024	8,720,000	19,913,200	-	28,633,200
2025	10,545,000	19,477,200	-	30,022,200
2026	12,260,000	18,949,950	-	31,209,950
2027	15,460,000	18,336,950	-	33,796,950
2028	17,400,000	17,873,150	-	35,273,150
2029	19,460,000	17,329,400	-	36,789,400
2030	22,000,000	16,356,400	-	38,356,400
2031	24,475,000	15,476,400	-	39,951,400
2032	27,075,000	14,497,400	-	41,572,400
2033	29,910,000	13,414,400	-	43,324,400
2034	32,935,000	12,218,000	-	45,153,000
2035	16,215,000	10,900,600	19,930,000	47,045,600
2036	-	10,252,000	38,760,000	49,012,000
2037	-	10,252,000	40,805,000	51,057,000
2038	42,930,000	10,252,000	-	53,182,000
2039	46,850,000	8,534,800	-	55,384,800
2040	51,005,000	6,660,800	-	57,665,800
2041	55,420,000	4,620,600	-	60,040,600
2042	60,095,000	2,403,800	-	62,498,800
	520,375,000	435,797,550	99,495,000	1,055,667,550

[1] As of December 16, 2014.

The City has obtained two loans from private institutions, each evidenced by a note, in the combined amount of $39,360,000 for the purpose of financing capital improvements related to the City's Pre-K 4 SA Early Childhood Education Program (the "Pre-K 4 SA Program") and other general City purposes. (See "REVENUE SOURCES AND EXPENDITURES – Sales Taxation" herein.) The City anticipates that 68% of the debt service on these obligations will be satisfied by a transfer to the City of a portion of the revenues derived from the imposition and collection of the sales and use tax for the operation and maintenance of the Pre-K 4 SA Program. These obligations are payable from any lawfully available revenue of the City, subject to annual appropriation by the City Council, with final maturity thereof occurring on February 1, 2020. The table below shows the debt service schedule for these "subject to annual appropriation" obligations.

Revenue Notes
Debt Service Requirements [1]

Fiscal Year Ending 9/30	Principal ($)	Interest ($)	Annual Debt Service ($)
2015	12,330,000	438,317	12,768,317
2016	2,960,000	330,484	3,290,484
2017	3,050,000	260,768	3,310,768
2018	3,140,000	188,964	3,328,964
2019	3,240,000	114,956	3,354,956
2020	3,335,000	38,686	3,373,686
	28,055,000	1,372,175	29,427,175

[1] As of December 16, 2014.

AD VALOREM TAXATION

Authority to Levy Ad Valorem Taxes; Tax Rate Limitations

The State Constitution and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General, who must approve the issuance of the Bonds, has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collections. In addition, Section 1331.051, Texas Government Code, and the City Charter prohibit the total debt of the City from exceeding 10% of the total assessed valuation of property shown by the last assessment roll, and the City Charter excludes (1) any indebtedness secured in whole or in part by special assessments, (2) the debt of any improvement district, and (3) any indebtedness secured by revenues, other than taxes of the City or of any department or agency thereof. The issuance of the Bonds does not result in the City's violation of these provisions. (See "DEBT AND TAX RATE LIMITATIONS" herein.)

Texas Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code, located at Title 1, Texas Tax Code, as amended (the "Property Tax Code"), specifies the taxing procedures of all political subdivisions of the State, including the City. The provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Bexar Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Bexar County. Two and one half acres of the City's taxable property lie in Comal County. The Comal Appraisal District has the responsibility for appraising property for all taxing units within Comal County. Such appraisal values are subject to review and change by the Bexar Appraisal Review Board and the Comal Appraisal Review Board.

Once an appraisal roll is prepared and approved by the Bexar Appraisal Review Board, the appraisal roll is forwarded to the City for calculation of its tax rates in accordance with Truth-in-Taxation guidelines. Assessments under the Property Tax Code are based on 100% of market value. The Property Tax Code requires the Appraisal

District to implement a plan for periodic reappraisal of property to update appraised values. The plan shall provide for reappraisal of all real property at least once every three years.

The City, by resolution adopted by its governing body, may require the Appraisal District to appraise all property within the City or to identify and appraise newly annexed territory and new improvements in the City as of a date specified in the resolution. The City must pay the Appraisal District for the cost of making such an appraisal. While such a current estimate of appraised value may serve to indicate the growth of taxable values within the City, it may not be used by the City as the basis for the imposition of property taxes.

Under certain circumstances, taxpayers and taxing units (such as the City) may appeal the orders of the Bexar Appraisal Review Board by filing a timely petition for review in State District Court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Property Subject to Taxation by the City

Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible property with a tax status in the City is subject to taxation by the City. Principal categories of exempt property include, but are not limited to, property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; implements of husbandry that are used in the production of ranch and farm products; family supplies for home or farm use; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, certain community housing development organizations' property, and qualified schools; designated historical sites; and tangible personal property not held for the production of income (unless the City elects to tax such tangible personal property).

Residential Homestead Exemptions

The Property Tax Code authorizes the governing body of each political subdivision in the State, at its option, to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation, with a minimum exemption of $5,000. The City may be required to offer such an exemption if a majority of voters approve it at an election. The City would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of this additional residence homestead exemption may be considered each year, but must be adopted by July 1. Additionally, the City may grant an exemption to an individual who is disabled or is 65 years of age or older in a fixed amount of no less than $3,000 of assessed value. The City currently grants a $65,000 residential homestead exemption to persons 65 years of age or older effective immediately upon their 65th birthday and a $12,500 residential homestead exemption to persons who meet the Social Security Administration definition for disabled.

The City has established a limitation, or tax freeze, on the ad valorem taxes imposed on the homestead of a person who is disabled or 65 years of age or older. The total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or 65 years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs and other than improvements made to comply with governmental requirements.

The surviving spouse of an individual qualifying for the homestead exemption is entitled to also receive such exemption if: (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse, and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Disabled/Deceased Veterans' Exemptions

The Property Tax Code mandates that a disabled veteran or certain surviving dependents are entitled to an exemption from taxation of a portion of the assessed value of a property they own. The amount of this exemption ranges from $5,000 to $12,000 and the exemption amount is based on the disability rating of the veteran as certified by the Veterans' Administration. Disabled veterans or their surviving spouses with homes donated by charitable organizations receive a partial exemption; surviving spouses of U.S. armed services members killed in action are allowed total property exemption.

State law provides an exemption of the total appraised value of homesteads of disabled veterans who receive 100% compensation from the United States Department of Veterans Affairs due to a 100% disability rating or determination of individual unemployability by the United States Department of Veterans Affairs. Furthermore, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% would be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Historical Property Exemptions

The City has granted an exemption to historically significant sites in need of tax relief to encourage preservation. Commercial buildings that meet definitions of historical sites and that have been substantially rehabilitated or restored will be exempt from taxation by the City for five tax years, and thereafter, will be taxed by the City at 50% of current assessed value for an additional five years. For the purposes of levying taxes, residential buildings meeting the definition of historical sites and having been substantially rehabilitated or restored will for a period of ten years retain the property value assessed prior to such rehabilitation or restoration.

Historical Preservation Area Exemptions

The City offers a 20% tax exemption for owner-occupied residences located within new local historic districts. The exemption is effective on the first day of historic district designation and extends for a maximum of 15 years (ten years plus a five-year extension). The purpose of the exemption is to offset any potential property tax increases and to limit gentrification in the district, a term which refers to the effect of forcing lower-income residents in a neighborhood to move, which often includes a higher proportion of elderly residents, because of higher property taxes. Property taxes may or may not increase as a result of historic designation. The Appraisal District does not automatically increase the assessed valuations of designated properties. Appraisals are based upon real estate market factors that affect consumer demand in an area, of which historic designation is one.

Freeport Goods Exemptions

"Freeport goods" are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and other petroleum products, which have been acquired or brought into the State for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the State within 175 days. The City has elected to allow the exemption of freeport goods from taxation.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit". "Goods-in-transit", defined by the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the first year in which goods-in-transit are proposed to be taxed, and after holding a public hearing, to take official action to tax goods-in-transit during the following tax year and to continue to tax those goods until the action authorizing such taxation is rescinded or repealed. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. Senate Bill 1 passed by the 82nd State Legislature 1st called session, requires that the governmental entities take affirmative action prior to December 31, 2011 to continue the taxation of goods-in-transit in the 2012 tax year and beyond.

The City currently taxes certain tangible personal property that does not qualify for the freeport exemption, but would qualify for the goods-in-transit exemption. As such, the City adopted an ordinance on November 17, 2011 that provides for the continued taxation of this tangible personal property for the 2012 tax year and beyond.

Tax Abatement/Tax Phase-In Agreements

The City may designate areas within the City as a Reinvestment Zone unless the project is located in an area that already qualifies under State statute as a Reinvestment Zone, such as qualifying State Enterprise Zone census tracts. Thereafter, the City may enter into a tax abatement agreement with owners of property within such zones. Before entering into a tax abatement agreement, the City must adopt guidelines and criteria for establishing tax abatement agreements with companies locating in the zone. Through a tax abatement agreement, the City may exempt from ad valorem taxation up to 100% of the assessed value of any real and/or personal property improvements for up to ten years. The property is exempt on the condition that the property owner makes specified improvements or repairs to the property and meets any other City requirements stipulated in the terms of the tax abatement agreement such as the creation of jobs and meeting certain minimum wage requirements. Since 1989, the City has entered into 98 tax abatement/phase-in agreements; 45 are active and 53 have expired or are inactive. The City's taxable assessed value of real and personal property subject to Tax Abatement/Phase-In Exemptions totals approximately $922,542,063, resulting in a FY 2014 exemption from ad valorem tax revenue of approximately $4,740,434.

Active Tax Abatement Agreements

The following table depicts, as of September 30, 2014, 45 active tax phase-in agreements:

Company	Phase-In Period	Phase-In Term (Years)	Percent of Phase-In (Type of Property)
Maxim Integrated Products	2005-2014	10	Real & Personal @ 85%
DPT Labs	2006-2015	10	Real & Personal @ 100%
Chase (Washington Mutual)	2006-2015	10	Personal @ 100%
Avanzar Interior Technologies, Ltd.	2007-2016	10	Real & Personal @ 100%
Curtis-Maruyasu America, Inc.	2007-2016	10	Real & Personal @ 100%
Futaba Industrial Texas Corp.	2007-2016	10	Real & Personal @ 80%
Green Metals, Inc. (merged with Ark, Inc.)	2007-2016	10	Real & Personal @ 80%
HERO Assemblers, LP	2007-2016	10	Real & Personal @100%
HERO Logistics, LP	2007-2016	10	Real & Personal @ 80%
Kautex, Inc.	2007-2016	10	Real & Personal @ 100%
Metokote Corporation	2007-2016	10	Real & Personal @ 80%
Metalsa Light Truck, Inc.	2007-2016	10	Real & Personal @ 80%

(Table continues on next page.)

Company	Phase-In Period	Phase-In Term (Years)	Percent of Phase-In (Type of Property)
Millennium Steel of Texas, LP	2007-2016	10	Real & Personal @ 100%
Reyes Automotive Group, LLC	2007-2016	10	Real & Personal @ 80%
Reyes-Amtex Automotive, LLC	2007-2016	10	Personal @ 80%
Takumi Stamping Texas, Inc.	2007-2016	10	Real & Personal @ 80%
Tenneco Automotive Services Texas, Inc.	2006-2015	10	Real & Personal @ 80%
Toyotetsu Texas, Inc.	2007-2016	10	Real & Personal @ 80%
Toyoda Gosei Texas, LLC	2007-2016	10	Real & Personal @ 80%
Vutex, Inc.	2007-2016	10	Real & Personal @ 80%
Lowe's Home Centers, Inc.	2006-2015	10	Real & Personal @ 100%
Vistana, Ltd.	2008-2017	10	Real @ 100%
Higuchi Manufacturing Company, Ltd.	2008-2017	10	Real & Personal @ 100%
Microsoft Corporation	2008-2017	10	Real & Personal @ 100%
Tindall Corporation	2009-2018	10	Real @ 100% & Personal @ 50%
Becton Dickinson	2011-2016	6	Real & Personal @ 100%
Con-way Freight	2011-2016	6	Real & Personal @ 35%
Nationwide – Phase I	2011-2020	10	Personal @ 100%
Toyota Motor Manufacturing	2011-2020	10	Personal @ 100%
TX Solar	2011-2020	10	Personal @ 50%
Allstate Insurance	2011-2016	6	Real & Personal @ 65%
GABLG, LLC (Camden Medical)	2012-2021	10	Real & Personal @ 100%
Corporate Office Properties Trust (COPT)	2012-2016	6	Real @ 100%
Glazer's Drug Wholesale	2012-2021	10	Real & Personal @ 100%
Kohl's Department Stores	2011-2016	6	Real & Personal @ 50%
Petco Animal Supplies	2012-2021	10	Real & Personal @ 100%
Rocky Creek Partners	2013-2022	10	Real @ 100%
Nationwide – Phase II	2013-2022	10	Real & Personal @ 100%
SunE CPS2, LLC	2013-2018	6	Real & Personal @ 100%
Blue Star Phase ii	2014-2023	10	Real @ 100%
Chevron	2014-2021	8	Real & Personal @ 50%
Nexolon	2014-2023	10	Personal @ 100%
CyrusOne	2013-2019	6	Real & Personal @ 50%
ASI	2015-2025	10	Real & Personal @ 100%
United Parcel Services, Inc.	2015-2020	6	Real & Personal @100%

Residence Homestead Appraised Value 10% Limitations

All real and personal property of the City within Bexar County must be appraised by the Appraisal District at market value as of January 1 of each year. State law, however, provides for limitations on appraised value of residential homesteads. The appraised value of a residential homestead may not exceed the lesser of:

1. the market value of the property for the most recent tax year that the market value was determined by the appraisal office, or
2. the sum of:
   a. 10% of the appraised value of the property for the preceding tax year;
   b. the appraised value of the property for the preceding tax year; and
   c. the market value of all new improvements to the property.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

Agricultural Productivity Loss

The Property Tax Code also provides special appraisal of open-space land devoted to farm, ranch, or wildlife management purposes on the basis of its productive capacity rather than its market value. If the open space designation is lost by changing the use of the property, the City can impose taxes on the land equal to the difference between the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value.

Pollution Control Exemptions

Real or personal property used wholly or partly as a facility, device, or method for the control of air, water, or land pollution is exempt from ad valorem taxation. Property used for residential purposes is ineligible for this exemption.

Low Income Housing Exemptions

Property owned by a qualifying organization is exempt from ad valorem taxation of improved or unimproved real property if the organization uses volunteer labor to build or repair housing on the property to sell without profit to a low/moderate income individual/family or to rent without profit to such an individual/family.

Community Housing Development Organizations

Real property owned by a qualifying organization that is engaged exclusively in building or repairing property for sale or rent without profit to low or moderate income individuals is exempt from ad valorem taxation. There are restrictions on eligibility and requirements pertaining to the numbers of years property may be exempted.

Solar and Wind Powered Devices

A person is entitled to an exemption from taxation of the amount of appraised value of his property that arises from the installation or construction of a solar or wind-powered energy device that is primarily for production and distribution of energy for on-site use.

Personal Property Vehicle

A motor vehicle that is considered business personal property which is also used for personal reasons is exempt from taxation.

Absolute Exemptions

Property owned by the following organizations is exempt from ad valorem taxation:

1. Property exempt from taxation by federal law;
2. Property owned by the State or political subdivisions of the State (municipalities, counties, etc.) if the property is used for public purposes;
3. Property owned by a school, operated primarily for the purpose of engaging in educational functions, and organized as a non-profit corporation;
4. Property held for non-profit entity and used exclusively for human burial (cemeteries);
5. Property owned by an organization that qualifies as a religious organization; and
6. Property owned by organizations engaged primarily in performing charitable functions.

Pro-Rated Exemptions

If the federal government, the State, or a political subdivision of the State acquires title to taxable property, the amount of the tax due on the property is calculated by multiplying the amount of taxes imposed on the property for

the entire year by a fraction, the denominator of which is 365 and the numerator of which is the number of days that elapsed prior to the date of the conveyance.

Effective Tax Rate and Rollback Tax Rates

The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City, by submission of a valid petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted).

"Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (adjusted) divided by the anticipated tax collection rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Taxpayer Remedies

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

By the later of September 30 or 60 days after the certified appraisal roll is delivered to the City, the rate of taxation is adopted by the City Council based upon the taxable valuation of property within the City as of the preceding January 1. The City has executed an inter-local agreement with the Bexar County Tax Assessor/Collector's Office to provide property tax billing and collection services at the same level of service to its citizens as previously provided by the City.

Property taxes are due and payable on October 1 and considered delinquent if not paid by the following January 31. A delinquent tax incurs a penalty of 6% for the first calendar month it is delinquent, plus 1% for each of the following four months, and 2% for the sixth month it is delinquent, for a total of 12%. A delinquent tax also incurs interest at the rate of 1% per month until paid in full. If a tax is not paid before July 1 of the year in which it becomes delinquent, the tax incurs an additional fee of up to 15% to offset the costs of collection.

The City does not allow for discounts for early payment, but does allow for split payment of property taxes (one-half before December 1, and the remaining one-half without penalty and interest before July 1 of the following year). The City allows for installment payments (one-fourth before January 31, one-fourth before April 1, one-fourth before June 1, and the remaining one-fourth before August 1) for homeowners who are disabled or at least 65 years of age and who qualify for the residential homestead exemption.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local

taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem a residence homestead property within two years after the purchaser's deed is filed for record), or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Tax Increment Reinvestment Zone Financing

The City has approved a "TIF Manual" for the utilization of Tax Increment Financing ("TIF") and the creation of Tax Increment Reinvestment Zones ("TIRZ") pursuant to Chapter 311 of the Texas Property Tax Code, as amended. Since 1998, the City has utilized TIF as a vehicle to fund in whole or in part eligible capital costs for public infrastructure related to economic development, commercial, and residential projects. As of September 30, 2014, there were 20 existing TIRZ with one of these TIRZ in the process of being closed out; the remaining 19 TIRZ have a total taxable captured value of $1,350,754,103. For FY 2014, this total taxable captured value will produce $7,401,691 in tax increment revenues for use by the City to pay for the capital costs of certain public infrastructure improvements in the TIRZ. The existing TIRZ have terms ranging from 15 to 30 years and are anticipated to expire starting in FY 2014 through FY 2037. It is estimated that the City will contribute approximately $350,220,912 in tax increment revenues in aggregate over the life of these TIRZ projects. The existing TIRZ are referred to as the Rosedale, Highland Heights, Mission del Lago, Brookside, Houston Street, Stablewood Farms, Inner City, Plaza Fortuna, Lackland Hills, North East Crossing, Brooks City-Base, Mission Creek, Hallie Heights, Heathers Cove, Ridge Stone, Hunters Pond, Verano, Westside, Midtown, and Mission Drive-In Projects.

Economic Development Grants

The City utilizes economic development grants pursuant to Chapter 380 of the Texas Local Government Code to incentivize jobs, investment, and new or redevelopment of vacant lots, underused buildings or rehabilitation, and upgrade or adaptive reuse of existing buildings (residential or commercial). The City has 77 active economic development grant agreements totaling an estimated $98.7 million, which are funded with ad valorem taxes paid to the City by developers on the value of their developments and have terms ranging from five to 20 years.

DEBT AND TAX RATE LIMITATIONS

The State Constitution and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General, who must approve the issuance of the Bonds, has adopted an administrative policy that prohibits the issuance of ad valorem tax debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collections. In addition, Section 1331.051, Texas Government Code, and the City Charter prohibit the total debt of the City from exceeding 10% of the total assessed

valuation of property shown by the last assessment roll, and the City Charter excludes (1) any indebtedness secured in whole or in part by special assessments, (2) the debt of any improvement district, and (3) any indebtedness secured by revenues, other than taxes of the City or of any department or agency thereof. The issuance of the Bonds does not result in the City's violation of these provisions.

The following obligations, among others, may be issued by the City:

- Ad valorem tax-supported debt may be issued to finance capital improvements and to refund obligations previously issued for such purpose. A majority vote of the qualified voters is ordinarily required to authorize the issuance of ad valorem tax-supported debt, other than refunding bonds, certificates of obligation, tax anticipation notes, and public property finance contractual obligations.

- Certificates of obligation may be issued for the purpose of paying contractual obligations incurred in the construction of public works or the purchase of land, materials, and other supplies or services for the City's needs and for professional services without an election except under certain circumstances. The certificates of obligation may be refunded by ad valorem tax-supported bonds without an election. In addition, the City may issue certificates of obligation with a pledge of both tax and revenues derived from the operation of the facility to be acquired, or from any other lawful source, provided that the City otherwise has the right to pledge the revenues involved. Authority for the issuance of certificates of obligation is subject to notice by publication and right of referendum by the voters.

- Contractual obligations are generally issued to finance personal property, and tax anticipation notes may be issued for capital improvements. Both the contractual obligations and tax anticipation notes may be issued and secured by ad valorem taxes, and refunded by ad valorem tax-supported bonds, without an election. The issuance of contractual obligations and tax anticipation notes does not require publication of notice or voter approval. Contractual obligations are limited to 25 years amortization or less; tax anticipation notes are limited to seven years amortization or less.

- Revenue bonds may be issued for certain purposes which include the financing of the water, municipal drainage and sanitary sewer systems, electric and gas systems, convention centers, airports and parking systems, and other economic development projects. The revenue bond indebtedness is not considered in determining the legal debt margin on ad valorem tax-supported obligations. Revenue bond indebtedness, in certain cases, can be refunded by ad valorem tax-supported bonds without an election.

- Appropriation obligations may be issued to finance capital improvements and to refund obligations previously issued for such purpose. The City has incurred debt from the issuance of appropriation obligations. The payment of debt service of appropriation obligations is subject to appropriation. (See "DEBT STATEMENT: ASSESSED VALUATION, OUTSTANDING DEBT PAYABLE FROM AD VALOREM TAXES, AND DEBT RATIOS – Appropriation Obligations" herein.)

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Tax Data **Table 7**

Tax Year	Fiscal Year	Net Taxable Assessed Valuation [1]	Tax Rate	Tax Levy	Percent Collections Current	Percent Collected Total [2]
2004	2005	$46,481,974,620	$ 0.57854	$ 268,916,816	98.32	99.68
2005	2006	49,868,955,425	0.57854	288,511,855	98.23	99.60
2006	2007	56,767,701,702	0.57854	326,326,395	98.43	99.59
2007	2008	65,954,866,793	0.57230	372,822,531	98.41	99.42
2008	2009	72,541,141,480	0.56714	405,009,920	98.30	99.20
2009	2010	72,743,219,689	0.56569	405,896,458	97.90	98.74
2010	2011	71,007,546,958	0.56569	396,621,452	98.18	99.15
2011	2012	70,681,198,861	0.56569	395,465,973	98.42	99.31
2012	2013	71,398,955,135	0.56569	400,054,776	98.68	99.19
2013	2014	74,653,141,992	0.56569	418,177,492	98.87	98.87
2014	2015	79,769,661,345	0.56569	445,247,304	In Process of Collection	

[1] Based on Net Taxable Assessed Valuation certified by the Bexar Appraisal District.
[2] Includes collection of prior years' tax levies in subsequent years.

Tax Rate Distribution **Table 8**

	Fiscal Year Ended September 30				
Tax Rate	2015	2014	2013	2012	2011
General Fund	$0.35419	$0.35419	$0.35419	$0.35419	$0.35419
Interest and Sinking Fund	0.21150	0.21150	0.21150	0.21150	0.21150
Total Tax Rate	$0.56569	$0.56569	$0.56569	$0.56569	$0.56569

Principal Taxpayers **Table 9**

Name	Type of Property	FY 2015 Taxable Assessed Valuation	Percent of FY 2015 Taxable Assessed Valuation
H.E. Butt Grocery Company	Retail/Grocery	$ 1,047,882,128	1.31%
Wal-Mart Stores, Inc.	Retail/Grocery	491,024,413	0.62%
VHS San Antonio Partners LP	Hospital/Healthcare	489,459,124	0.61%
Methodist Healthcare System	Hospital/Healthcare	463,365,140	0.58%
Toyota Motor Manufacturing Texas, Inc.	Automobile Manufacturer	395,522,227	0.50%
Hyatt Hotels Corporation	Hotel Chain	379,795,173	0.48%
United Services Automobile Association	Insurance/Banking	307,618,680	0.39%
La Cantera Retail LTD Partnership	Shopping Center	280,721,390	0.35%
Frankel Family Trust	Apartments	261,408,200	0.33%
Marriott International, Inc.	Hotel Chain	257,946,000	0.32%
Total		$ 4,374,742,475	5.49%

Net Taxable Assessed Valuation for Tax Years 2004-2013 **Table 10**

Tax Year	Fiscal Year Ended 9/30	Net Taxable Assessed Valuation [1]	Change From Preceding Year Amount	Change From Preceding Year Percent
2004	2005	$46,481,974,620	--	--
2005	2006	49,868,955,425	$ 3,386,980,805	7.29
2006	2007	56,767,701,702	6,898,746,277	13.83
2007	2008	65,954,866,793	9,187,165,091	16.18
2008	2009	72,541,141,480	6,586,274,687	9.99
2009	2010	72,743,219,689	202,078,209	0.28
2010	2011	71,007,546,958	(1,735,672,731)	(2.39)
2011	2012	70,681,198,861	(326,348,097)	(0.46)
2012	2013	71,398,955,135	717,756,274	1.02
2013	2014	74,653,141,992	3,254,186,857	4.56
2014	2015	79,769,661,345	5,116,519,353	6.85

[1] Based on Net Taxable Assessed Valuation certified by the Bexar Appraisal District.

Net Taxable Assessed Valuation and Ad Valorem Tax Debt **Table 11**

Tax Year	Fiscal Year Ended 9/30	Net Taxable Assessed Valuation [1]	Ad Valorem Gross Debt	Debt Ratios Percent
2004	2005	$ 46,481,974,620	$ 872,090,124	1.88
2005	2006	49,868,955,425	850,300,000	1.71
2006	2007	56,767,701,702	945,755,000	1.67
2007	2008	65,954,866,793	1,039,105,000	1.58
2008	2009	72,541,141,480	1,148,950,000	1.58
2009	2010	72,743,219,689	1,300,330,000	1.79
2010	2011	71,007,546,958	1,303,345,000	1.84
2011	2012	70,681,198,861	1,384,630,000	1.96
2012	2013	71,398,955,135	1,406,185,000	1.97
2013	2014	74,653,141,992	1,494,770,000	2.00
2014	2015	79,769,661,345	-	-

[1] Based on Net Taxable Assessed Valuation certified by the Bexar Appraisal District.

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Authorized but Unissued Ad Valorem Tax Debt **Table 12**

Date of Authorization	Improvements	Amount Authorized	Debt Issued To Date [1]	Debt Authorized But Unissued
5/12/2012	Streets, Bridges, and Sidewalks [2]	$337,441,000	$199,968,959	$133,472,041
5/12/2012	Drainage and Flood Control	128,031,000	73,131,941	54,899,059
5/12/2012	Parks, Recreation, and Open Space	87,150,000	70,315,679	16,834,321
5/12/2012	Library, Museum, and Cultural Arts Facilities	29,032,000	26,348,440	2,683,560
5/12/2012	Public Safety Facilities	14,346,000	8,309,385	6,036,615
		$596,000,000	$378,074,404	$213,925,596

[1] Includes, from prior bond issues sold pursuant to the 2012 voted authority, a portion of the net reoffering premium in the amount of $40,862,118.84 allocated against voter authorization.

[2] The City has realized savings with respect to certain projects included within this proposition, which savings total $4,000,000 when compared to original cost projections. As a result, the City will not issue a corresponding amount from the 2012 voted authorization capacity from this proposition.

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Classification of Assessed Valuation **Table 13**

	Fiscal Year 2015	% of Total	Fiscal Year 2014	% of Total	Fiscal Year 2013	% of Total	Fiscal Year 2012	% of Total	Fiscal Year 2011	% of Total
Real, Residential, Single-Family	$43,920,687,350	47.37	$41,251,525,624	47.41	$40,716,192,401	48.76	$41,126,475,500	49.76	$41,545,063,167	50.21
Real, Residential, Multi-Family	8,293,580,343	8.94	7,433,138,826	8.54	6,115,372,556	7.32	5,821,338,731	7.04	5,787,311,586	6.99
Real, Vacant Lots/Tracts	1,423,478,893	1.54	1,402,730,737	1.61	1,415,866,661	1.70	1,457,710,546	1.76	1,465,446,716	1.77
Real, Acreage (Land Only)	1,013,254,724	1.09	1,055,208,759	1.21	1,060,627,241	1.27	1,089,056,357	1.32	1,124,853,425	1.36
Real, Farm and Ranch Improvements	6,886,961	0.01	4,452,330	0.01	22,554,972	0.03	22,785,007	0.03	24,533,694	0.03
Real, Commercial	21,456,070,857	23.14	19,859,985,271	22.83	18,903,069,206	22.64	18,422,352,304	22.29	18,458,843,251	22.31
Real, Industrial	800,944,565	0.86	761,493,899	0.88	758,209,246	0.91	637,426,463	0.77	641,607,475	0.78
Real, Minerals Oil and Gas	43,324,553	0.05	40,778,474	0.05	-0-	0.00	-0-	0.00	-0-	0.00
Real and Tangible Personal Utilities	418,993,451	0.45	409,324,286	0.47	416,592,008	0.50	440,069,158	0.53	468,038,016	0.57
Tangible Personal, Commercial	7,865,026,882	8.48	7,632,810,593	8.77	7,265,056,314	8.70	6,809,105,529	8.24	6,607,287,674	7.99
Tangible Personal, Industrial	1,692,481,294	1.83	1,733,793,446	1.99	1,697,342,449	2.03	1,725,024,595	2.09	1,721,566,410	2.08
Tangible Personal, Mobile Homes	88,838,321	0.10	86,834,117	0.10	88,251,180	0.11	92,189,230	0.11	92,913,065	0.11
Real Property, Inventory	290,840,708	0.31	325,844,674	0.37	242,995,084	0.29	195,932,328	0.24	161,865,139	0.20
Special Inventory Tax	449,501,318	0.48	407,208,294	0.47	347,104,731	0.42	312,008,952	0.37	280,992,548	0.34
Exempt Property	4,959,842,728	5.35	4,601,260,234	5.29	4,445,088,503	5.32	4,505,102,057	5.45	4,355,859,409	5.26
Total Assessed Value	$92,723,752,948	100.00	$87,006,389,564	100.00	$83,494,322,552	100.00	$82,656,576,757	100.00	$82,736,181,575	100.00
Less:										
Residence Homestead Exemptions – Optional 65 or Older	$ 4,770,109,903		$ 4,737,409,280		$ 4,655,092,975		$ 4,583,120,248		$ 4,538,144,177	
Residence Homestead Exemptions – Disabled	108,580,178		118,184,364		120,850,999		121,726,804		123,702,621	
Disabled Veterans' Exemptions	179,860,221		184,842,519		184,066,361		181,546,134		180,551,683	
Disabled Veterans' 100% Exemptions	668,628,048		597,054,534		525,737,105		459,127,690		415,390,159	
Historical Property Exemptions	95,578,906		80,677,195		81,192,725		75,129,021		56,881,324	
Freeport Goods Exemptions	445,142,740		486,234,050		487,667,784		457,446,014		473,800,266	
Tax Abatement/Phase-In Exemptions	900,486,805		914,491,316		856,092,688		876,490,549		769,829,993	
Residence Homestead Appraised Value 10% Limitations	275,933,445		70,158,132		47,060,327		61,669,749		126,736,441	
Agricultural Productivity Loss	474,530,769		492,278,110		509,126,569		516,838,960		523,579,819	
Pollution Control Exemptions	72,192,648		62,128,253		62,810,316		64,178,415		65,649,478	
Low Income Housing Exemptions	65,090,928		63,507,971		48,709,371		37,931,985		40,234,832	
Energy Exemptions	-0-		-0-		6,559,094		6,055,667		6,055,667	
Absolute Value Exemptions	4,597,430,892		4,208,842,547		4,443,485,492		4,504,909,082		4,355,677,994	
Pro-Rated Exemptions	8,963,566		30,856,561		66,915,611		29,207,578		52,400,163	
Community Housing Development Organizations	286,768,226		306,582,740		-0-		-0-		-0-	
Armed Services Surviving Spouse Exemptions	2,603,028		-0-		-0-		-0-		-0-	
Personal Property Vehicle Exemptions	2,191,300		-0-		-0-		-0-		-0-	
Total Exemptions	$12,954,091,603		$12,353,247,572		$12,095,367,417		$11,975,377,896		$11,728,634,617	
Net Taxable Assessed Valuation [1]	$79,769,661,345		$74,653,141,992		$71,398,955,135		$70,681,198,861		$71,007,546,958	

[1] Based on Net Taxable Assessed Valuation certified by the Bexar Appraisal District.

Assessed Valuation and Tax Rate of Overlapping Issuers **Table 14**

Governmental Subdivision	FY 2015 Gross Assessed Valuation [1]	FY 2015 Net Taxable Valuation [1]	FY 2015 Tax Rate
Alamo Colleges	$ 126,699,448,539	$ 115,513,559,060	$ 0.149150
Alamo Heights Independent School District	6,142,598,445	5,873,922,385	1.205000
Bexar County	126,717,642,221	111,894,581,781	0.283821
Bexar County Road & Flood Control	126,717,644,466	117,212,862,496	0.030679
Bexar County Hospital District d.b.a. University Health System	126,699,448,539	118,153,058,260	0.276235
East Central Independent School District	2,939,488,296	2,649,728,342	1.275000
Edgewood Independent School District	1,436,012,307	1,015,438,634	1.362700
Harlandale Independent School District	1,586,864,657	1,274,477,346	1.528800
Judson Independent School District	7,847,046,748	6,923,152,017	1.425000
North East Independent School District	34,982,914,104	31,680,689,709	1.440600
Northside Independent School District	43,376,365,124	38,905,822,622	1.375500
San Antonio Independent School District	16,461,887,926	13,340,962,145	1.382600
San Antonio River Authority	126,699,448,539	116,006,410,429	0.017500
Somerset Independent School District	342,934,607	295,541,809	1.278000
South San Antonio Independent School District	1,728,946,357	1,408,273,278	1.451500
Southside Independent School District	1,396,930,933	1,242,703,170	1.368900
Southwest Independent School District	2,870,132,895	2,069,759,810	1.465282

[1] Valuation and tax rate data provided by Bexar Appraisal District.

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Direct and Overlapping Debt Data and Information — Table 15

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes ("Tax Debt"), of governmental entities overlapping the City, and the estimated percentages and amounts of such Tax Debt attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the City. These political taxing bodies are independent of the City and may incur Tax Debt without any control of the City. The following statements of direct and estimated overlapping Tax Debt were developed from information obtained from each taxing entity. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional Tax Debt since the date stated below, and such entities may have programs requiring the authorization and/or issuance of additional Tax Debt, the amount of which cannot be determined.

Taxing Entity [1]	As of	Amount of Tax Debt Outstanding [2]	Percent Overlapping [3]	Amount of Tax Debt Overlapping
Alamo Colleges	9/30/13	$ 509,969,762	72.50%	$ 369,728,077
Alamo Heights Ind. School District	9/30/13	101,181,603	48.59	49,164,141
Bexar County	9/30/13	1,396,087,361	72.99	1,019,004,165
Bexar County Hospital District d.b.a. University Health System	9/30/13	721,063,000	72.50	522,770,675
East Central Independent School District	9/30/13	68,792,673	41.95	28,858,526
Edgewood Independent School District	9/30/13	83,381,031	100.00	83,381,031
Harlandale Independent School District	9/30/13	183,886,709	100.00	183,886,709
Judson Independent School District	9/30/13	439,282,743	30.75	135,079,443
North East Independent School District	9/30/13	1,431,519,816	84.34	1,207,343,813
Northside Independent School District	9/30/13	1,837,980,697	77.43	1,423,148,454
San Antonio Independent School District	9/30/13	562,939,962	99.19	558,380,148
San Antonio River Authority	9/30/13	25,939,893	93.65	24,292,710
Somerset Independent School District	9/30/13	32,464,099	1.26	409,048
South San Antonio Ind. School District	9/30/13	180,967,651	100.00	180,967,651
Southside Independent School District	9/30/13	52,920,000	28.04	14,838,768
Southwest Independent School District	9/30/13	193,685,000	55.02	106,565,487
Total Overlapping Tax Debt		$7,822,062,000		$5,907,818,846
City of San Antonio	9/30/13	$1,406,185,000		$1,406,185,000
Total Direct and Overlapping Tax Debt		$9,228,247,000		$7,314,003,846

Tax Year 2013 Actual Market Value of Taxable Property	$87,317,368,859
Tax Year 2013 Net Taxable Assessed Valuation (100% of Actual Market)	$75,198,528,419
Ratio of Direct and Overlapping Tax Debt to Actual Market Value	8.38%
Ratio of Direct and Overlapping Tax Debt to Net Taxable Assessed Value	9.73%
Per Capita Direct and Overlapping Tax Debt [4]	$5,184

Note: The City's total net Tax Debt is $1,303,822,097 [5] as of September 30, 2013. Calculations on the basis of total net Tax Debt would change the above figures as follows:

Total Net Direct and Overlapping Tax Debt	$7,205,605,943
Ratio of Net Direct and Overlapping Tax Debt to Actual Market Value	8.25%
Ratio of Net Direct and Overlapping Tax Debt to Net Taxable Assessed Value	9.58%
Per Capita Net Direct and Overlapping Tax Debt [4]	$5,108

[1] Certain bonds issued by Texas independent school districts are eligible for payment from the State "Instructional Facilities Allotments" and from "Existing Debt Allotments". These bonds, while obligations of each district, are payable in part from direct allocations of State funds. Such funding varies between districts and from year to year depending upon the State's contribution, which is based on a district's property taxable wealth per student in average daily attendance.

[2] The amount of Tax Debt outstanding was obtained from each taxing entity.

[3] For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

[4] Based on the City's Information Technology Services Department estimated population of 1,410,782 in 2014.

[5] The interest and sinking fund balance for fiscal year ended September 30, 2013 was used to calculate this number.

REVENUE SOURCES AND EXPENDITURES

Sources of Revenues

The City's General Fund revenue sources include ad valorem taxes, sales taxes, franchise taxes, contributions from City-owned utilities, fines, penalties, licenses and permits, various service charges, and miscellaneous sources.

General Fund Comparative Statement of Revenues and Expenditures and Analysis of Changes in Fund Balances — Table 16

The following statements set forth in condensed form reflect the historical operations of the City. The City has prepared such summary for inclusion herein based upon information obtained from the City's Comprehensive Annual Financial Report ("CAFR") and financial records. Reference is made to such statements for further and complete information. For additional information relating to the General Fund balance re-estimates by the City for fiscal year 2014, see the section captioned "General Fund Update" on the following page.

	Fiscal Year Ended September 30				
	2013 [1]	2012	2011 [2]	2010	2009
Fund Balance - Beginning of Year	$ 216,511,353	$ 232,692,630	$ 230,822,170	$ 206,505,933	$ 205,547,529
Revenues					
Taxes	$ 516,689,766	$ 500,678,710	$ 483,197,137	$ 479,774,856	$ 477,114,895
Licenses and Permits	8,342,572	8,469,233	8,679,145	7,769,156	7,089,526
Intergovernmental	6,891,601	7,996,874	5,402,948	7,767,630	6,029,919
Revenues from Utilities	307,299,730	299,306,298	308,451,148	292,726,075	275,605,421
Charges for Services	50,093,652	47,960,498	50,134,656	45,850,142	42,799,773
Fines and Forfeits	13,507,600	14,401,007	13,697,473	11,506,403	13,110,500
Miscellaneous	14,695,940	19,350,606	20,698,991	12,099,140	13,657,600
Total Revenues	$ 917,520,861	$ 898,163,226	$ 890,261,498	$ 857,493,402	$ 835,407,634
Expenditures [3]					
General Government	$ 93,376,741	$ 96,609,427	$ 81,728,707	$ 82,942,315	$ 80,141,831
Public Safety	642,221,531	540,124,078	530,955,086	505,044,615	488,427,529
Streets and Roadways	40,896,947	43,711,136	45,357,138	44,237,331	12,088,398
Health Services	16,420,724	78,719,028	76,619,419	73,897,959	66,405,446
Sanitation	5,860,228	3,310,971	3,354,097	3,212,390	3,300,913
Welfare	46,051,541	41,857,130	44,342,218	41,141,560	43,938,387
Culture and Recreation	82,676,995	83,644,099	83,290,670	76,982,520	75,995,242
Economic Dev. and Opportunity	15,402,837	16,142,461	13,427,585	2,906,867	3,113,889
Total Expenditures	$ 942,907,544	$ 904,118,330	$ 879,074,920	$ 830,365,557	$ 773,411,635
Excess of Revenues Over Expenditures	$(25,386,683)	$ (5,955,104)	$ 11,186,578	$ 27,127,845	$ 61,995,999
Other Financing Sources (Uses)					
Operating Transfers In	$ 17,341,600	$ 18,877,275	$ 14,603,171	$ 36,580,928	$ 13,749,869
Operating Transfers Out	(60,382,845)	(62,662,108)	(55,499,262)	(66,495,011)	(86,411,669)
Total Other Financing Sources (Uses)	$(43,041,245)	$(43,784,833)	$(40,896,091)	$(29,914,083)	$(72,661,800)
Add Encumbrances [3]	37,081,150	33,558,660	31,579,973	25,916,475	11,624,205
Fund Balance - End of Year	$ 185,164,575	$ 216,511,353	$ 232,692,630	$ 229,636,170	$ 206,505,933

[1] Expenditures for Public Safety increased and Health Services decreased due to recategorizing Emergency Medical Services from Health Services to Public Safety.

[2] The variance between the ending fund balance for FY 2010 and the beginning fund balance for FY 2011 is due to the implementation of GASB 54, which consolidated several funds which were reported as Special Revenue funds in FY 2010.

[3] Expenditures are reported on a budgetary basis with encumbrances added back to arrive at a "Generally Accepted Accounting Principles" fund balance.

General Fund Update

The City continues to use moderately conservative revenue projections during the preparation of the adopted budget. As a result, the City's FY 2014 preliminary unaudited ending balance is projected to be $210.8 million which is $25.6 million greater than the audited ending balance for FY 2013. Though these estimates are based on information available at the time of analysis, actual results may vary based on a full year's performance and final audited results.

Financial Management Policies Update

With the adoption of the 2015 Budget, updates to the City's Financial Policies were approved. These updated Financial Policies include: increase the General Fund budgeted financial reserves from 9 to 10%; establish a 1 to 3% target for 2 year budget plan for the General Fund; manage crowd-out within the General Fund and create a balance between Public Safety and Non-Public Safety budgets; manage the structural balance in the General Fund; use moderately conservative revenue projections based on current economic conditions and historical trends; establish $1 million contingency reserve for the General Fund and $3 million contingency reserve for the capital budget; address Internal Service Fund deficits within 3 to 5 years; and maintain an available fund balance target of 15% for the General Fund.

Internal Service Fund – Self Insurance

Additionally, as part of the annual budget process, the City re-estimates revenues and expenditures for the City's Self Insurance Program which is comprised of the City's Insurance Reserve, Worker's Compensation, and Employee Benefits Funds. The FY 2014 undesignated fund balances for the City's Self Insurance Funds are projected at $4.4 million for the Insurance Reserve Fund, $9.6 million for the Worker's Compensation Fund, and a deficit amount of $24.4 million for the Employee Benefits Fund. The City manages the Insurance Reserve, Worker's Compensation, and Employee Benefits Funds as a single Self Insurance Program. A plan to fund the deficit in the Employee Benefits Fund will be addressed over a 3-year period and is consistent with the City's Financial Policies. Though these re-estimates are based on information available at the time of the mid-year analysis, actual results may vary based on a full year's performance.

Sales Taxation

Authority to Levy Sales Taxes

Municipal Sales and Use Tax. Chapter 321 of the Texas Tax Code, as amended, authorizes the City to levy and collect a municipal sales and use tax on the receipts from the sale of taxable items within the City at a rate of 1%. The City has implemented multiple programs that are funded with various portions of this available municipal sales and use tax, which are described below. As a result, the current sales and use tax in the City is 8.25%, which is the maximum allowed by State law.

Venue Projects. The City Council designated an Edwards Aquifer Protection Venue Project ("Edwards Venue Project") and a Parks Development and Expansion Venue Project ("Parks Venue Project") under Chapter 334 of the Texas Local Government Code. The venue projects were presented separately to the voters at an election on the questions of implementing the Edwards and Parks Venue Projects, and imposing a 1/8 of 1% sales and use tax to finance the two venue projects.

At an election held on May 7, 2005, a majority of the voters authorized the implementation of both the Edwards Venue Project and the Parks Venue Project, as well as the imposition of a 1/8 of 1% sales and use tax to finance the venue projects.

The Edwards Venue Project provides for the protection of water quality in the Edwards Aquifer by establishing a watershed protection and preservation project to acquire and preserve land or interests in land in the Edwards Aquifer recharge and contributing zones both inside and outside Bexar County.

The Parks Venue Project provides for the planning, acquisition, establishment, development, construction, or renovation of the Parks Venue Project which includes the acquisition of open space and linear parks along Leon Creek, Salado Creek, Medina River, and San Antonio River, and for improvements and additions to the Municipal Parks and Recreation System.

The two venue projects share in the use of the 1/8 of 1% sales and use tax, for a total of $90 million for the Edwards Venue Project and $45 million for the Parks Venue Project. This sales and use tax took effect October 1, 2005, contributing to the City's current total sales and use tax rate of 8.125%.

On November 2, 2010, the City again presented to the voters the propositions of whether or not to establish an Edwards Aquifer Protection Venue Project and a Parks Development and Expansion Venue Project, and authorize the imposition of a sales and use tax at the rate of 1/8 of 1% for the purpose of financing the venue projects. A majority of the voters authorized the implementation of the venue projects as well as the imposition of the 1/8 of 1% sales and use tax receipts aggregating up to $135 million to be used as follows: (1) $90 million in connection with the Edwards Aquifer Protection Venue Project; and (2) $45 million to be used in connection with the Parks Development and Expansion Venue Project.

As of July 2011, the City fully collected the sales and use tax authorized through the May 7, 2005 election for similar venue projects. Since that time, the City has imposed (and will continue to impose) the 1/8 of 1% sales and use tax approved by the voters in the November 2, 2010 election until the total sum of $135 million is collected. Thus, this sales and use tax is planned to continue through April 2016.

Pre-K 4 SA Early Childhood Education Program. On November 6, 2012, the City presented to the voters a proposition of whether or not to impose a sales and use tax at the rate of 1/8 of 1% for the purpose of funding two early childhood education centers of excellence and an early childhood education program. The tax revenue will be combined with State funds, allowing for full-day pre-kindergarten programs. The proposition was passed by a majority vote and the imposition of the additional 1/8 cent sales tax took effect April 1, 2013.

Special Entities

Advanced Transportation District. A proposition was passed at the November 2, 2004 election which allows VIA Metropolitan Transit, the mass transit agency serving the City, to create an Advanced Transportation District ("District") within the City and impose a 1/4 of 1% sales and use tax (the "ATD Tax"). The ATD Tax is allocated as follows: 50% for advanced transit services, operations, passenger amenities, equipment and other advanced transportation purposes; 25% to construct, improve and maintain streets and sidewalks and related infrastructure to improve mobility and other advanced transportation purposes in the District; and 25% as the local share to obtain State and federal grants for highways, transportation infrastructure designed to improve mobility and other advanced transportation purposes in the District.

Alamo Regional Mobility Authority. The Alamo Regional Mobility Authority (the "Alamo RMA") created pursuant to Chapter 370, Texas Transportation Code, as amended, provides the San Antonio area with the ability to construct, maintain, and operate certain transportation projects and establish a local governmental entity to make mobility decisions for this area. There is no sales tax associated with projects undertaken by the Alamo RMA.

The Alamo RMA is authorized to develop toll projects, issue revenue bonds to fund transportation projects, and utilize surplus revenues from local toll roads and State and federal assistance for transportation projects.

The Alamo RMA has been established to work in conjunction with the Texas Department of Transportation, the San Antonio-Bexar County Metropolitan Planning Organization, and other agencies to formulate a strategy to implement a toll network that will generate and direct revenue to other infrastructure projects that will improve the overall transportation system for the San Antonio metropolitan area.

Collections and Equivalent Rates

Net sales tax collections and the equivalent ad valorem tax rates on a fiscal year basis are as follows:

Municipal Sales Taxes **Table 17**

Fiscal Year Ended 9/30	Sales Tax Collected [1]	Ad Valorem Tax Levy [1, 2]	Percent of Ad Valorem Tax Levy	Net Taxable Assessed Valuation [3]	Equivalent Tax Rate
2004	$162,383,500	$257,931,292	62.96	$44,583,138,927	$0.3642
2005	167,331,757	268,916,816	62.22	46,481,974,620	0.3600
2006	210,141,500	288,511,855	72.84	49,868,955,425	0.4214
2007	224,479,807	326,326,395	68.79	56,767,701,702	0.3954
2008	232,348,127	372,822,531	62.32	65,954,866,793	0.3523
2009	221,745,867	405,009,920	54.75	72,541,141,480	0.3057
2010	223,475,321	405,896,458	55.06	72,743,219,689	0.3072
2011	236,818,058	396,621,452	59.71	71,007,546,958	0.3335
2012	259,925,780	395,465,973	65.73	70,681,198,861	0.3677
2013	287,943,962 [4]	400,171,396 [5]	71.96	71,419,599,541	0.4032

[1] Includes the City's General Fund component of sales tax at the rate of 1%. Also includes 1/8 of 1% sales and use tax, authorized by voters in May 6, 2000, May 7, 2005, and November 2, 2010 elections, to fund various venue projects, including park land acquisition and improvements over the Edwards Aquifer and linear parks along the Salado and Leon Creeks. Beginning in fiscal year 2005, also includes the Advanced Transportation District revenues received by the City from the 1/4 of 1% Advanced Transportation District sales tax levied within the City (of which the City receives 25% of such total taxes collected). On November 6, 2012, the City approved a 1/8 of 1% sales and use tax to fund two early childhood education centers of excellence and an early childhood education program within the City. The tax revenue will be combined with State funds, allowing for full-day pre-kindergarten programs. This sales and use tax increase brings the cumulative sales and use tax rate imposed and collected within the City by all governmental entities for all purposes at 8.25%, which is the maximum rate currently permitted under applicable State law.

[2] Total Ad Valorem Tax Levy for debt service and maintenance and operations.

[3] Based on Net Taxable Assessed Valuation certified by the Bexar Appraisal District.

[4] Of total taxes of $516,689,766 deposited to the General Fund, as evidenced in Table 18, $230,972,989 was derived from these Sales Tax collections imposed for general municipal purposes.

[5] Of total taxes of $516,689,766 deposited to the General Fund, as evidenced in Table 18, $247,046,447 was derived from these ad valorem tax collections levied for maintenance and operating purposes.

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Comparison of Selected Sources of Revenues **Table 18**

Fiscal Year Ended 9/30	Taxes [1]	Charges for Services	Miscellaneous	Fines and Forfeits	Licenses and Permits	Inter-Governmental	CPS Energy	San Antonio Water System (SAWS)	Total
2004	$343,707,952	$30,029,118	$10,758,387	$11,713,073	$17,026,379	$2,695,842	$189,505,855	$6,899,244	$612,335,850
2005	367,030,243	33,622,089	14,286,093	12,025,344	20,715,743	3,055,128	213,384,307	8,390,366	672,509,313
2006	399,359,902	35,276,831	13,830,931	10,947,472	19,764,737	3,445,582	246,084,171 [2]	10,283,651	738,993,277
2007	430,451,032	25,220,809	14,306,653	15,114,609	6,926,703 [3]	4,035,641	248,539,890 [4]	9,147,334	753,742,671
2008	468,494,837	43,010,464	15,921,433	12,248,623	7,756,357	6,467,906	293,795,634 [5]	10,362,295	858,057,549
2009	477,114,895	42,799,773	13,657,600	13,110,500	7,089,526	6,029,919	265,459,226 [6]	10,146,195	835,407,634
2010	479,774,856	45,850,142	12,099,140	11,506,403	7,769,156	7,767,630	283,502,448 [7]	9,223,627	857,493,402
2011	483,197,137	50,134,656	20,698,991	13,697,473	8,679,145	5,402,948	297,629,648 [8]	10,821,500	890,261,498
2012	500,678,710	47,960,498	19,350,606	14,401,007	8,469,233	7,996,874	288,096,190 [9]	11,210,108	898,163,226
2013	516,689,766	50,093,652	14,695,940	13,507,600	8,342,572	6,891,601	295,310,385 [10]	11,989,345	917,520,861

[1] Comprised of property, sales, alcoholic beverage, business taxes, penalties, and interest and judgments; excludes hotel/motel occupancy tax.

[2] Includes an additional transfer of $8,438,363 for deposit to the Community Infrastructure and Economic Development Fund ("CIED Fund"), a collaborative effort between CPS Energy (established by policy action of CPS Energy's Board of Trustees) and the cities and counties within its service area to enhance the aesthetic appeal of public areas by minimizing the visual impact of overhead electric facilities and to promote certain economic development and environmental stewardship/energy efficiency projects. Effective February 1, 2012, the CPS Energy Board of Trustees found that the objectives underlying the establishment of the CIED Fund had been successfully accomplished and authorized the termination of the policy. The cities and counties with unused or unencumbered funds were distributed remaining balances, which were completed in 2013. However, the City will continue to receive an additional transfer (in addition to its general transfer of a portion of CPS Energy's revenues) that is calculated in the same manner as the prior CIED Fund receipts (1% of the electric base rate revenue (less uncollectibles) of the CPS Energy electric system billed during the previous fiscal year to retail electric customers of CPS Energy residing within the City).

[3] Beginning in FY 2007, Planning and Development Services revenues are no longer included in the General Fund and are now a special revenue fund.

[4] Includes an additional transfer of $8,294,548 for the CIED Fund.

[5] Includes an additional transfer of $9,459,706 for the CIED Fund.

[6] Includes an additional transfer of $9,203,091 for the CIED Fund.

[7] Includes an additional transfer of $9,630,153 for the CIED Fund.

[8] Includes an additional transfer of $10,053,786 for the CIED Fund.

[9] Includes an additional transfer of $10,839,151 for the purposes that were previously identified in conjunction with the establishment of the CIED Fund.

[10] Includes an additional transfer of $10,865,595 for the purposes that were previously identified in conjunction with the establishment of the CIED Fund.

Expenditures for Selected Functions [1] **Table 19**

Fiscal Year Ended 9/30	General Government	Public Safety	Streets and Roadways	Health Services	Sanitation	Welfare	Culture and Recreation	Economic Development & Opportunity	Total
2004	$53,456,752	$375,315,914	$10,656,685	$13,383,921	$2,380,287	$15,920,832	$57,072,648	$ 7,687,550	$535,874,589
2005	64,019,958	402,544,348	10,477,732	13,994,642	2,576,616	19,757,168	63,010,213	4,391,706	580,772,383
2006	66,956,066	427,598,173	10,769,231	12,032,617	2,857,185	21,738,552	71,495,663	3,973,352	617,420,839
2007	74,049,275	436,295,038	10,759,928	12,927,741	2,823,782	38,673,480	68,900,503	3,449,979	647,879,726
2008	81,879,822	454,465,713	11,476,199	65,049,068	3,301,294	44,546,595	74,030,686	3,045,737	737,795,114
2009	77,659,285	486,694,550	12,088,398	65,494,020	3,131,583	40,543,992	75,582,098	3,011,010	764,204,936
2010	81,117,340	501,629,528	42,517,625	73,343,125	3,138,080	38,452,697	73,884,389	2,607,476	816,690,260
2011	78,057,000	528,318,939	43,981,014	76,307,031	3,351,682	42,704,089	80,657,876	10,504,577	863,882,208
2012	87,997,608	538,313,780	39,744,666	78,136,020	3,310,971	40,153,187	82,740,560	15,184,974	885,581,766
2013 [2]	85,323,917	641,991,564	37,282,772	16,352,406	5,826,833	44,382,569	81,384,561	10,998,350	923,542,972

[1] Expenditures for selected functions do not include non-debt related designations and encumbrances; such designations and encumbrances are included in subsequent year's budget.

[2] Expenditures for Public Safety increased and Health Services decreased due to recategorizing Emergency Medical Services from Health Services to Public Safety.

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THE CITY

Governmental Structure

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

City Charter

The City may only hold an election to amend its City Charter every two years. Since its adoption, the City Charter has been amended on eight separate occasions including: November 1974, January 1977, May 1991, May 1997, November 2001, May 2004, November 2008, and May 2012.

On May 12, 2012, a Special Election was held on the question of whether or not the City Charter should be amended to allow filling City Council vacancies by special election rather than appointment, when more than 270 days remain in the unexpired council term, and to allow the City Council to appoint a temporary City Council member until the special election is held. Additionally, it allows City Council to fill vacancies with 270 days or less remaining by majority vote. The measure passed by a majority vote and the City Charter was amended to reflect the change.

Services

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

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

Electric and gas services to the San Antonio area are provided by CPS, an electric and gas utility owned by the City that maintains and operates certain utilities infrastructure. This infrastructure includes a 21 generating unit electric system and the gas system that serves the San Antonio area. CPS' operations and debt service requirements for capital improvements are paid from revenues received from charges to its customers. As specified in the City ordinances authorizing the issuance of its system debt, CPS is obligated to transfer a portion of its revenues to the City. CPS revenue transfers to the City for the City's fiscal year ended September 30, 2013 were $295,310,385. (See "Table 18 – Comparison of Selected Sources of Revenues" herein, "Certain Significant Issues Affecting the City" herein and "San Antonio Electric and Gas Systems" in APPENDIX A attached hereto.)

Water services to most of the City are provided by the SAWS, San Antonio's municipally-owned water supply, water delivery, and wastewater treatment utility. SAWS is in its 23rd year of operation as a separate, consolidated entity. SAWS' operating and debt service requirements for capital improvements are paid from revenues received from charges to its customers. SAWS is obligated to transfer a portion of its revenues to the City. SAWS revenue transfers to the City for the City's fiscal year ended September 30, 2013 were $11,989,345. In addition, on January 28, 2012, by operation of legislation passed by the 82nd Texas Legislature and popular vote held on November 8,

2011, the City, acting by and through SAWS, assumed the Bexar Metropolitan Water District. (See "Certain Significant Issues Affecting the City" herein and "San Antonio Water System" in APPENDIX A attached hereto.)

Please refer to Table 18 for historical transfers from CPS and SAWS to the City's General Fund.

Economic Overview

The City has surpassed national trends, creating more jobs and bringing new investments to the City. San Antonio's business friendly climate welcomes new company relocations, expansions and start up ventures.

On January 11, 2012, OCI Solar Power and Mission Solar ("OCI") (formerly known as Nexolon) were selected by CPS Energy to build one of the country's largest solar projects, a 400-megawatt solar power manufacturing plant in San Antonio, resulting in an investment of more than $100 million. This solar project is the largest in the nation and will catapult Texas into the top five U.S. solar producing states. OCI is a subsidiary of OCI Company Ltd. which is a global green energy and chemical company based in Seoul, South Korea. In 2011, OCI Company Ltd. acquired Chicago-based CornerStone Power Development as a way to get into the renewable energy market. The resulting company, OCI, now develops, owns, and operates solar power plants in North America, specializing in projects from 2 to 20 megawatts in size. It owns or has under development more than 40 projects in the U.S. and Canada, totaling more than 150 megawatts of power.

To attract the U.S. headquarters for OCI to San Antonio, City Council approved an incentive to OCI on December 13, 2012, offering OCI a $380,000 grant. This grant was contingent upon OCI locating its permanent U.S. headquarters downtown, entering into a minimum 7-year lease with a 5-year option and creating 76 headquarter jobs.

OCI has developed a consortium of partners to create a total of 805 renewable energy jobs to produce components for OCI's solar power generation, such as panels, trackers, and inverters. One of those partners is Mission Solar, LLC, a subsidiary of Nexolon which is an established global leader in manufacturing solar panel components based in Seoul, South Korea. Mission Solar will supply the solar panels for the OCI project and plans to build a manufacturing plant at Brooks City-Base, invest approximately $115 million, and create 404 solar panel manufacturing jobs, which includes 40 jobs associated with the establishment of Mission Solar's U.S. headquarters to be co-located with their manufacturing operations at Brooks City-Base. Mission Solar also plans to grow its U.S. market and solar manufacturing business from its base of operations at Brooks City-Base.

CyrusOne is a publicly traded owner, operator, and developer of enterprise-class data center properties. CyrusOne's property portfolio includes over 20 operating data centers in nine markets: Austin, Texas; Chicago, Illinois; Cincinnati, Ohio; Dallas, Texas; Houston, Texas; San Antonio, Texas; South Bend, Indiana; London, England; and Singapore. CyrusOne currently maintains more than 600,000 square feet of co-located floor space in top tier data centers across the nation and supports companies in energy, oil and gas, medical, technology, finance, and consumer goods and services. CyrusOne currently owns and operates a 107,000 square foot co-location data center in San Antonio. The company's customers include 15 of the top global 100 companies and five of the top 10 companies. Customers include Christus Health, Schlumberger, and Halliburton.

CyrusOne is expanding in the Westover Hills area and City Council approved a tax abatement on September 5, 2013 as an incentive to the company for an initial $120 million investment and the creation of up to 15 jobs at an average annual salary of $50,000 over the next five years.

HVHC, Inc. is a wholly-owned subsidiary of Highmark Inc., which is currently one of the largest not-for-profit health insurers in the U.S. headquartered in Pittsburgh, PA. HVHC established its headquarters in San Antonio in 1988 and currently employs over 350 people at its headquarters in downtown San Antonio.

In September 2012, HVHC advised the City that they would consider expanding their headquarters by 150 new jobs and leasing two additional floors at the IBC Centre if the City would provide additional financial incentives to assist with parking. City Council approved an amendment on April 11, 2013 to the current grant agreement in the amount of $360,000 payable over 5 years at $72,000 per year. For this additional grant, HVHC must add 150 headquarters jobs for a total of 500 jobs by December 31, 2015 and retain these jobs downtown for the remainder of the term of the grant through September 11, 2021.

In September 2012, HVHC also advised City staff that the company was considering San Antonio and two sites in the Dallas area for the expansion of their manufacturing operations. To secure the manufacturing project for San Antonio, City Council approved a cash grant of up to $1,140,000 for the manufacturing project. The grant will be payable over 3 – 6 years at $1,900 per job. For this grant, HVHC must locate its new manufacturing operations in City Council District 6 for a term of at least 10 years, create up to 600 jobs, pay the living wage of $11.08/hour to all employees, designate a minimum of 50 "high wage" jobs paying an annual salary of at least $43,186, and invest approximately $25 million in personal property improvements.

In addition to the projects mentioned above, the City, with a contractual collaboration with the San Antonio Economic Development Foundation ("EDF"), secured 2,402 total new and/or retained jobs and $302 million in investments in FY 2013.

One of the most significant events in San Antonio's recent economic history is the 2005 Base Realignment and Closure ("BRAC 2005"). Completed on September 15, 2011, BRAC 2005's realignment of medical facilities resulted in a substantial positive impact on military medicine in San Antonio, with $3.2 billion in construction and the addition of 12,500 jobs in San Antonio. This is an increase from the $1.6 billion in construction and 11,500 personnel projected in 2007. Fort Sam Houston is now the "Home of Military Medicine" and enlisted medical training for all the military services now takes place in San Antonio. In addition, Brooke Army Medical Center doubled its Level 1 trauma capacity and is now known as a leader in trauma care and research. Finally, BRAC 2005 also established San Antonio as a major command in Army and Air Force installation management.

On June 27, 2011, the new 110 bed Mission Trail Hospital of the Baptist Health Systems opened. Located at Brooks City-Base, the new hospital replaced the current Southeast Baptist Hospital. The new hospital will become a part of a medical campus at Brooks City-Base. Currently, one medical office building is under construction and an additional six buildings will be constructed under a phased timeline as part of the new campus.

On April 19, 2011, the United States Air Force broke ground on the new Wilford Hall Ambulatory Care Center. The 681,000 square foot facility will replace the Wilford Hall Hospital which opened in 1957. The $450 million center will be the largest outpatient facility in the United States Air Force. It is scheduled to open in 2015. Beyond BRAC 2005, Lackland AFB will continue to have high levels of military construction spending estimated at nearly $1 billion from FY 2012 to FY 2016. In addition to Wilford Hall, construction on Lackland AFB will also include new dormitories, dining and training facilities to accommodate the 86,000 Airmen that graduate from Basic Airman Training each year.

The Eagle Ford Shale ("EFS") formation, discovered in 2008, contains natural gas and oil deposits across 21 counties (15 core counties and 6 surrounding counties) to the south of San Antonio. The EFS is transforming San Antonio into an energy hub and the shale play's development has become a powerful economic engine for the City and all of South Texas. The EFS is a 400-mile-long, deep formation of tight rock that sweeps from East Texas south below San Antonio to Mexico. The EFS has produced direct impacts in Bexar County by producing close to $161 million in construction activity for oilfield service corporations such as Halliburton and Platinum Energy Services and close to $24 million in pipeline construction. The UTSA Institute for Economic Development conducted a recent economic impact study (September 2014) on the EFS in the surrounding counties which includes Bexar County. The study assesses the economic impact of the EFS for 2013. According to the study, for 2013, the oil and gas industry in the EFS in the 21-county area is estimated to have generated over $87 billion in economic output, employed nearly 155,000 people and provided over $2.2 billion to both the local and state governments. In 2013, Bexar County produced an economic output of $3.2 billion and supported 13,919 jobs. The projected output estimate for Bexar County for 2023 is $4.4 billion and is expected to support 19,332 jobs. As of September 2014, the Texas Railroad Commission has issued 6,016 permits for wells in the EFS formation.

A task force chaired by Henry Cisneros, Chairman of the EDF, was established to examine opportunities to leverage the EFS formation for economic development. Task force members are comprised from the oil and gas industry, local chambers of commerce, the City, and area businesses. The task force has established working groups to examine specific issues and provide recommendation in the following areas: workforce/training and education, transportation infrastructure, and small business opportunities. As of January 2013, ten oil companies have established locations in San Antonio creating approximately 4,000 jobs.

Extraction of oil and gas from the EFS is heavily dependent on the hydraulic fracturing ("fracking") process, which involves the use of water, sand, and chemicals to break up shale to release oil and natural gas for extraction. Environmental concerns associated with fracking have developed at sites across the country stemming from the use of chemicals in the fracking process and the potential for ground water contamination and air pollution. These issues, in addition to general market risks, could act as a limiting factor on the EFS's ultimate production and resultant economic benefit to the City.

For more information, see "Economic Factors" in APPENDIX A attached hereto.

Employee Pension Plan and Benefits

The City's employees participate in a variety of defined pension plans. These plans and contributions made to such plans are further described in Note 8 in the City's CAFR, attached hereto as APPENDIX C for the fiscal year ended September 30, 2013. (See "CITY PENSION AND OTHER POSTEMPLOYMENT RETIREMENT BENEFIT LIABILITIES" herein.)

Healthcare and Retirement Benefits Task Force

In the fall of 2013, the Mayor and City Council appointed a Healthcare and Retirement Benefits Task Force (the "Task Force"). The Task Force was charged with reviewing the cost of healthcare and pension expenses for uniform, civilian, and retired City employees and created as a proactive measure to review the City's programs and costs and provide recommendations on how to ensure the City maintains a strong financial position for the future. In February 2014, the Task Force made the following recommendations: establish policies and approve budgets that assure public safety expenses are managed in a balanced manner to General Fund revenues and expenditures; continue to study active compensation and retirement benefits; continue to study pre-funded healthcare for retirees including the exploration of bridge insurance options; review adjusting the uniform contribution levels and level of healthcare benefits to more closely align with civilians, other peer cities, and public and private employers in San Antonio; provide a vigorous wellness strategy for all City employees; negotiate uniform healthcare plan design and healthcare premiums as part of collective bargaining; continue annual analysis of stop-loss insurance; and implement regular dependent audits of all City employees.

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Employees

The following table shows the City's total full-time, part-time, and alternate employee positions authorized, and number of positions filled. The number of filled positions shown reflects employees on the payroll for the fiscal years indicated, and the number of employee authorized positions shown reflects positions adopted in the fiscal year budget.

	Fiscal Year Ended September 30									
	2014		2013		2012		2011		2010	
Employees	Filled	Authorized	Filled	Authorized	Filled	Authorized	Filled	Authorized	Filled	Authorized*
Police	2,287	2,358	2,296	2,358	2,232	2,308	2,196	2,307	2,154	2,285
Police Grant Funded	17	17	17	17	46	67	67	67	67	67
Total Police	2,304	2,375	2,313	2,375	2,278	2,375	2,263	2,374	2,221	2,352
Fire	1,645	1,663	1,641	1,659	1,645	1,658	1,607	1,656	1,598	1,653
Fire Grant Funded	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Fire	1,645	1,663	1,641	1,659	1,645	1,658	1,607	1,656	1,598	1,653
Total Police & Fire	3,949	4,038	3,954	4,034	3,923	4,033	3,870	4,030	3,819	4,005
Civilian	6,036	6,737	6,144	6,839	6,946	6,833	6,729	6,888	6,688	6,975
Civilian Grant Funded	450	551	438	482	434	543	483	613	543	642
Pre-K 4 SA	353	209	147	18	-0-	-0-	-0-	-0-	-0-	-0-
Total Civilian	6,839	7,497	6,729	7,339	7,380	7,376	7,212	7,501	7,231	7,617
Total	10,788	11,535	10,683	11,373	11,303	11,409	11,082	11,531	11,050	11,622

Note: The adopted budget for FY 2014 reduced the total number of positions by 29. This decrease is the net effect of adopted improvements, mandates, reductions/redirections, mid-year adjustments, and baseline changes.

* The number of authorized positions for FY 2010 have been restated to exclude temporary positions.

Financial Accounting and Financial Policies

Basic Financial Statements

The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements report information on all nonfiduciary activities of the primary government and its component units. The Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities. Additionally, for the most part, the effect of interfund activity has been removed from the statements.

The Statement of Net Position reflects both short-term and long-term assets and liabilities. In the government-wide Statement of Net Position, governmental activities are reported separately from business-type activities. Governmental activities are supported by taxes and intergovernmental revenues, whereas business-type activities are normally supported by user fees and charges for services. Long-term assets, such as capital assets and unamortized bond issuance costs, and long-term obligations, such as debt, are now reported in the governmental activities. The components of net assets are presented in three separate components: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Interfund receivables and payables within governmental and business-type activities have been eliminated in the government-wide Statement of Net Position, which minimizes the duplication of assets and liabilities within the governmental and business-type activities. The net amount of interfund transfers between governmental, proprietary, and fiduciary funds is the balance reported in the Statement of Net Position. Discretely presented component units are also reported in the Statement of Net Position.

The Statement of Activities reflects both the gross and net cost format. The net cost (by function or business-type activity) is usually covered by general revenues (property tax, sales and use tax, revenues from utilities, etc.). Direct (gross) expenses of a given function or segment are offset by charges for services, operating and capital grants and contributions. Program revenues must be directly associated with the function of program activity. The presentation allows users to determine which functions are self-supporting and which rely on the tax base in order to complete

their mission. Internal Service Fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown in the governmental and business-type activities of the Statement of Activities.

A reconciliation detailing the change in net assets between the government-wide financial statements and the fund financial statements is presented separately for governmental funds. In order to achieve a break-even result in the Internal Service Fund activity, differences in the basis of accounting and reclassifications are allocated back to user departments. These allocations are reflected in the government-wide statements. Any residual amounts of the Internal Service Funds are reported in the governmental activity column.

The proprietary funds have a reconciliation presented in the proprietary funds' Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position. The only reconciling item is the Internal Service Fund allocation.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled. The City has three types of funds: governmental, proprietary, and fiduciary. The fund financial statements provide more detailed information about the City's most significant funds, but not on the City as a whole. Major governmental and enterprise funds are reported separately in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and independently presented in the combining statements.

The criteria used to determine if a governmental or enterprise fund should be reported as a major fund are as follows: the total assets, liabilities, revenues or expenditure/expenses of that governmental or enterprise fund are at least 10.0% of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds), and the same element that met the 10.0% criterion above in the governmental or enterprise fund is at least 5.0% of the corresponding element total for all governmental and enterprise funds combined.

Governmental Funds

General Fund is the primary operating fund for the City, which accounts for and reports all financial resources of the general government not accounted for and reported in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The specific revenue sources are the foundation for the fund's designation and should be expected to continue to comprise a substantial portion of the inflows reported in the fund. If the fund no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources, the funds' remaining resources and activities should be reported in the General Fund.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest as well as financial resources that are being accumulated for principal and interest maturing in future years.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets, except those financed by enterprise funds and trust funds.

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry.

Proprietary Funds

Enterprise Funds are used to account for and report operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the expenses (including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges.

Internal Service Funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City's self-insurance programs, data processing programs, other internal service programs and Capital Improvements Management Services are accounted for in these funds.

Fiduciary Funds

Trust and Agency Funds are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. These include the Pension Fund and Health Fund, which account for resources for pension and retiree health care benefits for the City's firefighters and police officers. The Private Purpose Trust Fund includes reporting on funds restricted for the City's literacy programs. The Agency Funds account for the City's sales and use tax to be remitted to the State, various fees for other governmental entities, unclaimed property, and various deposits held. The Pension Fund, Health Fund, and the Private Purpose Trust Fund are accounted for in essentially the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fiscal Year 2013 Management Letter

The FY 2013 Letter on Internal Control and Accounting Procedures includes one significant deficiency and two control deficiency comments.

The three deficiencies included: (1) not recording noncash transactions on the Schedule of Expenditures of Federal Awards and improper recording of multi-funded grants between the Schedule of Expenditures of Federal and State Awards, (2) need for formal procedures to analyze and classify collectability of HOME/CDBG loans, and (3) evaluating method of allowance collection relating to Municipal Court Receivables, as well as timely billing of intergovernmental receivables.

The City has continued to take steps to improve its fiscal accountability, addressing all material weakness and significant deficiencies noted in prior years. The City received an "unmodified opinion" on its FY 2013 CAFR. City Management will continue to look for more ways to maintain and improve its handling of segregation of duties, security and accounting. The City does not believe the significant deficiency identified by the auditors is material to the City's operations.

Information Regarding GASB Statements for Pension/Retirement Program

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes uniform financial reporting standards for other postemployment benefits ("OPEB") plans.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The City has included additional footnotes in its FY 2013 financial statements for GASB Statements No. 43 and 45, as well as recorded an OPEB liability in its government-wide Statement of Net Position for $154,455,000 for its civilian employees. The City did not fund the Annual Required Contribution of $31,652,000 for FY 2013, but rather continued to record and expense the claims within their respective funds on a pay-as-you go basis, resulting in the OPEB liability. The City additionally disclosed its Unfunded Actuarial Accrued Liability, at September 30, 2013,

for both its civilians and also its uniformed employees (which is funded and paid for out of the City's Fiduciary Component Unit - Fire and Police Retiree Health Care Fund) of $332,943,000 and $413,707,000, respectively.

In FY 2014, the City has implemented GASB Statement No. 67, *Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25)*. GASB 67 has improved financial reporting by state and local governmental pension plans that are administered through trusts or equivalent arrangements.

Debt Management

The City issues debt for the purpose of financing long-term infrastructure capital improvements and short-term projects. Some of these projects have multiple sources of funding which include debt financing. Infrastructure, as referred to by the City, means economic externalities essentially required to be provided by government to support a community's basic human needs, economic activity, safety, education, and quality of life. Types of debt issued by the City include ad valorem tax-supported bonds, tax notes, public property finance contractual obligations, certificates of obligation, revenue bonds and revenue notes. Tax notes and certificates of obligation are typically secured by a pledge of revenues and/or ad valorem taxes, do not require voter approval, and are issued for programs that support the City's major infrastructure facilities and certain of its revenue-producing facilities. Revenue bonds are utilized to finance long-term capital improvements for proprietary enterprise and self-supporting operations. Currently, revenue bonds provide the financing required for improvements to the City's Airport System and the City's Municipal Drainage Utility System ("Stormwater System").

The long-term infrastructure financing process commences with the identification of major projects throughout the City to be financed with debt. These City-wide projects typically involve health and public safety, street improvements, drainage, flood control, construction and improvements to municipal facilities, as well as quality of life enhancements related to libraries and municipal parks. Major projects that are financed with ad valorem tax-supported bonds are presented to the electorate for approval. Upon voter approval, the City is authorized to issue ad valorem tax-supported bonds to finance the approved projects. Bond elections are held as needs of the community are ascertained. The short-term financing process includes interim financing and various projects. Revenue bonds do not require an election and are sold as needed for construction, expansion, and/or renovation of facilities in amounts that are in compliance with revenue bond covenants. The process for any debt issuance begins with the budget process and planned improvements to be made during the ensuing fiscal year.

Utilization of comprehensive financial analysis and computer modeling in the City's ad valorem Debt Management Plan incorporates numerous variables such as sensitivity to interest rates, changes in assessed values, annexations, current ad valorem tax collection rates, self-supporting debt, and fund balances. The analytical modeling and effective debt management has enabled the City to maximize efficiencies through refundings and debt structuring. Strict adherence to conservative financial management has allowed the City to meet its financing needs while at the same time maintaining its strong ratings. The City is rated "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "Aaa" by Moody's Investors Service, Inc. ("Moody's"), and "AAA" by Fitch Ratings ("Fitch"). The City's credit has been rated "AAA" by S&P since October 2008; recalibration of their respective rating scales by Moody's and Fitch in 2010 resulted in rating changes from each of those rating agencies, upgrading the City's credit to "Aaa" and "AAA", respectively. (See "RATINGS" herein.)

Debt Authorization

General Obligation Bonds

The City is authorized to issue bonds payable from ad valorem taxes pursuant to the City Charter, the general laws of the State, and ordinances adopted by the City Council. Such bonds must be authorized by the voters of the City at elections held within the City. The City had $596,000,000 ad valorem tax-supported debt approved by its voters on May 12, 2012, of which $213,925,596 remains unissued. See "Table 12 – Authorized but Unissued Ad Valorem Tax Debt" herein. For the fiscal year ended September 30, 2014, the City had $1,155,330,000 general obligation bonds outstanding, which amount does not include the Bonds.

Tax Notes

The City is authorized to issue short term tax notes, having a maturity not exceeding seven years, pursuant to the general laws of the State and ordinances authorized by the City Council and are payable from ad valorem taxes. For the fiscal year ended September 30, 2014, the City had $38,070,000 tax notes outstanding.

Public Property Finance Contractual Obligations

The City is authorized to issue public property finance contractual obligations under the provisions of the City Charter, applicable State laws, and ordinances adopted by City Council. The public property finance contractual obligations are payable from ad valorem taxes. For the fiscal year ended September 30, 2014, the City had $17,500,000 public property finance contractual obligations outstanding.

Certificates of Obligation

The City is authorized to issue certificates of obligation pursuant to the City Charter, applicable State laws, and ordinances adopted by the City Council. Certificates of obligation are issued for various purposes to include financing revenue-producing capital improvements and for infrastructure support and development. For the fiscal year ended September 30, 2014, the City had $283,870,000 certificates of obligation outstanding, which comprise 18.99% of the total outstanding ad valorem tax-supported debt.

Revenue Bonds

The City is authorized to issue revenue bonds under the provisions of the City Charter, applicable State laws, and ordinances adopted by City Council. For fiscal year ended September 30, 2014, the City's outstanding revenue bonds were: Airport System Revenue Bonds in the aggregate principal amount of $194,215,000; Passenger Facility Charge and Subordinate Lien Airport System Revenue Bonds in the aggregate principal amount of $148,670,000; and Municipal Drainage Utility System Bonds in the aggregate principal amount of $71,210,000.

The airport and stormwater revenue bonds are not secured by ad valorem taxes and are limited obligations of the City, payable solely from the revenues of the airport system and stormwater system, respectively. The Passenger Facility Charge revenue bonds are not secured by ad valorem taxes and are payable solely from the revenues generated by the City's collection of a passenger facility charge, which was approved by the Federal Aviation Administration ("FAA") and the City Council, with collection beginning on November 21, 2001.

Revenue Notes

The City is authorized to issue revenue notes under the provisions of the City Charter, applicable State laws, and ordinances adopted by City Council. The revenue notes are not secured by ad valorem taxes and are limited obligations of the City, payable solely from any lawfully available revenues generated by the City and subject to annual appropriation by the City Council. For the fiscal year ended September 30, 2014, the City had $28,055,000 revenue notes outstanding.

Refundings

The City routinely reviews the possibility of refunding certain of its outstanding debt to effectuate interest cost savings. The Bonds represent an issuance of obligations resulting from this process.

Debt Limitations

The amount of ad valorem tax-supported debt that the City may incur is limited by City Charter and by the Constitution of the State of Texas (the "State"). The City Charter establishes a limitation on the general obligation debt supported by ad valorem taxes to an amount not to exceed ten percent of the total assessed valuation.

The State Constitution and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed $2.50 for each

$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collections. In addition, Section 1331.051, Texas Government Code, and the City Charter prohibit the total debt of the City from exceeding 10% of the total assessed valuation of property shown by the last assessment roll, and the City Charter excludes (1) any indebtedness secured in whole or in part by special assessments, (2) the debt of any improvement district, and (3) any indebtedness secured by revenues, other than taxes of the City or of any department or agency thereof. The issuance of the Bonds does not result in the City's violation of these provisions. (See "DEBT AND TAX RATE LIMITATIONS" herein.)

Long-Term Debt Planning

The City employs a comprehensive multi-year, long-term capital improvement planning program that is updated annually. Debt management is a major component of the financial planning model which incorporates projected financing needs for infrastructure development that is consistent with the City's growth while at the same time measuring and assessing the cost and timing of each debt issuance.

The assumptions in the FY 2014-2015 Debt Management Plan include: (i) assessed valuation growth at 4.56% in fiscal year 2014, a projected growth rate of 6.85% in fiscal year 2015, 5.00% in fiscal year 2016, 4.00% in fiscal year 2017, 3.50% in fiscal year 2018, and 3.00% in fiscal year 2019, and held constant thereafter; (ii) tax collections at 98.0%; (iii) tax freeze for elderly and disabled; (iv) the adopted debt service tax rate which remains constant at 21.15 cents through fiscal year 2028; and (v) $596,000,000 General Improvement Bonds authorized by the voters in the May 12, 2012 election. The City has realized savings with respect to certain projects included within the 2012 authorization, which savings total $4,000,000 when compared to original cost projections. As a result, the City will not issue a corresponding amount of general obligation bonds from the 2012 voted general obligation bond authorization capacity.

New Money Issues

Ongoing capital improvement needs have required the City to sell certificates of obligation and general obligation bonds to fund capital improvements for various streets, drainage and flood control projects; acquisition, construction and improvements related to park facilities, public safety, municipal facilities and parking structures; and environmental clean-up and land acquisition. Tax notes have been utilized to fund short-term projects and interim financing of seven years or less.

The FY 2014-2015 Debt Management Plan includes the fourth sale of the 2012 voter-authorized bonds. The bonds will be sold to finance improvements to streets, bridges, and sidewalks; drainage and flood control; parks, recreation, and open space; library, museum, and cultural arts facilities; and public safety facilities. The FY 2014-2015 Debt Management Plan also includes the proposed sale of certificates of obligation and tax notes. The certificates of obligation are anticipated to be sold to fund municipal facilities, streets, public safety, IT, parks, and public works, and the tax notes are anticipated to be sold to fund street improvements.

Debt Service Tax Rate

The combination of successful refundings and low interest rates for bonds and certificates of obligation sales occurring between fiscal years 1992 and 2014 has resulted in a decrease in the projected maximum debt service tax rate of $0.3049 per $100 valuation prior to fiscal year 1992 to a projected maximum debt service tax rate of $0.2115 per $100 through fiscal year 2028.

The Budget Process

Fiscal Year 2015 Budget

The FY 2015 Budget Process represents a comprehensive effort that involves input from residents, the Mayor and City Council, outside governmental agencies and private organizations, all City departments and offices, and City

employees. There are several major components to the process and each phase of the FY 2015 Budget Process is explained below.

Five-Year Financial Forecast. The Budget Process is guided with the development and presentation of the Five-Year Financial Forecast (the "Forecast"). The Forecast is a financial and budgetary planning tool that provides a current and long-range assessment of financial conditions and costs for City service delivery plans including the identification of service delivery policy issues that will be encountered in the next five years and will have a fiscal impact upon the City's program of services. The Forecast also examines the local and national economic conditions that have an impact on the City's economy and ultimately, its budget. The Forecast is intended to provide the City Council and the community with an early financial outlook for the City, and to identify significant issues that need to be addressed in the budget development process. Future revenues and expenditures are taken into account in an effort to determine the level of surplus or deficit the City may face during the next five years. On May 14, 2014, the Forecast was presented to the City Council.

Public and Employee Input. The Budget Input Box provides the community and employees the opportunity to offer their suggestions on how the City may become more efficient, generate revenues, and make effective changes to service delivery. City staff maintains Budget Input Boxes in public libraries, the City's office lobbies, and other venues. Information and access for this budget initiative is provided to the community and City employees in both English and Spanish. Budget Input Box resources are also available on the City's internet website. The City also utilizes both Facebook and Twitter for public and employee input.

In addition, the City hosted five Community Budget Input Hearings during the week of May 19 through May 22, 2014. The purpose of the hearings was to gather input and feedback from the residents on service areas that could be reduced or revenue that could be enhanced in preparation of the FY 2015 Proposed Budget. During each meeting, a brief video highlighting the major services provided by the City was shown to help educate residents. After the video, residents were arranged into discussion groups and asked to identify potential reductions and revenue enhancements the City should focus on in the upcoming budget and service delivery priorities. Each table reported back to the group. Their input was compiled by City staff and provided to the City Council on May 27, 2014 at the City Council goal setting session.

City Council Goal Setting Work Session. The Goal Setting Work Session for the annual budget is a formal mechanism for City Council as a body to provide City staff with budget policy direction. This year's work session was held on May 27, 2014, and focused on establishing strategic goals and service delivery priorities to lead the City's efforts and resources for the FY 2015 and FY 2016 Budget development. The outcome of the session guided City staff to align service delivery and spending plans with the City Council priorities.

Proposed Budget Preparation. Prior to the Proposed Budget Presentation, each City department's base budget is reviewed by the Office of Management and Budget, along with the City department's respective Executive Leadership Team member. Costs such as fuel, electricity, and other similar maintenance and operational expenses may be adjusted to meet current market demands. Concurrent to these reviews, the Executive Leadership Team and Budget Staff review preliminary fund schedules in order to determine the financial position for each City department and fund. Other items discussed in these meetings included performance measures, capital and grant programs, policy issues, revenue changes, and potential reductions. As part of the Budget Development Process, City departments are asked to look for efficiency and operational proposals that reflect the City Council strategic goals and the community service delivery priorities.

FY 2015 Proposed Budget. After obtaining the priorities of the community and City Council, as well as conducting reviews of each City department, the City Manager presented the FY 2015 Proposed Operating and Capital Budget to City Council on August 7, 2014. The FY 2015 Proposed Budget represented City staff's professional recommendation reflecting the priorities of the community and City Council.

The FY 2015 Proposed Budget focused on the City's core services and address City Council budget priorities and community needs while maintaining financial strength despite existing financial challenges. The FY 2015 Proposed Budget included recommendations to address the FY 2016 Budget Plan to allow the City to better manage expectations and service levels over multiple years.

Public Input on Budget Priorities. Prior to developing the FY 2015 Proposed Budget, five area-wide community hearings were held across the City to obtain the public's input on service delivery priorities for the upcoming fiscal year. The City hosted Community Budget Hearings from August 11 through August 14, 2014. In each budget hearing, an explanatory video regarding the FY 2015 Proposed Budget was shown and residents were asked to provide input on the FY 2015 Proposed Budget. Approximately 275 individuals attended the Community Budget Hearings and provided comments on the FY 2015 Proposed Budget. The City also held two additional Budget Public Hearings on August 20 and September 10, 2014 in which residents could provide input.

Fiscal Year 2015 Adopted Budget. After receipt of the FY 2015 Proposed Budget, the City Council held several work sessions to review the proposed service program details, and discuss potential City Council budget amendments. The budget work sessions provided a forum for discourse on significant policy issues as well as an opportunity to review departmental service plans highlighting proposed program enhancements, reductions, efficiencies, redirections, and revenue adjustments. After considering all the recommendations and receiving input from citizens, the budget as amended by City Council was adopted on September 18, 2014.

Fiscal Year 2015 Budget Amendment. On November 18, 2014, the City Council amended the FY 2015 Budget by deferring street maintenance projects, adjusting police and fire budgets, and increasing the City's contribution to uniform fire and police employee healthcare coverage in the amount of $14,258,562 for the period of January 1, 2015 through September 30, 2015. This action will maintain a balanced General Fund budget for FY 2015 as required by law, while adhering to the City's adopted financial policies.

The City began meeting with the police union to negotiate a new collective bargaining contract in January 2014. To date, there is no agreement with the police union. Further, the fire union has refused to begin negotiations. Without new agreements with the labor unions, the cost for public safety healthcare benefits would have exceeded the adopted FY 2015 Budget. As a result, the City Council reduced $14.2 million from the FY 2015 Budget to allocate for the increased costs of public safety healthcare and to maintain a balanced budget. The adjustments to the General Fund budget include deferring nearly $9 million in street projects to 2016; maintaining 35 additional vacant positions in the police department for a total of 75 vacant positions; and delaying a paramedic class in 2015.

Three-Year Annexation Plan Process

Through both full and limited purpose annexations, the City has grown from its original size of 36 square miles to its current area, encompassing 485 square miles, and having a tax year 2014 net taxable assessed value of $79.8 billion.

By City Charter and State law, City Council has the power to annex territory by passage of an ordinance following an extensive open public process. State law mandates that municipalities planning to annex prepare an Annexation Plan that specifically identifies the areas that may be annexed and that no annexation may occur until the third anniversary of the date such plan was adopted. There are minor exceptions to the State law that allow for exemptions from the formal Three-Year Annexation Plan process, such as for property owner-initiated annexation.

The City Council adopted an updated Annexation Policy in February 2013 and is currently developing the 10-year Annexation Program that is tentatively scheduled to be reviewed in 2015. The 10-year Annexation Program will identify potential areas for future consideration in an Annexation Plan.

Public Improvement District

Pursuant to the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code, as amended, on April 29, 1999, the City Council created a public improvement district ("Downtown PID") in the central business district. The purpose of the Downtown PID is to provide public improvement services to properties within the boundaries of the Downtown PID to include: (1) sidewalk sweeping and washing; (2) graffiti abatement; (3) landscaping/streetscaping services; (4) a marketing and promotional program; and (5) a public service representative program. On July 1, 1999, the City Council authorized the City to execute a contract with Centro San Antonio Management Corporation, a non-profit Texas corporation, to manage the Downtown PID programs. The Downtown PID was created in 1999 for an initial five-year term and then was renewed again in 2004 and 2009. In May 2013, the City Council reauthorized the Centro PID for a ten-year term beginning October 1, 2013 through September 30, 2023. The current management contract is with the Centro PID (formerly the Centro San Antonio

Management Corporation). A 15-member Board of Directors of the Centro PID meets at least quarterly to assure performance of the Centro PID. The supplemental services and improvements to be provided are detailed in the annual Service and Assessment Plan, which must be approved by the City Council. The FY 2014 plan reflects a total budget of $4,206,000 based on the assessment rate of $0.15 for commercial properties and $0.09 per $100 valuation for condominium residential properties. In addition to assessment revenues from private property, which are expected to yield approximately $3,051,396 in FY 2014, estimated additional funds are to be received from annual contributions from the City and CPS combined of $262,570, from VIA Metropolitan Transit, Bexar County, and other revenue sources combined of $697,661, and from interest on deposits and delinquent payments of $7,500. The Centro PID will operate on these collected revenues and will not issue bonds.

Investments

Available investable funds of the City are invested as authorized and required by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Investment Act"), and in accordance with an Investment Policy approved by the City Council. The Investment Act requires that the City establish an investment policy to ensure that City funds are invested only in accordance with State law. The City has established a written investment policy, which was most recently amended and adopted on September 11, 2014. The City's investments are managed by the City's Department of Finance, which, in accordance with the Investment Policy, reports investment activity to the City Council.

Legal Investments

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligation described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for City deposits, and in addition (b) the City is authorized, subject to certain conditions, to invest in certificates of deposit with a depository institution that has its main office or branch office in the State and that participates in the Certificate of Deposit Account Registry Service® network (CDARS®) and as further provided by State law; (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), requires the securities being purchased by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer or a financial institution doing business in the State; (8) bankers' acceptances with the remaining term of 270 days or less, which will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, if the short-term obligation of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (9) commercial paper with a stated maturity of 270 days or less and is rated at least "A-1" or "P-1" or the equivalent by either (i) two nationally recognized credit rating agencies or (ii) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Act of 1940; (11) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years; invests exclusively in obligation described in the preceding clauses; are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and conforms to the requirements for eligible investment pools; (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally

recognized investment rating firm of not less than "AAA" or "AAA-m" or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days; (13) bonds issued, assumed, or guaranteed by the State of Israel; and (14) guaranteed investment contracts secured by obligation of the United States of America or its agencies and instrumentalities, other than prohibited obligations described in the next succeeding paragraph, with a defined termination date, and pledged to the City and deposited with the City or a third party selected and approved by the City.

Entities such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (13) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) and clause (13) above, clause (9) through (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City or a third party selected and approved by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligation provided that the pool is rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the City is required to invest its funds in accordance with written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pool fund groups, and the methods to monitor the market price of investments acquired with public funds and the requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

State law requires that City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the City must submit to the City Council an investment report detailing (1) the investment position of the City; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, any additions and changes to market value, the fully accrued interest, and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

The City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in said ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of June 30, 2014, investable City funds (unaudited) in the approximate amount of $1,238,494,291 were 87.36% invested in obligations of the United States, or its agencies and instrumentalities, 4.81% invested in a money market mutual fund, 7.71% invested in a local government investment pool, and 0.12% in a collateralized repurchase agreement, with the weighted average maturity of the portfolio being less than one year. The investments and maturity terms are consistent with State law and the City's Investment Policy objectives to satisfy cash flow requirements, preservation and safety of principal, liquidity and diversification, maximize yield, and proactive portfolio management.

The market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100.03% of their book value. No funds of the City are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

Securities Lending

On April 1, 2010, the City entered into a securities lending agreement with Frost Bank in compliance with State statutes and the City's Investment Policy. On March 6, 2014, the City extended the securities lending agreement for the second of two optional one-year extensions, which is set to expire on March 31, 2015. The securities lending agreement requires collateral in the form of cash and/or United States government securities equal to 102% of the loaned security's market value plus accrued interest for domestic government or agency securities loaned.

Certain Significant Issues Affecting the City

Water Supply

The primary source of water for the City is the Edwards Aquifer. The Edwards Aquifer is also the primary source of water for the agricultural economy in the two counties west of San Antonio and is the source of water for Comal and San Marcos Springs in New Braunfels and San Marcos, respectively, which depend upon springflow for their tourist-based economy. Edwards Aquifer water from these springs provides the habitat for species listed as endangered by the United States Fish & Wildlife Service (the "USFWS") under the federal Endangered Species Act and provides base flow for the Guadalupe River. Water levels in the Edwards Aquifer are affected by rainfall or lack thereof, water usage region-wide, and discharge from the aforementioned springs. One unique aspect of the Edwards Aquifer

is its prolific rechargeability and the historical balance between recharge and discharge in the form of well withdrawals and spring discharges.

During the 1980s, increasing demand on the Edwards Aquifer threatened to exceed average historical recharge, generating concerns by the areas dependent upon springflow for water and the local economy. Also, the fluctuations in Edwards Aquifer levels threatened to jeopardize flow from Comal and San Marcos Springs. Since groundwater, including the Edwards Aquifer, is subject to the rule of capture in Texas, meaningful management could not be accomplished in the absence of new State legislation.

Regional planning efforts to address these issues were undertaken in the mid-1980s, resulting in recommendations for new State legislation for management of the Edwards Aquifer. Failure to adopt this legislation in the 1989 Texas Legislative Session resulted in the initiation of various lawsuits and regulatory efforts by regional interests dependent upon springflow to force limitations on overall usage from the Edwards Aquifer. In addition to the litigation discussed below, litigation was initiated in State District Court to have the Edwards Aquifer declared an underground river under State law, and therefore owned by the State. This litigation was unsuccessful. In addition, efforts were undertaken to have the Texas Water Commission (now the Texas Commission on Environmental Quality – the "TCEQ") regulate the Edwards Aquifer. In April 1992, the Texas Water Commission adopted emergency rules declaring the Edwards Aquifer to be an underground stream, and therefore State water subject to regulation by the State. After final adoption of permanent rules, litigation was initiated in State court challenging the Texas Water Commission's determination. The Texas Water Commission's permanent rules and the Commission's determination that the Edwards Aquifer was an underground stream, and, therefore, subject to regulation by the State, were declared invalid by the State courts.

The various litigations and regulatory efforts to manage withdrawals from the Edwards Aquifer resulted in passage of the Edwards Aquifer Authority Act in 1993 and its amendment in 1995 to allow its implementation. The Edwards Aquifer Authority ("EAA") began operation on July 1, 1996, with a goal of implementing State regulatory legislation aimed at the elimination of uncertainties concerning access to and use of Edwards Aquifer water by the City and all other Aquifer users.

The Board of the EAA has adopted rules for: (1) drought management and (2) withdrawal permits governing the use of water from the Edwards Aquifer. Drought management rules mandate staged reductions in water supplies withdrawn from the Edwards Aquifer. The City currently has a series of accompanying demand restrictions targeting discretionary water use, such as use of decorative water features and landscape irrigation. Drought demand rules do not materially adversely affect revenues or SAWS ability to supply water to its customers for primary needs.

In 2007, the Texas Legislature passed Senate Bill 3 establishing a cap on annual pumping from the Edwards Aquifer of 572,000 acre-feet and placing restrictions into State statute regarding supply availability during drought periods, thus making these restrictions State law. SAWS currently has access to approximately 45% of the 572,000 acre-feet available. In addition, to support ongoing efforts to identify and evaluate methods to protect threatened and endangered species, the Texas Legislature prescribed in detail an Edwards Aquifer Recovery Implementation Program ("EARIP") for the Edwards Aquifer region. The EARIP is being undertaken in coordination with USFWS, and is intended to help the region meet the needs of endangered species, while respecting and protecting the legal rights of water users. The program consists of a facilitated, consensus-based process involving a broad cross-section of regional stakeholders. On November 7, 2011, the EARIP steering committee and stakeholders endorsed the final draft of a Habitat Conservation Plan ("HCP"), an Implementing Agreement, and a Funding and Management Agreement. The stakeholders and the members of the steering committee have reached broad consensus on the fundamental elements and associated details of a multi-year adaptive management plan which will form the foundation of the HCP in support of a desired Incidental Take Permit with a term of 15 years. To fund the HCP, it was determined by the EARIP to impose fees on pumpers of Edwards Aquifer groundwater. These fees appear as a pass through on SAWS' bills. The HCP, its Implementing Agreement, and related documents were approved by the SAWS Board on November 1, 2011 and by the governing bodies of all other participants in December 2011. The documents were submitted to the USFWS for review and consideration and on February 15, 2013, USFWS published the Final Environmental Impact Statement and Record of Decision on the Edwards Aquifer Recovery Implementation Program Habitat Conservation Plan for Incidental Take Permit in the Federal Register that supports the Incidental Take Permit issuance.

Edwards Aquifer Authority

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

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

UVALDE POOL				
Comal Springs Flow [1]	San Marcos Springs Flow [1]	Index Well J-27 Level [2]	Critical Period Stage [3]	Withdrawal Reduction (%)
N/A	N/A	N/A	I	N/A
N/A	N/A	< 850	II	5
N/A	N/A	< 845	III	20
N/A	N/A	< 842	IV	35
N/A	N/A	< 840	V	44

[1] Measured in cubic feet per second.

[2] Measured in mean sea level.

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

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

The San Antonio Pool is currently in Critical Period Stage IV (declared on August 12, 2014) and the Uvalde Pool is currently in Critical Period Stage V. For additional information on the various levels of drought restrictions imposed by the EAA and current level of the Edwards Aquifer, see www.edwardsaquifer.org.

City's Edwards Aquifer Management Plan

In addition, and separate and apart from the EAA's rules governing withdrawal of Edwards Aquifer water during drought, the City has established a proactive Aquifer Management Plan to manage the region's water resources during periods of drought. Established by City ordinance, the Aquifer Management Plan also restricts water use

based on specific levels of the Edwards Aquifer. The City approved the following aquifer level triggers in 2009 and updated specific regulations associated with each trigger in 2013.

Year Round – Year round restrictions are in effect when the Edwards Aquifer level is above 660 feet mean sea level at the monitored well (J-17 Index Well). During year round watering restrictions, SAWS customers are permitted to water landscape with an irrigation system or sprinkler any day of the week between the hours of 8 p.m. and 10 a.m.

Stage One – Stage One restrictions begin when the 10-day rolling average of the Edwards Aquifer level drops to 660 feet mean sea level at the monitored well (J-17 Index Well). SAWS customers are limited to one-day-per week landscape watering with an irrigation system or sprinkler based on the last number of the customer's street address and are only allowed to water before 10 a.m. and after 8 p.m.

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

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

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

Due to varying weather patterns, the City has been in and out of drought restrictions based on the fluctuating mean sea level of the Edwards Aquifer at the J-17 monitoring well. The City is currently in Stage Two of its drought restrictions.

EPA Clean Water Act Matter

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (the "EPA") of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows. The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for enforcement action. Since 2007, SAWS has engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. On June 4, 2013, the SAWS Board approved a Consent Decree between SAWS and the United States of America and the State of Texas to resolve this enforcement action. SAWS signed the Consent Decree on June 5, 2013 and the Consent Decree was subsequently executed by the United States of America and the State of Texas. On September 13, 2013, after consideration of the comments received, the United States of America filed its Motion for entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013. During the 10 to 12 year term of the Consent Decree, SAWS estimates the cost to perform the operating and maintenance requirements of the Consent Decree will be approximately $250 million. Additionally, SAWS estimates that capital investments of approximately $850 million will be required over the Consent Decree term. As with any estimate, the actual amounts incurred could differ materially.

Bexar Metropolitan Water District

Except for information specifically pertaining to SAWS or the City, the information in this section has been made publically available by the Bexar Metropolitan Water District ("BexarMet") before it was dissolved as described below. Neither SAWS nor the City has verified the accuracy or completeness of information relating to BexarMet operations or the financial results hereinafter described or referenced that were the sole responsibility of BexarMet prior to its assumption by the City.

BexarMet was created by the 49th Texas Legislature in 1945, to serve anticipated growth in Bexar County. From an initial account base of 4,765 primarily residential accounts, it grew to more than 92,000 residential and commercial accounts served in 2011. Over several years, repeated customer complaints about inadequate service, alleged mismanagement, and excessive rates resulted in legislative intervention in 2007, through the enactment of House Bill 1565, by the 80th Texas Legislature mandating various operational and financial audits of BexarMet along with the creation of the Joint Committee on Oversight of the Bexar Metropolitan Water District (the "Oversight Committee") to monitor operations, management, and governance of BexarMet. Attempts to implement legislative remedies concerning BexarMet operations during the 81st Texas Legislative Session were unsuccessful and monitoring by the Oversight Committee continued through the start of the 82nd Texas Legislative Session in January 2011. During that time, BexarMet dismissed its General Manager for failing to disclose an indictment for conduct alleged to have occurred at his prior place of employment and unrelated to BexarMet operations (a charge to which he pled guilty in 2012). Additionally, allegations were made that BexarMet was misstating certain revenues recognized in its 2010 interim preliminary unaudited financial statements. To remove any appearance of impropriety, the governing body of BexarMet (the "BexarMet Board") hired an external forensic auditor to review the claims. The revenue entries at issue were reversed during the completion of the final audit, and BexarMet received an unqualified opinion in its final annual audit. As disclosed in its preliminary financial statements and in the final 2010 audit, due to abnormally high rainfall during the 2010 fiscal year, BexarMet revenues were down approximately 10% which resulted in BexarMet failing to maintain its debt service coverage ratio as required by its authorizing orders for its debt obligations. In anticipation of the potential debt service coverage ratio shortfall, the BexarMet Board, with the assistance of an outside rate consultant, expedited its review of its existing rates and rate structure, and diligently worked to formulate a new rate structure to provide sufficient revenues to meet its covenanted rate coverage requirements and maintain its capital improvement plan, while balancing the impact on its ratepayers. The new rate structure was adopted with implementation of a 7% increase on September 1, 2010. BexarMet anticipated that additional budget cutting measures coupled with the new rates and additional revenues generated thereby, would restore its fiscal health. In addition to the foregoing, and during this time, BexarMet continued to report to the Oversight Committee and worked diligently to improve its operations and financial position. For fiscal year ended April 30, 2011, according to the records released by BexarMet, BexarMet realized a record amount of gross revenues, ended the fiscal year with a debt service coverage ratio of 1.57; and received an unqualified opinion on its 2011 audited financial statements.

Dissolution and Assumption by the City

At the beginning of the 82nd Texas Legislative Session, the Oversight Committee recommended that two bills be passed. In May 2011, the 82nd Texas Legislature enacted Senate Bill 341 ("Senate Bill 341" or "SB 341"). SB 341 established several key measures including the immediate monitoring and review of BexarMet operations by the TCEQ. The primary component of SB 341, however, required the conduct of an election (the "Election") by BexarMet ratepayers to vote on the dissolution of BexarMet and consolidation with SAWS, which Election was held on November 8, 2011. At this Election, BexarMet ratepayers voted in favor of dissolution (9,047 votes for versus 3,172 votes against).

These results were canvassed by the BexarMet Board and certified to the Texas Secretary of State on November 18, 2011. The last prerequisite to the assumption of operational control and management of BexarMet by SAWS was preclearance of the Election results by the United States Department of Justice (the "DOJ"), which was received on January 27, 2012. The City commenced assumption procedures on January 28, 2012. SAWS, acting by and through the City, took action to accommodate the assumption of BexarMet in accordance with the requirements and specifications of SB 341. On October 20, 2011, the City Council adopted an ordinance creating a "Special Project", as authorized by SB 341 and pursuant to City ordinances authorizing then-outstanding Senior Lien obligations, where the assumed BexarMet will reside as a segregated component unit of SAWS until full integration into the

SAWS system occurs within the timeframe specified by SB 341. The City received judicial validation of this position pursuant to declaratory judgment action filed under Chapter 1205, as amended, Texas Government Code (In re the City of San Antonio and Certain Public Securities, Cause No. D-1-GV-12-000115, 410th Judicial District Court of Travis County, Texas).

Pursuant to SB 341: (a) the term of each Director of BexarMet expired on the date the Election results were certified to the Secretary of State of the State of Texas; (b) SAWS assumed control of the operation and management of BexarMet on the date the Election results were certified to the Secretary of State of the State of Texas; (c) not later than the 90th day after the date the Election results were certified to the Secretary of State of the State of Texas, the TCEQ, in consultation with the Oversight Committee, was required to transfer or assign to the SAWS all: (1) rights and duties of BexarMet, including existing contracts, duties, assets, and obligations of BexarMet, (2) files, records, and accounts of BexarMet, including those that pertained to the control, finances, management, and operation of BexarMet, and (3) permits, approvals, and certificates necessary to provide water services; (d) to the extent that a transfer of an item required the approval of a state agency, the state agency was required to grant approval without additional notice or hearing; and (e) after the TCEQ transferred the property, assets, and liabilities as prescribed by this section, the TCEQ was required to enter an order dissolving BexarMet. On May 30, 2012, the TCEQ entered an order finally dissolving BexarMet in accordance with the provisions of SB 341. Information filings for the former BexarMet made prior to these dates remain available on the Municipal Advisory Council ("MAC") website under the City's listings as its "Water System Special Project".

SB 341 stated that its intent was not to enhance or harm the position of a party that had contracted with BexarMet and no law or charter provision may be construed to limit the SAWS performance of an obligation under a contract transferred or assigned to SAWS as a result of the dissolution of BexarMet, if revenue from the contract was pledged wholly or partly to pay debt service on revenue bonds approved by the Texas Attorney General.

In the five years prior to dissolution, BexarMet made, in addition to its requisite annual filings, periodic material event notice filings with EMMA concerning the following matters: enactment of SB 341; covenant default under a direct-pay letter of credit with Wells Fargo Bank, National Association supporting its then-existing commercial paper program; covenant defaults under its bond documentation, including failure to meet debt service coverage requirements; material litigation; and termination of an existing interest rate hedging agreement. In addition, BexarMet timely made its annual disclosure filings during this period, with the exception of its requisite filing for the fiscal year ending April 30, 2011 (filed late in two parts on November 14, 2011 and November 17, 2011, respectively). BexarMet filed notice with EMMA of this late filing on November 29, 2011.

BexarMet's most recent financial statements for the fiscal year ending April 30, 2011 and its most recent official statement are available on EMMA and through the MAC as described above.

DSP Waterworks System

The waterworks system assumed by SAWS through the District Special Project (the "District Special Project" or the "DSP") that belonged to the former BexarMet (the "DSP Waterworks System") provides water service to an area of approximately 276 square miles in Bexar, Atascosa, and Medina counties. The service area is a non-contiguous area that consists of portions of the south side of San Antonio, portions of south and west Bexar County, northern Atascosa County and eastern Medina County. The service area also includes the cities of Somerset, Castle Hills, Hill Country Village, and Hollywood Park; the Stone Oak and Timberwood Park subdivisions in northern Bexar County; and a portion of northeast San Antonio. Within the service area, there are approximately 96,700 water connections. There are approximately 88 water wells that provide water to approximately 91 ground storage facilities which have a capacity totaling approximately 37 million gallons of storage, and 21 elevated storage facilities totaling approximately 27 million gallons of storage. In addition, there are approximately 1,380 miles of transmission and distribution water lines and over 7,500 fire hydrants.

The DSP assumed ownership and operational responsibilities of the DSP Waterworks System on January 28, 2012. The former BexarMet was dissolved by order of the TCEQ on May 30, 2012. All references to the former BexarMet, including with respect to references to actions preceding these dates, are replaced with references to the DSP as a result of the foregoing. The DSP is not currently a part of the SAWS system, but SB 341 requires that the

waterworks system maintained by the DSP be merged into the SAWS system, creating one consolidated system, not later than 2017. SAWS anticipates compliance with this legislative deadline.

Please refer to Table 18 herein for historical transfers from SAWS to the City's General Fund; see also, "San Antonio Water System" in APPENDIX A hereto.

Water Transmission and Purchase Agreement for Carrizo and Simsboro Aquifer Water

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

The Agreement is separated into three distinct phases. The "development" phase will commence upon the complete execution and delivery of the Agreement, anticipated to occur in early November 2014, and is scheduled to last between 18 and 30 months. The "development" phase concludes when Abengoa VR obtains construction financing for the Project. This event is referred to as "financial closure" and its occurrence results in the conclusion of the "development" phase and commencement of the "construction" phase of the Project by Abengoa VR. During the "construction" phase of the Project, SAWS will also begin construction of improvements to the SAWS system necessary to accept and integrate the Project Water, at an anticipated capital cost to SAWS of approximately $100 million. This "construction" phase is scheduled to last 42 months and its conclusion will result in the commencement of the aforementioned 30-year "operational" phase, during which period SAWS is obligated to pay for Project Water made available to it by Abengoa VR at the Connection Point.

During the "development" phase, SAWS has retained the right to terminate the Agreement for its convenience, subject to its payment of a termination fee to Abengoa VR (determined based on the costs incurred by Abengoa VR pursuant to the Agreement from commencement of the "development" phase to the date of termination, such termination fee being capped at $40.1 million). After "financial closure", SAWS has also retained the right to terminate the Agreement by purchasing the Project for the aggregate amount of the outstanding Project debt, contract breakage costs and return of and on equity contributions by Abengoa VR's principals (no cap is imposed upon such amount as exists if the Agreement is terminated during the "development" phase). At the end of the "operational" phase, ownership of the Project will be transferred to SAWS at no cost.

Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as a maintenance and operating expense of the SAWS system, only for Project Water made available at the Connection Point (which payment will include the costs of operating and maintaining the Project). SAWS anticipates that Project Water (the cost of which is paid directly to Abengoa VR), together with Project operations and maintenance (as a direct pass through under the Agreement) and Project electricity (paid directly by SAWS to the utility providers), will initially cost approximately $2,200 per acre foot, resulting in an annual charge to the SAWS system of approximately $110 million (which amount does not take into account potential revenue increases resultant from Project Water being available to SAWS for sale). The SAWS Board and the City Council have committed to account for the anticipated payment obligation of the SAWS system under the Agreement for purposes of rate making and setting not later than the date of "financial closure". SAWS projects that, absent any increase in SAWS system revenues attributable to the availability of Project Water for sale, its payment obligation under the Agreement will result in a rate increase of approximately 16% to the average monthly SAWS residential bill by 2020 (which increase does not include other projected rate increases anticipated to occur by such time).

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

Abengoa VR is led by Abengoa (NASDAQ: ABGB), an international company with more than 70 years of experience in sustainable and innovative technology solutions and project financing in the water, energy and environmental sectors. Abengoa has successfully completed more than 100 infrastructure projects worldwide using private financing, with a total investment in excess of $21 billion.

Water Reuse Program

SAWS supplies reuse water to CPS. The revenues derived from such agreement have been restricted in use to only reuse activities and are excluded from the calculation of SAWS gross revenues, and are not included in any transfers to the City's General Fund. Revenues derived from this agreement are approximately $3.2 million each year.

SAWS has constructed a direct reuse, or recycled water, system that provides non-potable water to various customers now using Edwards Aquifer water. The Reuse Program serves golf courses, universities, parks, and commercial and industrial customers throughout the City. Revenue from recycled water sales are recorded as normal revenue of SAWS and do not have the restrictions of the reuse agreement with CPS.

Electric and Gas Supply

The CPS electric system serves a territory consisting of substantially all of Bexar County and small portions of the adjacent counties of Comal, Guadalupe, Atascosa, Medina, Bandera, Wilson, and Kendall. Certification of this service area has been approved by the Public Utility Commission of Texas ("PUCT"). Effective January 1, 1997, the transmission grid in Texas was opened to wholesale competition by virtue of PUCT regulations implementing 1995 Texas legislation. Wholesale customers include cities and towns buying power for resale and as a result of the regulations, the transmission grid is available on an open access basis to any power provider to supply these loads.

CPS sells wholesale electricity to the Floresville Electric Light & Power System, the City of Hondo, and the City of Castroville. These three wholesale supply agreements have been recently renewed and have terms running from 2018 to 2020. CPS has agreements in place today that provide partial supply to Bluebonnet Electric Cooperative for a term of five years beginning in June 2011 and to the City of Lampasas for a period that began in June 2011 and extends through June 2016. In April 2014, CPS executed a partial supply agreement with the City of Bandera to provide 10% of its metered load starting July 1, 2014 through June 30, 2018. Long term supply agreements have been entered with Central Texas Electric Cooperative, the City of Boerne, the City of Seguin, and the Kerrville Public Utility Board to provide supply for terms that began in June 2013 and extend through 2021 for Central Texas Electric Cooperative and through 2023 for the other three entities. The requirements under the existing wholesale agreements are firm energy obligations of CPS. In addition, from time to time, CPS provides a variety of supply arrangements on a short term basis for terms ranging from one month up to one year.

The City Council exercises original electric and gas rate regulatory jurisdiction over the CPS retail service areas, with appellate jurisdiction in the PUCT and Texas Railroad Commission for electric and gas rates, respectively, for areas outside the City. Pursuant to amendments made by the Texas Legislature in 1995 to the Texas Public Utility Regulatory Act ("PURA"), municipally-owned utilities, including CPS, became subject to the regulatory and rate jurisdiction of the PUCT relating to transmission of wholesale energy. The PURA amendments require the PUCT to establish open access transmission on the interconnected Texas grid for all utilities, co-generators, power marketers, independent power producers, and other transmission customers. (See also "SAN ANTONIO ELECTRIC AND GAS SYSTEMS - Service Area and Retail Service Rates" in APPENDIX A attached hereto.)

The CPS electric system, like other municipal electric systems in the State, operates pursuant to changes in electric regulation brought about by the enactment of Senate Bill 7 ("SB 7") by the Texas Legislature in 1999. SB 7 provided for open competition in the provision of retail electric service in the State, which commenced on January 1, 2002. Municipal utilities, such as CPS, are not required to participate in the competitive retail market, although they may "opt-in" to retail electric competition. On April 26, 2001, the City Council passed a resolution stating that the City did not intend to opt-in to the deregulated electric market beginning January 1, 2002. SB 7 provides that "opt-in" decisions are to be made by the governing body or body vested with the power to manage and operate a municipal utility such as CPS. Given the relationship of the CPS Board of San Antonio, Texas ("CPS Board") and the City Council, any decision to opt-in to competition would be based upon the adoption of resolutions of both the

CPS Board and the City Council. If the City and CPS choose to opt-in, other retail electric energy suppliers would be authorized to offer retail electric energy in the CPS service area and CPS would be authorized to offer retail electric energy in any other areas open to retail competition in the Electric Reliability Council of Texas ("ERCOT"). ERCOT is the independent entity that monitors and administers the flow of electricity within the interconnected grid that operates wholly within Texas. (See also "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – Transmission Access and Rate Regulation" in APPENDIX A attached hereto.)

Please refer to Table 18 herein for historical transfers from CPS to the City's General Fund; see also, "San Antonio Electric and Gas Systems" in APPENDIX A hereto.

Air Quality

On March 12, 2008, the United States Environmental Protection Agency (the "EPA") revised its National Ambient Air Quality Standards ("NAAQS") for ground-level ozone (the primary component for smog), which had last been revised in 1997. This revision was the result of a required periodic review process mandated by the Clean Air Act, as amended in 1990. Prior to the revision, an area met the 1997 ground-level ozone standards if the three-year average of the annual fourth-highest daily maximum eight-hour average at every ozone monitor (the "eight-hour ozone standard") was less than or equal to 0.08 parts per million ("ppm"). Because ozone is measured out to three decimal places, the 1997 ozone standard effectively became 0.084 as a result of rounding. For years 2005-2007, San Antonio maintained average ozone readings of 0.082 ppm and was, therefore, compliant with the 1997 EPA ground-level ozone standards in effect in March 2008.

The EPA's March 2008 revision changed the NAAQS such that an area's eight-hour ozone average must not exceed 0.075 ppm rather than the previous 1997 standard of 0.084. Had this new standard been in effect in 2008, the City and surrounding Metropolitan Statistical Area ("MSA") would not have complied with the federal requirements regarding ground-level ozone.

The Clean Air Act requires the EPA to designate areas as "attainment" (meeting the standards), "nonattainment" (not meeting the standards), or "unclassifiable" (insufficient data to classify). As a result of the revisions to the NAAQS in 2008, states were required to make recommendations to the EPA no later than March 12, 2009 for areas to be classified attainment, nonattainment, or unclassifiable. In a letter dated March 10, 2009, Texas Governor Rick Perry submitted a list of 27 counties in Texas, including Bexar County, for designation as nonattainment under this requirement, based on 2005-2007 air quality data.

A series of events, however, temporarily stayed implementation of the 2008 ozone standard.

- In May 2008, some 14 states and several environmental groups sued EPA to challenge the 2008 standard as too lax, while industry challenged the standard as too stringent. These cases were consolidated in the U.S. Court of Appeals for the District of Columbia Circuit under *Mississippi v. EPA*.
- In March 2009, the court granted EPA's request to stay the litigation so the new administration could review the standards and determine whether they should be reconsidered.
- On September 16, 2009, the EPA announced their decision to reconsider the 2008 ozone NAAQS. Commensurate with the proposal to reconsider, the EPA proposed to stay the 2008 standards for the purpose of formalizing nonattainment area designations under it. In a fact sheet published the same day, the EPA wrote, "The stay will allow states and EPA to prepare for an accelerated ozone designation process for the reconsidered standards to be completed by August 2011".
- On January 6, 2010, the EPA issued a proposed rule intending to strengthen the primary eight-hour ozone standard to a level within the range of 0.060 and 0.070 ppm.
- However, the proposed revisions of the 2008 ozone standard ultimately developed under the reconsideration process begun on September 16, 2009 were withdrawn on September 2, 2011.
- Almost immediately, on September 12, 2011, the EPA filed a "Revised Motion to Govern Further Proceedings" in *Mississippi vs. EPA*. Continuing the proceedings was required since the court's March 2009 stay was predicated on the EPA's reconsideration of the standard.

- On September 22, 2011, EPA Assistant Administrator Gina McCarthy announced the EPA's decision to pursue nonattainment promulgations based on the 2008 ozone standard, despite the continuance of litigation proceedings in *Mississippi vs. EPA*.

Under the Clean Air Act, the EPA has two years from the time it revises the NAAQS to complete the designation process. Under this timeline following the revisions to the NAAQS in 2008, Governor Perry's letter was due to EPA in March 2009 as it was delivered, and final designations for all areas were to be issued no later than March 12, 2010.

According to that original schedule, the March 2010 designations would have been based on data from local monitors for the years 2007-2009, inclusive. The San Antonio region (the "Region") shows compliance for the 2008 standard beginning with this three-year record set. In fact, the Region has maintained compliance under the 2008 ozone standard for 2009 (for the years 2007-2009), 2010 (for the years 2008-2010) and for 2011 (for the years 2009-2011).

As a result, when Texas Governor Perry sent a letter dated October 31, 2011 to EPA as an update to the 2009 nonattainment designation recommendations for Texas, his recommendations were based on 2008-2010 data and, hence, no longer included Bexar County.

In a December 9, 2011 response to Governor Perry from EPA, Bexar County is not listed among the Texas counties proposed for nonattainment in spring 2012.

In a Federal Register publication dated December 20, 2011, the EPA continues the dialogue with States and Tribes in preparation for nonattainment designations, stating, "The EPA plans to make final designation decisions for the 2008 Ozone NAAQS in spring 2012".

On April 30, 2012, the EPA issued a final rule that directs key aspects of the implementation of the 2008 Ozone NAAQS. The EPA set those final standards at 0.075 ppm on March 12, 2012.

It should be noted that the ozone concentrations recorded for 2010 and 2011 listed above, while they do show compliance, are in fact the maximum levels permissible under the 2008 federal ozone standard. Any increase in the average would be grounds for a designation of non-compliance, and signal increased associated health risks to the citizens.

In June 2012, the EPA established an "Ozone Advance Program" to offer air quality regions a path forward to improvements in air quality and into compliance with state and federal air quality requirements. The City and members of the Alamo Area Council of Governments Air Improvement Resources (AIR) Committee submitted an application to enter into the Ozone Advance Program and the application was subsequently accepted on July 31, 2012. The Ozone Advance Program allows the San Antonio region the opportunity to frame its local voluntary efforts in a way that would support, within the EPA Administrator's discretion, consideration of the value of local voluntary actions in case local pollution levels warrant a designation of non-attainment under federal clean air rules. EPA may also provide preferred status to Ozone Advance Program participants when they apply for clean air assistance through federal grants programs.

Given the continued and projected strong growth in regional population; given that the Region is poised for strong economic growth which is often associated with additional pollution; and given that the City is downwind of the EFS formation, a "new" and growing source of air pollution, vigilance and a proactive stance may be more warranted than in years past.

While the City remains the largest city in the nation currently in compliance with all federal air quality standards, maintaining this "clean air status" is very much at risk because of these new or proposed regulations.

Projected Growth in Population
San Antonio – New Braunfels Metropolitan Statistical Area

COUNTY	CENSUS 2010	TEXAS WATER DEVELOPMENT BOARD 2040 ESTIMATE	% CHANGE 2010-2040
ATASCOSA	44,911	64,844	44%
BANDERA	20,485	54,829	168%
BEXAR	1,714,773	2,222,887	30%
COMAL	108,472	233,964	116%
GUADALUPE	131,533	214,912	63%
KENDALL	33,410	78,690	136%
MEDINA	46,006	68,987	50%
WILSON	42,918	90,187	110%
TOTAL MSA	**2,142,508**	**3,029,300**	**41%**

Although the revisions to the 2008 ozone standard as proposed by EPA were not adopted, the Clean Air Act requires review of the standard on a five-year cycle. The EPA is currently developing the mandated review, to be finalized by December 2014. The EPA has shown a willingness to propose an ozone standard which is more stringent than the 2008 ozone standard.

- The draft revisions to the 2008 ozone standard were not approved by the White House, but were finalized and have been released publicly by the EPA "in the interests of transparency". According to the "Draft National Ambient Air Quality Standards Preamble for Ozone", the EPA intended to revise the 2008 primary ozone standard to between 0.060 and 0.070 ppm.
- The Region would not now be in compliance had the ozone standard been set at 0.070 ppm or below.

A designation of nonattainment for ozone may have a negative effect on new industrial, commercial, and residential development in the San Antonio area. Examples of past efforts by the EPA and the TCEQ to provide for annual reductions in ozone concentrations in areas of nonattainment under the former NAAQS include imposition of stringent limitations on emissions of volatile organic compounds ("VOCs") and nitrogen oxides ("NOx") from existing stationary sources of air emissions, as well as specifying that any new source of significant air emissions, such as a new industrial plant, must provide for a net reduction of air emissions by arranging for other industries to reduce their emissions by 1.3 times the amount of pollutants proposed to be emitted by the new source. Note, however, that strategies implemented in a new nonattainment area are tailored to local conditions such as the severity of the local ozone violations. Reduction requirements can often be met through the implementation of a wide variety of strategies.

A recently published federal air quality rule specifically targets reductions in ozone precursor emissions which cross state lines. Much can be written about the influence on San Antonio's air shed from emission sources outside of the Region and even outside of Texas. And much can be written about the difficulties experienced by air quality planners working in a nonattainment setting since, with a nonattainment designation, traditional Clean Air Act requirements including rules for emissions reductions treat only a limited, immediate region such as the MSA, when it is easily demonstrated that emission from beyond that region play a role in local noncompliance.

Failure by an area to comply with the EPA's rules and regulations regarding ground level ozone by the requisite time could result, in the most serious of scenarios, in the EPA delivering a mandatory Federal Implementation Plan to the region in a move beyond the state's authority, and imposing a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the early adoption of additional emission reduction measures.

It remains to be seen exactly what steps will ultimately be required to meet federal air quality standards, how the EPA may respond to developments as they occur including the court's decision in *Mississippi vs. EPA*, and what impact such steps and any further EPA action may have upon the economy and the business and residential communities in the San Antonio area. External factors such as other litigation, positions of governmental administrations and others that are at this time unknown, will likely affect the outcome of this issue in ways that are not currently discernible.

LITIGATION AND REGULATION

General Litigation and Claims

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and promotional practices; various claims from contractors for additional amounts under construction contracts; and property tax assessments and various other liability claims. The amount of damages in most of the pending lawsuits is capped under the Texas Tort Claims Act. Therefore, as of Fiscal Year ended September 30, 2013, the amount of $23,710,571 is included as a component of the reserve for claims liability. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund. The status of such litigation ranges from early discovery stage to various levels of appeal of judgments both for and against the City. The City intends to defend vigorously against the lawsuits; including the pursuit of all appeals; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the outcome of such lawsuits.

In the opinion of the City Attorney, it is improbable that the lawsuits now outstanding against the City could become final in a timely manner so as to have a material adverse financial impact upon the City.

Information regarding various lawsuits against the City is included at Note 11, entitled "Commitments and Contingencies", of the City's CAFR for the Fiscal Year ended September 30, 2013, attached hereto as APPENDIX C. The City provides the following updated information related to the lawsuits:

Kopplow Development, Inc. v. City of San Antonio. Plaintiff contends that the construction of a regional stormwater detention facility was an inverse condemnation of its property by increasing the flood plain elevation on its property. The City also filed a statutory condemnation to acquire an easement involving Plaintiff's property to construct and maintain part of the facility. This matter was tried in July 2008 with a favorable ruling to Plaintiff; but the City's motion for new trial was granted. After a retrial, the jury awarded approximately $600,000 to Plaintiff for the inverse condemnation and statutory condemnation. The City and Plaintiff have appealed. The Fourth Court of Appeals issued its opinion affirming the trial court's ruling awarding Plaintiff $4,600 as compensation for the land taken, but reversed the other portion of the judgment for the remainder of the damages. Plaintiff's motion for rehearing was denied on December 29, 2010. Plaintiff filed its brief on the merits in October 2011 and the City filed its reply in December of 2011. On March 9, 2012, the Texas Supreme Court accepted the Petition for Review. Oral arguments were heard on September 13, 2012. On March 8, 2013, the Texas Supreme Court issued its opinion reversing the Fourth Court's opinion and remanding the matter back to State District Court for further proceedings consistent with its opinion. The City's Motion for Rehearing was denied in June 2013. On February 5, 2014, the Fourth Court of Appeals issued an opinion finding that the trial court erred in excluding evidence of Plaintiff's vested rights status and remanded the case to the trial court for a new trial on the issue of damages.

Barbara Webb, et. al. v. City of San Antonio. Plaintiffs sued under the Texas Tort Claims Act for injuries sustained in a motor vehicle accident. A San Antonio police officer was en route to an emergency call when a vehicle turned into the street in front of her. The officer swerved to avoid that vehicle and lost control of her car, moving into the oncoming traffic. The patrol vehicle struck Plaintiffs' car head on. Plaintiff suffered life threatening injuries. This case is in the discovery stages. Damages could reach $250,000. In May 2013, an insurance company covering one of the non-city defendants was declared insolvent and entered into bankruptcy pleadings. This case has been automatically stayed pending resolution of the bankruptcy proceedings.

Valemas v. City of San Antonio. In 2005, Plaintiff entered into a construction contract with the City for work at the City's Brackenridge Park. Plaintiff alleges that it experienced delays in the work due to actions of the City, resulting

in damages to Plaintiff. Plaintiff filed suit alleging breach of contract. The City sought to have some of the claims dismissed for want of jurisdiction which was denied. The City appealed to the Fourth Court of Appeals, which upheld the denial. The City filed a petition for review with the Texas Supreme Court, which was denied. The case has been returned to the trial court, but no trial date has been set. Damages could exceed $250,000.

Valemas, et. al. v. City of San Antonio. Valemas and subcontractor L. Payne Construction performed construction work for the City on W.W. White Road, but there have been issues with subsidence. The City withheld payment of the final invoice and retainage payments, totaling approximately $400,000. Plaintiffs also allege delay damages. The City accepted the completed project but requires proof of payment to all subs and vendors prior to releasing final payment. The City denies delay damages are owed. This case is not currently set for trial.

Shavonda Bailey, et. al. v. City of San Antonio, et. al. Defendant San Antonio police officers were involved in an altercation with Plaintiffs' decedent, Pierre Abernathy, requiring the use of tasers. Mr. Abernathy suffered an episode of "excited delirium" and died. Plaintiffs sued the City, one identified and six unidentified police officers under 42 U.S.C. Section 1983, alleging excessive use of force. This case is not currently set for trial.

Anthony Ortega, et. al. v. City of San Antonio, et. al. A San Antonio police officer was involved in a motor vehicle accident while allegedly in pursuit of a stolen vehicle. Plaintiffs' decedent, Laura Zepeda, was killed as a result of the incident. This lawsuit was recently filed and served on the City. Damages could be at the maximum cap of $250,000. This case is not currently set for trial.

Cheryl Clancey v. D&R Towing, et. al. Plaintiff, in a wheel chair, was attempting to cross the street at Presa and Commerce Streets when she was struck by a tow truck. Plaintiff sued the towing company and driver. She also filed suit against the City, alleging that the crosswalk and ramps were not in conformity with State law accessibility requirements. Plaintiff suffered significant physical injuries including amputation of a portion of her left leg. The City filed a Plea to the Jurisdiction and the Court held that the City had governmental immunity and the case was dismissed with prejudice. The Plaintiff may appeal the case.

Rogers Shavano Ranch, Ltd., et. al. v. City of San Antonio. Plaintiffs are developers of property known as Rogers Shavano Ranch. They claim this property has been under development since 1993. They claim that the City has violated their vested right to develop this property pursuant to ordinances and regulations existing in 1993. The parties have filed cross motions for summary judgment, which have been continued until further depositions are completed. Plaintiffs have not made a demand for monetary damages except for recovery of attorneys' fees. If successful, Plaintiffs could recoup attorneys' fees in excess of $250,000. The City filed a Plea to the Jurisdiction, contesting the Court's jurisdiction to assess attorneys' fees in this case. That plea was granted by the Fourth Court of Appeals, but this issue is currently pending review by the Texas Supreme Court. This case is not currently set for trial.

Northern Hills Management Corp. v. City of San Antonio. Plaintiff purchased property that had been previously used as a golf course, but which was zoned MF-33, multi-family residential. After their purchase of the property, it was rezoned G-AHOD, limiting its use to golf or recreational related purposes. Plaintiff claims the rezoning of the property was an inverse condemnation or taking of the property without compensation. They allege that the loss in property value is approximately $7.9 million. This case is set for trial on March 2, 2015.

Jane Doe v. City of San Antonio, et. al. Plaintiff asserts claims against Defendants for violation of her Fourth Amendment Rights of the United States Constitution and for failure to comply with the Civil Rights Act, 42 U.S.C. §1983. Plaintiff alleges that while she was in her automobile in route to a friend's house a San Antonio police officer, in uniform, stopped her vehicle and then sexually assaulted her. Plaintiff alleges in her complaint that the Defendant has been criminally charged with sexual assault, civil rights violations, and official oppression. Plaintiff also seeks damages against the City and Police Chief for alleged failure to train its officers and for retaining in its employment an individual not suitable to be a police officer. Plaintiff seeks to recover damages against the Defendant in the amount of $10,000,000 for violation of her Fourth Amendment Rights and to recover attorney fees and costs of court. This case is set for trial on February 23, 2015.

Collective Bargaining Negotiations

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

Collective Bargaining Agreement between the City and the SAPOA: The City Council approved a collective bargaining agreement with the SAPOA on May 20, 2010 (the "SAPOA Agreement"), which provided for a term through September 30, 2014, and included an "evergreen clause" which allows for automatic renewals through September 30, 2024, absent a new collective bargaining agreement prior to that date. The parties started negotiations on a new collective bargaining agreement in March 2014, and these negotiations are ongoing.

On November 7, 2014, the City filed a petition for declaratory judgment (the "SAPOA Lawsuit") with the 57th District Court of Bexar County, Texas (the "District Court"). The SAPOA Lawsuit seeks to have the District Court declare the "evergreen clause" in the SAPOA Agreement invalid and unenforceable based upon a violation of Article 11, Section 5 of the Texas Constitution. The initial term of the SAPOA Agreement expired on September 30, 2014. The "evergreen clause" provides that absent a new agreement, the SAPOA Agreement continues until a new agreement is reached or until September 30, 2024. If the City prevails, the SAPOA Agreement will have expired and will no longer be enforceable or in effect. If the City loses, the status quo will remain and the City and the SAPOA will continue under the SAPOA Agreement until a new collective bargaining agreement is reached or until September 30, 2024, whichever occurs first.

Collective Bargaining Agreement between the City and the Local 624: The City Council approved a collective bargaining agreement with the Local 624 on May 19, 2011 (the "Local 624 Agreement"), which provided for a term through September 30, 2014, and included an "evergreen clause" which allows for automatic renewals through September 30, 2024, absent a new collective bargaining agreement prior to that date. The parties have not started negotiations on a new collective bargaining agreement.

On November 7, 2014, the City filed a petition for declaratory judgment (the "Local 624 Lawsuit") with the District Court. The Local 624 Lawsuit seeks to have the District Court declare the "evergreen clause" in the Local 624 Agreement invalid and unenforceable based upon a violation of Article 11, Section 5 of the Texas Constitution. The initial term of the Local 624 Agreement expired on September 30, 2014. The "evergreen clause" provides that absent a new agreement, the Local 624 Agreement continues until a new agreement is reached or until September 30, 2024. If the City prevails, the Local 624 Agreement will have expired and will no longer be enforceable or in effect. If the City loses, the status quo will remain and the City and the Local 624 will continue under the Local 624 Agreement until a new collective bargaining agreement is reached or until September 30, 2024, whichever occurs first.

CITY PENSION AND OTHER POSTEMPLOYMENT RETIREMENT BENEFIT LIABILITIES

City Pension Benefit Plans

An actuarial valuation is conducted annually on each of the City's pension benefit plans (collectively, the "City Pension Benefits Plans"), which include the Texas Municipal Retirement System ("TMRS") and the Fire and Police Pension Fund (the "Fund"). Such actuarial valuations, conducted in accordance with generally accepted actuarial principles and practices, summarize the funding status of each of such plans as of the respective ending dates of the prior two fiscal years, as well as projects funding contribution requirements for the immediately succeeding fiscal year. The respective actuarial values of each plan's assets represents an adjusted value, as determined by the actuary in accordance with industry standards, and will not, therefore, equal the amounts shown in the City's statement of net assets.

As a part of its valuation of the City Pension Benefits Plans, the actuary calculates and reports any "unfunded actuarial accrued liability" ("UAAL") relating to any of such plans. The UAAL is calculated on a present value basis and includes assumptions such as (among others) rates of mortality, retirement, and disability, respectively; the estimated number of participants expected to withdraw from the subject plan; expected base salary increases; overtime rates; and

investment returns. The UAAL includes liabilities for current retirees, active employees that are fully eligible, and for active employees that are not fully eligible.

Based on actuarial valuations, the City's current fire and police pension plan is funded in accordance with State law, and the UAAL as of October 1, 2013 was $232.9 million with an amortization period for the UAAL of 7.25 years and a funded ratio of 91.8%. The TMRS' UAAL as of December 31, 2013 was $174.8 million with a funded ratio of 86.9%. See the following for additional information on these two plans.

Fire and Police Pension Plan

The Fund is a single-employer defined benefit plan which provides retirement benefits to eligible employees of the San Antonio fire and police departments. The Fund was established in accordance with the laws of the State. The Fund is administered by a nine member board of trustees which includes two City Council members, the mayor or her appointee, two police officers, two firefighters, and two retirees.

The Board of the Fund (the "Board") has historically recommended changes to benefits provided by the governing statute controlling the Fund that are actuarially prudent, keeping in mind the goal of reducing the unfunded liability of the Fund over time. This legislative process has worked by soliciting the input of all affected interest groups and the advice of external professionals to reach agreement on a package of benefits that is actuarially prudent.

This policy reflects the current statement of Board policy and may be changed at any time by the current Board or any future Board.

The Fund's annual required contribution for FY 2013 is determined by pension law. The Fund's October 1, 2013 actuarial valuation used the entry-age normal cost method. Significant assumptions included (a) 7.5% investment rate of return and (b) projected annual salary increase of 3.5%. The unfunded actuarial liability is amortized as a level percentage of projected payroll on an open basis.

The actuarial valuation also utilizes a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. As is the case with most public pension plans, the Fire and Police Pension Fund incurred investment losses in prior years. Under this approach, the Fund's investment returns have been smoothed which results in the deferral of $123.6 million in investment losses as of October 1, 2013. These investment losses will be recognized in future years' actuarial valuations to the extent they are not offset by recognition of investment gains above the Fund's assumed investment return of 7.5% or other actuarial gains.

Texas Municipal Retirement System

The City provides benefits for all eligible employees (excluding firefighters and police officers) through a nontraditional, joint contributory, hybrid defined benefit plan in TMRS. TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1948 to provide retirement and disability benefits to City employees. TMRS as of December 31, 2013, is the agent for 850 participating entities. It is the opinion of the TMRS management that the plans in TMRS are substantially defined benefit plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the TMRS plan.

Since its inception, TMRS had used the traditional Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date but does not project the potential future liability of provisions adopted by a participating government. Two-thirds of the governments participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be "committed" benefits (or likely to be guaranteed); as such, for the December 31, 2007 valuation, TMRS' Board adopted the Projected Unit Credit ("PUC") actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. These changes had a significant impact on TMRS' UAAL and funded position as well as the City's contribution requirements. As of December 31, 2006, the City's Plan had a UAAL of $178.5 million with a funded ratio of 72.2%. After adoption of these changes, the City's Plan had a UAAL of $317.7 million with a funded ratio of 60.1% as of December 31, 2007.

The TMRS Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period may be increased up to 30 years, unless a participating government requests that the period remain at 25 years. For governments with repeating features, these changes resulted initially in higher required contributions and lower funded ratios. To assist in this transition to higher rates, the TMRS Board also approved an eight-year phase-in period, which will allow governments the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate). As a result of these changes, the City's contribution rate was projected to increase from 12.5% to 16.7%. Due to the significant increase in contribution requirements, the City selected to phase in the contribution rate in FY 2009 from 12.5% to 13.1% with an ultimate projected rate to be in excess of 18.0% after phase-in (or triple the employee contribution rate).

The City additionally created a work plan to review and address the changes being made by TMRS. Six focus groups with employees and retirees were held to obtain input via a survey on their TMRS benefits and priorities to assist the City in evaluating its options and decisions made on the TMRS Board. Furthermore, the City engaged a legal firm to provide legal advice on TMRS and other pension related issues. The legal firm engaged an actuarial firm to evaluate the assumptions and results of TMRS' report to provide a historical performance analysis of the funds within TMRS, and assist in exploring viable pension alternatives. A task force of current employees and retirees was formed to provide input regarding the work to be completed by this actuarial firm.
The City further adopted a plan change in 2010 removing the annually repeating Cost of Living Adjustment ("COLA") feature as a way to mitigate future contribution increases. This change does not prevent adoption of either ad hoc or annually repeating COLAs in the future, but it did reduce the City's contribution rate in 2010 from 13.9% to 12.3%.

TMRS legislation was passed during the State's 82nd Legislative Session in 2013 to combine the Municipal Accumulation Fund ("MAF"), Current Service Annuity Reserve Fund ("CSARF"), and the Employees Savings Fund ("ESF"), into a single city trust fund. Under TMRS, assets were held in trust in three distinct accounts, which were called "funds". The MAF holds city contributions and interest. The ESF holds member contributions and interest. When a member retires, the accumulated contributions and interest in the member's account transfer from the ESF, along with matching funds from the city's MAF into the CSARF. The basic retirement benefit is therefore fully funded at the time of a member's retirement and is then paid monthly to the retiree from the CSARF. At the time a member retires, the basic retirement benefit becomes a liability of TMRS. Since the passage of House Bill 360 in 2009, each year the ESF and CSARF were credited, by law, with 5.0% interest. This guaranteed interest credit resulted in a highly leveraged (positive or negative) interest credit to the MAF. In years when TMRS as a whole earned less than the amount needed to provide the 5.0% guaranteed interest credit to the ESF and CSARF, additional funding was needed from the MAF. Additionally, as each city's plan matured and retirements increased, more funds transferred into the CSARF from the ESF and the MAF, and the MAF balance, combined with the highly leveraged interest allocations, would have resulted in city contribution rates more volatile than a typical pension plan.

Restructuring, or combining, funds eliminated the leverage inherent in the asset structure and helped to make city contribution rates less volatile. Under a restructured pension fund, at the time of retirement, money would not be transferred to the CSARF (it would stay in the combined/single trust fund of the city). By reallocating the CSARF assets and liabilities and the ESF assets into each city's single trust fund, all future investment earnings based on that city's contributions for active and retired members would be directly applied to that specific city's trust assets and included in the funding equation, resulting in decreased liabilities and contribution rates. Additionally, a city's funded ratio would improve because the city would receive "credit" for the excess of the assets over liabilities for those retirements that are currently being paid from the CSARF; and the city's annual required contribution would be reduced since the city would receive interest on a larger base of assets over a longer period of time. The vast majority of defined benefit plans are funded under a similar structure. This proposal passed as Senate Bill 350 and was enacted in June 2011. This legislation permitted the actuarial valuation to be completed, as if restructuring occurred on December 31, 2010.

In addition to the restructuring, the actuarial assumptions were updated based on an actuarial experience study that was adopted by the TMRS Board at its May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). The City's UAAL as of December 31, 2010 prior to restructuring was calculated at $201.4 million with a funded ratio of 73.0%. The City's UAAL using the

new rate structure calculates to $100.4 million with a funded ratio of 90.6%. Further, the amortization periods differed; prior to restructuring the period is 25.6 years; after restructuring the period is 24.1 years, resulting in a reduction to the contribution rate from 12.6% to 10.0% for the first quarter of FY 2012. TMRS permitted the City to early implement this contribution rate reduction in the first quarter of fiscal year 2012, resulting in a first quarter difference of 2.6% or $1.8 million in Annual Required Contribution, not being funded. This Net Pension Obligation will be funded through future TMRS contribution rate changes.

In the FY 2014 Budget, City Council adopted a one-time annuity increase that was provided to retired employees and to beneficiaries of deceased employees. The amount of the increase is computed as the sum of the prior service and current service annuities on the effective date of retirement of the person on whose service the annuities are based. This number was multiplied by 70.0% of the percentage change in the Consumer Price Index for All Urban Consumers, from December of the year immediately preceding the effective date of the person's retirement to the December that is 13 months before the effective date of the increase. This one-time annuity increase caused the contribution rate to increase from 10.7% to 10.8%, effective January 1, 2014.

Benefits depend upon the sum of the employee's contributions to the TMRS plan, with interest, and the City-financed monetary credits, with interest. At the date the TMRS plan began, the City granted monetary credits for service rendered before the TMRS plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the TMRS plan. Monetary credits for service since the TMRS plan began are a percentage of the employee's accumulated contributions. In addition, the City may grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the TMRS plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average salary for the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity.

Members are eligible to retire upon attaining the normal retirement age of 60 and above with five or more years of service, or with 20 years of service regardless of age. The TMRS plan also provides death and disability benefits. A member is vested after five years, but must leave accumulated contributions in the TMRS plan. If a member withdraws the contributions with interest, the member would not be entitled to the City-financed monetary credits, even if vested.

TMRS provisions and contribution requirements are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes.

Contribution requirements are actuarially determined by TMRS' actuary. The contribution rate for the City's employees is 6.0% and the matching percent was 10.8% for calendar year 2014, both as adopted by the governing body of the City. Under the state law governing TMRS, the employer's contribution rates are annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The normal cost contribution finances the currently accruing monetary credits due to the City matching percentage, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percentage of payroll necessary to satisfy the obligation of the City to each employee at the time the employee's retirement becomes effective. The prior service contribution rate amortizes the UAAL over the remainder of the plan's 19.4 year amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased UAAL is being amortized over a new 19.4 year period. Currently, the UAAL is amortized over a constant 19.4 year period as a level percentage of payroll. Contributions are made monthly by both the employees and the City. All current year

required contributions of the employees and the City were made to TMRS. Due to the fact that the City requires the contribution rates in advance for budget purposes, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

TMRS' December 31, 2013 actuarial valuation noted that the City's UAAL reduced to $174.8 million with a funded ratio of 86.9%. It further indicated that the amortization period decreased to 19.9 years with a contribution rate effective January 1, 2015 of 10.5%.

Investments are reported at fair value. The fair values of fixed income securities are valued by the custodian using the last trade date price information supplied by various pricing data vendors. Fair values of the equity index funds (comingled funds) are determined based on the funds' net asset values at the date of valuation. Short-term investment funds are reported at cost, which approximates market value. Security transactions are reported on a trade date basis.

Membership as of the Valuation Date	12/31/2013
Number of:	
Active Members	6,146
Retirees and beneficiaries	3,908
Inactive members	1,965
Total	12,019

TMRS' administration costs are funded from a portion of TMRS' annual investment earnings.

TMRS issues a publicly available financial report that includes financial information and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used related to participating municipalities. The report may be obtained by writing to the TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677. In addition, the report is available on TMRS' website at www.TMRS.com. The required schedule of funding progress follows immediately the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

Other City Postemployment Retirement Benefits

In addition to the Pension Benefits, the City provides most retired employees with certain health benefits under two postemployment retirement benefit programs. Pursuant to GASB Statement No. 45, the City is required to account for and disclose its other postemployment liability for these programs. The City continues to actively review and have actuarial valuations performed for these programs as required. In addition to the disclosure provided in Note 9 of the City's CAFR, the following information is provided for each of the City's other postemployment retirement benefit programs.

The first of the two programs is a health insurance plan, which provides benefits for nonuniformed City retirees and for pre-October 1, 1989 uniformed (fire and police) retirees who are not eligible for Medicare. The program is comprised of four self-funded PPO health plans currently administered by United Healthcare. These plans may be amended at any time with approval from the City Council. This program is funded on a pay-as-you-go basis with an aggregate sharing of premium costs based on the following targets: 67.0% by the City and 33.0% by the retiree for those retirees hired prior to October 2007. With the adoption of the FY 2008 Budget, additional changes were made to this retirement health plan. For all non-uniformed employees beginning employment on or after October 1, 2007, a revised schedule for sharing of the costs on a pay-as-you-go basis is effective. The revised schedule is as follows: (1) Employees who separate from the City with less than five years of service are not eligible to participate in the program; (2) Employees who separate with at least five years of service but less than 10 years of service are eligible to participate in the program but without City subsidy; and (3) Employees who separate from employment with 10 years of service or more will pay for 50.0% of the pay-as-you-go contributions to the program and the City will contribute the remaining 50.0%. The ability to participate in the program remains based on meeting retirement criteria for the TMRS Pension Plan.

As of September 30, 2013, there are 6,234 active civilian employees who may become eligible in the future. Employees may become eligible to participate in this program based on eligibility for a retirement benefit under the

rules for TMRS Pension Plan and their number of years of service to the City. Under the TMRS Pension Plan, employees may retire at age 60 and above with five or more years of service or with 20 years of service regardless of age. Retiree medical benefits continue for the life of the retiree and their surviving eligible dependents that were covered at the time of the employee's severance of service. Nonuniformed City employees who qualify for a disability pension under TMRS rules are also eligible to receive the retiree medical benefit under this plan. As of September 30, 2013, there were 376 retirees and surviving spouses participating in this program.

The second program with 1,037 participating retirees and surviving spouses is available to eligible retirees who have Medicare coverage. All retirees and dependents are required to apply for and maintain Medicare Parts A & B coverage once they reach age 65 or otherwise become eligible for Medicare in order to participate in the Medicare Advantage PPO or HMO Plan. Of the current 1,037 participating Medicare retirees and surviving spouses, 148 participate in a fully insured Medicare Advantage HMO and the remaining 889 participate in a fully insured Medicare Advantage PPO.

The City intends to conduct actuarial studies of this plan bi-annually with annual reviews of assumptions and changes in benefits to compute OPEB liability. Most recently, an actuarial valuation of the plan was performed as of January 1, 2013, for fiscal year ended September 30, 2013, with the UAAL reported at $332.9 million. The plan continues to be funded on a pay-as-you-go basis and no prefunding has occurred to date.

The other postemployment benefit program of the City, the Fire and Police Retiree Health Care Fund, San Antonio ("Health Fund") is a Texas statutory retirement health trust for firefighters and police officers of the City. The trust holds assets and liabilities of the City's Fire and Police Retiree Health Care Plan ("Plan"). This Plan is a single-employer defined benefit postemployment health care plan that was created in October 1989 in accordance with provisions established by contract with the local fire and police unions to provide postemployment health care benefits to police officers and firefighters of the City retiring after September 30, 1989. Authority to establish and amend the Plan's postemployment health care benefits is based on such contracts and the Texas Legislature enacts regulations that control the operation of the Health Fund. The statutory trust is governed by a Board of Trustees that meets on a monthly basis. The Board consists of nine members: the Mayor or her appointee; two members of the City Council; one retired and two active duty police officers; and one retired and two active duty firefighters. The Health Fund Board has the ability to modify benefits within certain parameters. The City is the only participating employer in the Plan.

During the 2007 State Legislative Session, the City, the Health Fund Board, Fire Association, and Police Association actively pursued amendments to the Health Fund's governing legislation, which amendments were enacted. These amendments were made in order to address the long-term actuarial position of the Health Fund. The changes primarily include: (a) making certain changes to the benefits plans; (b) providing the Health Fund Board the authority to make additional changes to the health benefits plans in the future; (c) maintaining the City's contribution to the health plan at 9.4% of payroll over the next 10 years; (d) phase-in over five years of employee contributions from 2.0% of covered payroll to 4.7%; and (e) other administrative changes. Additionally, if after 10 years, the UAAL of the Health Fund cannot be amortized over a period of 30 years or less, the Health Fund Board shall increase the City and employee contributions, and deductibles and out of pocket maximums for retirees by a percentage not to exceed 10% each year until the UAAL can be amortized over a period of 30 years or less.

The Health Fund's actuarial study with a valuation date of October 1, 2013, for fiscal year ending September 30, 2014, indicates that the UAAL, calculated in compliance with GASB regulations, was $418.4 million with a funded ratio of 39.6%. The study further indicates that after the 10-year period as defined in the governing legislation, a projected total increase of 0.88% in the total contribution requirement would provide for the amortization of the Health Fund's UAAL over 30 years. In effect, in FY 2018, the City's contribution rate is projected to increase from 9.4% to 10.0% of covered payroll and active fire and police employees from 4.7% to 4.9% of covered payroll.

Additionally, the actuarial valuation includes a five-year smoothing of market value with an 80%/120% corridor. As such, investment losses are being smoothed which results in the deferred recognition of $3.9 million in investment losses. These losses will be recognized in future actuarial valuations to the extent they are not offset by investment gains above the assumed investment return of 8%.

CAFR Discussion

In the CAFR, the City's existing pension and other OPEB plans are described (see, for example, "FINANCIAL INFORMATION - Fiscal Management and Administrative Topics" included in the CAFR, as well as Notes 8 and 9 thereof discussed above). In addition, the pension schedules included in the CAFR under the heading "REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS LAST THREE FISCAL YEARS" disclose certain pension plan funding liabilities, including the UAAL. Investors should carefully review this information and the information contained herein prior to investing in the Bonds.

TAX MATTERS

Tax Exemption

In the opinion of Bracewell & Giuliani LLP and LM Tatum, PLLC, both of San Antonio, Texas (together, "Co-Bond Counsel") under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Co-Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City, the City's Co-Financial Advisors and the Underwriters with respect to matters solely within the knowledge of the City, the City's Co-Financial Advisors and the Underwriters, respectively, which Co-Bond Counsel has not independently verified. Co-Bond Counsel will further rely on the report (the "Report") of the Accountants regarding the mathematical accuracy of certain computations. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations

and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of

Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL MATTERS

The City will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Co-Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Co-Bond Counsel have been retained by and only represent the City. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. In their capacity as Co-Bond Counsel, Bracewell & Giuliani LLP and LM Tatum, PLLC, both of San Antonio, Texas, have reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for the information under the subcaptions "Defaults and Remedies", "Payment Record", and "Book-Entry-Only System", as to which no opinion is expressed), "TAX MATTERS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "LEGAL MATTERS" (except for the last sentence of each of the first and second paragraphs thereof, as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except under the caption "Compliance with Prior Undertakings", as to which no opinion is expressed) to determine whether such information fairly summarizes the material and documents referred to therein and is correct as to matters of law. Co-Bond Counsel have not, however, independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Co-Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on issuance and delivery of the Bonds. The legal opinion of Co-Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by

their co-counsel, Winstead PC and Kassahn & Ortiz, P.C., both of San Antonio, Texas, whose fees are contingent upon the issuance of the Bonds, and for the City by the City Attorney.

Co-Bond Counsel each represent the Co-Financial Advisors and the Underwriters from time to time in matters not related to the Bonds. Winstead PC and Kassahn & Ortiz, P.C. each represent the City and the Co-Financial Advisors from time to time in connection with matters unrelated to the issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

RATINGS

The Bonds are rated "AAA" (stable outlook), "Aaa" (negative outlook), and "AAA" (stable outlook), by Fitch, Moody's, and S&P, respectively. An explanation of the significance of such ratings may be obtained from Fitch, Moody's, and S&P. The respective ratings of the Bonds by Fitch, Moody's, and S&P reflect only the views of said companies at the time the ratings are given, and the City makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by Fitch, Moody's, or S&P if, in the judgment of said companies, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1A through 13 and 16 through 19 and in APPENDIX C. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2014.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet website or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide notice that audited financial statements are not available and will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the City otherwise would be required to provide financial information and operating data to the MSRB pursuant to the Ordinance.

Notice of Certain Events

The City shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to the rights of owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body, and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City will notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with its agreement by the required time.

Availability of Information

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole national municipal securities information repository with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB. The City will continue to make information filings, including material event notices, with the Texas state information repository (the "SID") so long as it is required to do so pursuant to the terms of any undertakings made under the Rule prior to the EMMA Effective Date.

Limitations and Amendments

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell

Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Due to an administrative oversight, the City neglected to file its annual financial disclosure information (the CAFR for Fiscal Year 2009 and the required Continuing Disclosure of Financial and Operating Data Information for the same reporting period) for its outstanding obligations having a base CUSIP number of 796236. This information was timely filed with respect to all other City obligations (where it was available to the general public from the MSRB through EMMA) and, on March 28, 2011, was filed with respect to the outstanding obligations having the base CUSIP of 796236.

Additionally, due to an administrative oversight by CPS staff, on September 18, 2012, the City was informed by the MAC that CPS did not file its annual financial information and operating data for the City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project) (the "Starbright Bonds") having a base CUSIP number of 796300 and being secured by CPS revenues transferred to the City. CPS filed on October 11, 2012 all required annual financial disclosure information to the EMMA website for the City's Starbright Bonds (CUSIP 796300), in addition to a non-compliance notice.

For additional information relating to the City's continuing disclosure filing history, see www.emma.msrb.org.

EFFECT OF SEQUESTRATION

The City has determined that the reduced amount of refundable tax credit payments to be received from the United States Treasury in relation to its outstanding obligations designated as "build America bonds" and "qualified bonds" under the Code as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to the Budget Control Act of 2011 (commonly referred to as "Sequestration") will not have a material impact on the financial condition of the City or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing. The current reduction in debt subsidy payment received by the City from the U.S. Treasury as a result of Sequestration is 7.3%.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Co-Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Causey Demgen & Moore P.C. will be solely based upon data, information and documents provided to Causey Demgen & Moore P.C. by the Co-Financial Advisors on behalf of the City. Causey Demgen & Moore P.C. has restricted its procedures to recalculating the computations provided by the Co-Financial Advisors on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

FORWARD-LOOKING STATEMENTS

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions of future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price of $57,994,897.23 (representing the principal amount of the Bonds, plus an original issue premium on the Bonds of $6,214,477.20, and less Underwriters' discount on the Bonds of $174,579.97) and no accrued interest.

The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed from time to time by the Underwriters.

The Underwriters have reviewed the information in the Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CO-FINANCIAL ADVISORS

Coastal Securities, Inc. and Estrada Hinojosa & Company, Inc. (the "Co-Financial Advisors") are employed by the City in connection with the issuance of the Bonds and, in such capacity, have assisted the City in the preparation of certain documents related thereto. The Co-Financial Advisors' fee for service rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

The Co-Financial Advisors have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the City's records and from other sources which are believed to be reliable, including financial records of the City and other entities which may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinions as to the completeness and accuracy of the information contained in this Official Statement.

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Underwriters will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, to the substantial effect that to the best of their knowledge and belief (1) the descriptions and statements of or pertaining to the City contained in this Official Statement, and any addenda, supplement, or amendment thereto, for the Bonds, on the date of sale of the Bonds and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (2) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (3) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (4) there has been no material adverse change in the financial condition of the City, since the date of the last financial statements of the City disclosed in APPENDIX C hereto.

AUTHORIZATION OF THE OFFICIAL STATEMENT

This Official Statement has been approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified, and approved by the City Council on the date of sale, and the Underwriters will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the City.

This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the Rule.

/s/ Ivy R. Taylor
Mayor, City of San Antonio, Texas

ATTEST:

/s/ Leticia M. Vacek
City Clerk, City of San Antonio, Texas

* * *

SCHEDULE I

Schedule of Refunded Obligations

Series	Maturity Date	% Interest Rate	Par Amount	Call Date	Call Price
Combination Tax and Revenue Certificates of Obligation, Series 2005:					
Serials	02/01/2016	4.200	$ 450,000	02/01/2015	100.00
	02/01/2017	4.300	470,000	02/01/2015	100.00
	02/01/2018	4.400	485,000	02/01/2015	100.00
	02/01/2019	4.400	510,000	02/01/2015	100.00
	02/01/2020	4.500	530,000	02/01/2015	100.00
	02/01/2021	4.550	560,000	02/01/2015	100.00
	02/01/2022	4.600	580,000	02/01/2015	100.00
	02/01/2023	4.625	615,000	02/01/2015	100.00
	02/01/2024	5.250	685,000	02/01/2015	100.00
	02/01/2025	5.250	720,000	02/01/2015	100.00
			$ 5,605,000		
General Improvement and Refunding Bonds, Series 2005:					
Serials	02/01/2016	5.250	$ 12,610,000	02/01/2015	100.00
	02/01/2017	5.250	11,605,000	02/01/2015	100.00
	02/01/2018	5.250	9,820,000	02/01/2015	100.00
	02/01/2019	5.250	3,645,000	02/01/2015	100.00
	02/01/2020	5.250	3,845,000	02/01/2015	100.00
	02/01/2021	5.250	1,645,000	02/01/2015	100.00
	02/01/2022	5.250	1,735,000	02/01/2015	100.00
	02/01/2023	5.250	1,825,000	02/01/2015	100.00
	02/01/2024	5.250	1,925,000	02/01/2015	100.00
	02/01/2025	5.250	2,030,000	02/01/2015	100.00
			$ 50,685,000		
			$ 56,290,000		

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APPENDIX A

City of San Antonio, Texas
General Demographic and Economic Information

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APPENDIX A

CITY OF SAN ANTONIO, TEXAS
GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Population and Location

The 2010 Decennial Census ("2010 Census"), prepared by the United States Census Bureau ("U.S. Census Bureau"), found a City population of 1,327,407. For the 2010 San Antonio population, it was determined that the U.S. Census Bureau had erroneously assigned 35 census blocks to the City that are actually outside of the City limits. The revised 2010 San Antonio population is 1,326,539.

The City's Information Technology Services Department estimated the City's population to be 1,410,782 in 2014. The U.S. Census Bureau ranks the City as the second largest in the State of Texas (the "State") and the seventh largest in the United States ("U.S.").

The City is the county seat of Bexar County. Bexar County had a population of 1,714,773 according to the 2010 Census. The City's Information Technology Services Department estimated Bexar County's population to be 1,863,449 and the San Antonio-New Braunfels Metropolitan Statistical Area ("MSA") population to be 2,343,798 in 2014. The City is located in south central Texas approximately 80 miles south of the State capital in Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo.

The following table provides the population of the City, Bexar County, and the San Antonio-New Braunfels MSA[1] for the years shown:

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

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

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

[3] Provided by the 2010 Decennial Census.

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

Area and Topography

The area of the City has increased through numerous annexations and now contains approximately 485 square miles. The topography of San Antonio is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 795.5 feet above mean sea level.

Three-Year Annexation Plan Process

Through both full and limited purpose annexations, the City has grown from its original size of 36 square miles to its current area, encompassing 485 square miles, and having a tax year 2013 net taxable assessed value of $75.2 billion.

By City Charter (defined below) and State law, City Council (defined below) has the power to annex territory by passage of an ordinance following an extensive open public process. State law mandates that municipalities planning to annex prepare an Annexation Plan that specifically identifies the areas that may be annexed and that no annexation may occur until the third anniversary of the date such plan was adopted. There are minor exceptions to the State law that allow for exemptions from the formal Three-Year Annexation Plan process, such as for property owner-initiated annexation.

The City Council adopted an updated Annexation Policy in February 2013 and is currently developing the 10-year Annexation Program that is tentatively scheduled to be reviewed in 2015. The 10-year Annexation Program will identify potential areas for future consideration in an Annexation Plan.

Governmental Structure

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

City Charter

The City may only hold an election to amend its City Charter every two years. Since its adoption, the City Charter has been amended on eight separate occasions including: November 1974, January 1977, May 1991, May 1997, November 2001, May 2004, November 2008, and May 2012.

On May 12, 2012, a Special Election was held on the question of whether or not the City Charter should be amended to allow filling City Council vacancies by special election rather than appointment, when more than 270 days remain in the unexpired council term, and to allow the City Council to appoint a temporary City Council member until the special election is held. Additionally, it allows City Council to fill vacancies with 270 days or less remaining by majority vote. The measure passed by a majority vote, and the City Charter was amended to reflect the change.

Services

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

valorem, sales and use, and hotel occupancy tax receipts, grants, user fees, debt proceeds, tax increment financing, and other sources.

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

Electric and gas services to the San Antonio area are provided by CPS Energy ("CPS"), an electric and gas utility owned by the City that maintains and operates certain utilities infrastructure. This infrastructure includes a 21-generating unit electric system and the gas system that serves the San Antonio area. CPS' operations and debt service requirements for capital improvements are paid from revenues received from charges to its customers. As specified in the City ordinances authorizing the issuance of its system debt, CPS is obligated to transfer a portion of its revenues to the City. CPS revenue transfers to the City for the City's fiscal year ended September 30, 2013 were $295,310,385. (See "San Antonio Electric and Gas Systems" herein.)

Water services to most of the City are provided by the San Antonio Water System ("SAWS"), San Antonio's municipally-owned water supply, water delivery, and wastewater treatment utility. SAWS is in its 23rd year of operation as a separate, consolidated entity. SAWS' operating and debt service requirements for capital improvements are paid from revenues received from charges to its customers. SAWS is obligated to transfer a portion of its revenues to the City. SAWS revenue transfers to the City for the City's fiscal year ended September 30, 2013 were $11,989,345. (See "San Antonio Water System" herein.)

On January 28, 2012, by operation of legislation passed by the 82nd Texas Legislature and popular vote held on November 8, 2011, the City, acting by and through SAWS, assumed the Bexar Metropolitan Water District. (See "San Antonio Water System – Bexar Metropolitan Water District" herein.)

Economic Factors

The City facilitates a favorable business environment that supports economic diversification and growth. San Antonio's economic base is composed of a variety of industries, including convention and tourism, healthcare and bioscience, government employment, automotive manufacturing, information security, financial services, oil and gas, all with growing international trade. Support for these economic activities is demonstrated in the City's commitment to ongoing infrastructure improvements and development, and investment in a growing and dedicated work force. This commitment and San Antonio's continued status as one of the top leisure and convention destinations in the country support a strong and growing economy.

San Antonio's rate of unemployment fares well when compared to the State and nation. The San Antonio-New Braunfels MSA unemployment rate decreased to 4.5% in October 2014, down from 4.7% reported in September 2014. The Texas unadjusted (actual) unemployment rate decreased to 4.8% in October 2014, down from 5.0% reported in September 2014. The nation's unadjusted (actual) unemployment rate decreased to 5.5% in October 2014, down from 5.7% reported in September 2014.

Total nonfarm employment in the San Antonio-New Braunfels MSA for October 2014 was 937,700. Since October 2013, the San Antonio-New Braunfels MSA has added 23,500 jobs for an annual growth rate of 2.6%.

Healthcare and Bioscience Industry

The healthcare and bioscience industry is the largest industry in the San Antonio economy and has experienced robust growth since the early 1990s. The industry is composed of related industries such as research, pharmaceuticals, and medical device manufacturing contributing approximately the same economic impact as health services. According to the *San Antonio's Health Care and Bioscience Industry: 2011 Economic Impact Study* commissioned by the Greater San Antonio Chamber of Commerce, the economic impact from this industry sector totaled approximately $29.2 billion in 2011. The industry provided 156,205 jobs, or more than 18% of the City's total employment. The healthcare and bioscience industry's annual payroll in 2011 approached $7.5 billion. The 2011 average annual wage of San Antonio workers was $42,124, compared to $45,567 for healthcare and bioscience

employees. The healthcare and bioscience industry has added 40,240 net new jobs over the past decade, an increase of 41%.

Health Care. According to the *2014 South Texas Medical Center Area Progress Report* written by the San Antonio Medical Foundation, the 900-acre South Texas Medical Center (the "Medical Center") has over 100 medically related treatment, education, and research facilities. There are several nursing facilities and more than 20 medical professional office buildings. Other support activities include banks, a post office, a power plant, pharmacies, and housing facilities. Approximately 300 acres are held for future expansion. Over 29,000 Medical Center employees have provided care for over 5.64 million outpatients and over 106,728 inpatients. Physical plant values, not adjusted for inflation, representing the original investments in physical facilities and equipment (less depreciation) represent approximately $3.352 billion. Capital projects currently in progress as of January 2014 represent $438 million with an additional $509 million planned over the next five years for a total of approximately $947 million.

Central to the Medical Center is the University of Texas Health Science Center at San Antonio (the "UT Health Science Center"), located on more than 100 acres in the heart of the Medical Center. A total of 4,400 students (including residents and fellows) are enrolled in the UT Health Science Center's five schools – the School of Allied Health Sciences, the Dental School, the Graduate School of Biomedical Sciences, the Medical School, and the School of Nursing. The UT Health Science Center has nearly two million square feet of education, research, treatment and administrative facilities. The UT Health Science Center employs approximately 5,500 persons with a total annual operating budget of approximately $740 million, supporting six campuses in San Antonio, Laredo, Harlingen, and Edinburg. The UT Health Science Center also oversees the federally funded Regional Academic Health Center in the Rio Grande Valley with facilities in Harlingen, McAllen, Brownsville, and Edinburg.

The UT Health Science Center is one of the country's leading health sciences universities, and ranks in the top 3% of all institutions worldwide receiving federal funding from the National Institute of Health ("NIH"). In FY 2013, UT Health Science Center received a total of $164.5 million in annual research awards supported by private gifts and $65.3 million in grant funding from the NIH. The university's schools of medicine, nursing, dentistry, health professions, and graduate biomedical sciences have produced 29,065 graduates since inception.

The UT Health Science Center's newly-opened Medical Arts and Research Center offers state-of-the-art patient care under UT Medicine San Antonio and its Cancer Therapy & Research Center, and is one of only four National Cancer Institute ("NCI") designated Cancer Centers in Texas. In 2015, UT Health Science Center's Dental School, regarded as one of the top in the nation, will open its new 198,000 square foot Center for Oral Health Care & Research.

There are numerous other medical facilities outside the boundaries of the Medical Center, including 25 short-term general hospitals, two children's psychiatric hospitals, and two state hospitals. The U.S. Department of Defense ("DoD") has historically operated two major regional hospitals in San Antonio, Wilford Hall Medical Center ("Wilford Hall"), today known as the Wilford Hall Ambulatory Surgical Center ("WHASC"), and Brooke Army Medical Center ("BAMC"), today known as the San Antonio Military Medical Center ("SAMMC"). As a result of the 2005 Base Realignment and Closure actions ("BRAC 2005"), DoD is investing over $1.3 billion in two projects, expanding BAMC into one of two national DoD Regional Medical Centers and constructing a new outpatient clinic to replace Wilford Hall. BAMC also participates with UT Health Science Center and University Hospital in operating two Level I trauma centers in the community.

On February 2, 2012, City Council authorized an economic development incentive package for the Metropolitan Methodist Hospital Expansion, including a $120,000 grant for the creation of 40 jobs located in the City's downtown area. Methodist Healthcare System proposed a $43.6 million expansion of its intensive care unit located at 1310 McCullough Avenue. The project was to be constructed in two phases and include the following: Phase 1, an investment of $36.9 million in real and personal property; construction of a 65,000 square foot facility that includes 24 Intensive Care Unit ("ICU") beds and their respective support facilities that would enable the relocation of existing laboratory facilities and allow for the expansion of the endoscopy facilities; the creation of 30 new full-time jobs; and Phase 2, construction of 12 additional ICU beds and their respective support facilities, and the creation of five full-time jobs. Since opening in January 2014, the Methodist Hospital has reported creating 35 jobs and investing $50 million for the project which added 85,000 square feet of new space to the downtown

hospital. That space will house expanded radiology and emergency department services, a new gastrointestinal lab, and a 24-bed intensive care unit. Additional space in the new tower is reserved for future growth needs.

Two major hospital systems are combining efforts to build a freestanding children's hospital in San Antonio. The Tenet Healthcare Corp. ("Tenet") along with Vanguard Health Systems ("Vanguard"), the parent company of Baptist Health System, have combined efforts to develop a new children's hospital in San Antonio. This effort is being led by the UT Health Science Center and Bexar County's University Health System to form a partnership where Vanguard would invest $350 million to build up to a 250-bed hospital, while Tenet would provide its renowned expertise in pediatric care. Along with Vanguard and Tenet, UT Health Science Center will bring to the partnership a network of pediatric services throughout the region from its faculties from UT Medicine San Antonio who will offer both general and specialty care to children and adolescents. The faculty members from the school will also lead medical students, residents, and fellows in instruction and cutting edge research.

Biomedical Research and Development. Research and development are important areas that strengthen San Antonio's position as an innovator in the biomedical field.

The Texas Research Park (the "Park") is a 1,236-acre campus owned and operated by the Texas Research & Technology Foundation ("TRTF"), a 501(c)(3) non-profit organization. TRTF is San Antonio's champion for driving economic development in the biosciences and technology industry. The Park is home to the UT Health Science Center's Research Park Campus, which includes the Institute for Biotechnology, the South Texas Centers for Biology in Medicine, and the Barshop Institute for Longevity and Aging. Several biopharmaceutical and medical device commercial ventures call the Park home, as well. TRTF also develops and funds new innovative technology ventures focused on building San Antonio's emerging technology economy.

The Texas Biomedical Research Institute ("Texas Biomed"), formerly the Southwest Foundation for Biomedical Research, which conducts fundamental and applied research in the medical sciences, is one of the largest independent, non-profit, biomedical research institutions in the U.S. and is internationally renowned. As one of the world's leading independent biomedical research institutions, Texas Biomed is dedicated to advancing the health of San Antonio's global community through innovative biomedical research. Today, Texas Biomed's multidisciplinary team of 72 doctoral-level scientists work on more than 200 major research projects.

Located on a 200-acre campus in the City, Texas Biomed partners with hundreds of researchers and institutions around the world, pursuing advances in the prevention and treatment of heart disease, diabetes, obesity, cancer, osteoporosis, psychiatric disorders, tuberculosis, AIDS, hepatitis, malaria, parasitic infections, and a host of other diseases. Texas Biomed is the site of the Southwest National Primate Research Center and home to the world's largest baboon research colony, including a unique pedigreed baboon colony that is invaluable for genetic studies on complex diseases.

Texas Biomed enjoys a distinguished history in the innovative, humane and appropriate use of nonhuman primates in biomedical research. Texas Biomed also is home to other extraordinary resources that give its scientists and their collaborators an advantage in the search for discoveries to fight disease. With the nation's only privately owned biosafety level 4 laboratory, designed for maximum containment, Texas Biomed investigators can safely study deadly pathogens for which there currently are no treatments or vaccines, including potential bio-terror agents and emerging diseases. Another resource that puts the TRTF on the cutting edge of biomedical research is the AT&T Genomics Computing Center, which houses the world's largest computer cluster for human genetic and genomic research. This high-performance computing facility allows scientists to search for disease-influencing genes at record speed.

The UT Health Science Center has been a major bioscience research engine since its inception, with strong research groups in cancer, cancer prevention, diabetes, drug development, geriatrics, growth factor and molecular genetics, heart disease, stroke prevention, and many other fields. Established by the largest single oncology endowment in the nation's history, $200 million from the State of Texas tobacco settlement, the Greehey Children's Cancer Research Institute is part of the UT Health Science Center. The UT Health Science Center, along with the Cancer Therapy and Research Center, form the San Antonio Cancer Institute, a NCI-designated Comprehensive Cancer Center.

The University of Texas at San Antonio ("UTSA") houses a number of research institutes. The Neuroscience Research Center, which is funded by $6.3 million in ongoing grants, is tasked with training students in research skills while they perform basic neuroscience research on subjects such as aging and Alzheimer's disease. UTSA is also a partner in Morris K. Udall Centers of Excellence for Parkinson's Disease Research, which provides research for the causes and treatments of Parkinson's disease and other neurodegenerative disorders. A joint partnership between UTSA, the UT Health Science Center, and the participation of Texas Biomed and the Southwest National Primate Research Center, has resulted in the formation of the San Antonio Institute of Cellular and Molecular Primatology ("SAICMP"). The focus of the SAICMP is the study of primate stem cells and early embryos to develop nonhuman model systems for studies of primate stem cells and their applications to regenerative medicine, as well as to develop methods of primate transgenesis and to facilitate other investigations of primate embryology and biogenesis. The South Texas Center for Emerging Infectious Diseases ("STCEID") was established to focus State and national attention on UTSA in the fields of molecular microbiology, immunology, medical mycology, virology, microbial genomics, vaccine development, and biodefense. One of the major areas of emphasis at STCEID is on the pathogenic mechanisms of emerging infectious diseases.

A number of highly successful private corporations, such as Mission Pharmacal, DPT Laboratories, Ltd., and Genzyme Oncology, Inc., operate their own research and development groups and act as guideposts for numerous biotech startups, bringing new dollars into the area's economy. A notable example of the results of these firms' research and development is Genzyme Oncology, Inc., which has developed eight of the last 11 cancer drugs approved for general use by the U.S. Food and Drug Administration ("FDA").

As an equity investment, InCube Labs, LLC ("InCube") was the impetus for the City to establish the San Antonio Economic Development Corporation ("SAEDC"). The mission of the SAEDC is to foster the commercialization of intellectual property in San Antonio through direct equity investment in projects. This model represents a new economic development strategy that seeks to realize a direct return on investment back to the City through its economic development efforts. By making equity investments in later stage companies or key entrepreneurs with proven track records, the City seeks to support commercialization of intellectual property in San Antonio, creating more jobs, investment, and entrepreneurs.

On June 17, 2010, InCube Chairman and CEO Mir Imran announced that InCube planned to establish a branch of its operations in San Antonio and launch five life science companies in San Antonio over the next five years. InCube, formerly located in San Jose, California is a life sciences research laboratory focused on developing medical breakthroughs that dramatically improve patient outcomes. The organization is led by Mr. Imran who has founded more than 20 companies and holds more than 200 patents. Mr. Imran has created many innovations that have resulted in new standards of care, including the first FDA-approved Automatic Implantable Cardioverter Defibrillator. Mr. Imran and his partners also manage a venture fund, InCube Ventures, which invests in life science companies and has raised approximately $30 million from local investors. InCube will create at least 50 jobs within the business incubator with salaries ranging from $50,000 to over $200,000. In September 2010, the State awarded $9.2 million through the Emerging Technology Fund for three existing InCube start-up life science companies to relocate to San Antonio from San Jose, California. By April 27, 2011, InCube had relocated three companies and begun its operations in San Antonio, and on May 2, 2013, InCube announced the formation of two new companies, Theracle and iBridge Medical, fulfilling a requirement to create two new companies in San Antonio prior to July 1, 2013. As of September 30, 2013, InCube has spent $9,568,779 in non-public funds on its activities in San Antonio toward a requirement to spend $15 million during the five-year term. InCube is also collaborating with UTSA and UT Health Science Center on research opportunities.

In June 2011, the City approved an economic development grant ("EDG") through the SAEDC to assist in funding the construction of the UT Health Science Center South Texas Research Facility (the "STRF"). This action also authorized the SAEDC to enter into an economic development agreement with UT Health Science Center. The City, through the SAEDC, has committed funding in the amount of $3.3 million over three years with the potential to receive repayment of the principal amount plus a return on its investment through acquiring a percentage equity interest in UT Health Science Center start-up companies over a ten-year period.

The STRF is a state-of-the-art $200 million research building. The project is expected to be a significant economic generator for the community, creating over 150 new high-paying research and scientific jobs. The facility will primarily house the Institute of Integration of Medicine and Science, which will be the home for the $26 million

National Institutes of Health Clinical and Translational Science Awards program. The facility will also house other core research programs on cancer, diseases affecting the elderly, disorders such as stroke, diabetes in children and adults, and the engineering of new body tissues to cure diseases in partnership with the military.

The City's $3.3 million investment in the STRF at UT Health Science Center will greatly enhance the university's research capabilities by increasing opportunities for growing local entrepreneurs and companies, helping attract top tier researchers and scientists, demonstrating an investment in the City's local institutions and talent, and providing opportunities to leverage other research, such as military medicine.

The $3.3 million investment also provides the City the opportunity to leverage its investment through the SAEDC, which was created by the City as a nonprofit corporation in May 2010. Through the SAEDC, the City can invest in economic development projects and take out an equity position in a project to potentially achieve a return on the public's investment. The UT Health Science Center has agreed to enter into an economic development agreement with the SAEDC and provide the SAEDC, over ten years, a 15% interest in any equity position (e.g., founders shares of stock) taken by the university in start-up companies formed through the discovery of intellectual property owned by the university. The SAEDC could then potentially receive a return on its investment up to a cap of $4,000,000 (the $3,300,000 principal amount plus an additional $700,000 return) during the term of the agreement from the university's distribution to the SAEDC based on its equity interest in start-up companies as those companies are acquired or go public. The SAEDC has an equity interest in two UT Health Science Center startup companies.

Also through the SAEDC, the City invested $300,000 in assisting Innovative Trauma Care, Inc. ("ITC") to establish its first U.S.-based operations in San Antonio to market, sell, and distribute the ITClamp, and entered into an economic development agreement with ITC on August 30, 2012. The device is a wound clamp designed to control severe bleeding within seconds of application. In exchange for financial assistance, ITC has agreed to provide the City, through its SAEDC, an equity interest in the parent company's stock. ITC will add high-paying jobs in the targeted SA2020 Bioscience and Healthcare industry, and will also bring its life-saving device to the world, from San Antonio. ITC has secured approval and initiated the marketing and selling of the ITClamp in Canada and 16 countries in Europe. Approval to market and sell the ITClamp in the U.S. was received from the FDA in May 2013. Additionally, ITC has achieved its fourth regulatory milestone with an expanded indication for use from the FDA to include the temporary control of severe bleeding of the scalp. ITC has already created eight full-time jobs in San Antonio with plans to add more personnel as sales increase.

Another SAEDC equity investment was approved by City Council on October 21, 2013 for StemBioSys, Inc. ("SBS"). SBS a local bioscience startup company formed in November 2010 by Dr. Xiao-Dong Chen, of the UT Health Science Center, and Dr. Steve Davis, a local dermatologist. SBS has four full-time employees and plans to add at least two more employees in the next 12 months. While at the UT Health Science Center, Dr. Chen discovered a way to isolate and expand adult stem cells for research, diagnostics, and therapeutic treatments. SBS has secured two patents on its stem cell technology platforms, and has three other patents pending. In May 2011, SBS signed an agreement with the UT Health Science Center to license, develop, and commercialize Dr. Chen's technologies in the regenerative medicine market which is expected to grow by 48% over the next six years. City Council authorized the SAEDC to invest these funds in SBS through a loan at a 5% interest rate for five years in exchange for a Convertible Promissory Note (the "Note") for $200,000. The Note would provide the SAEDC the option to convert the loan into preferred shares of SBS stock during the term or to accept repayment of the loan at the end of the term with interest ($255,256). For the loan, SBS must agree to retain its business operations in San Antonio for the term of the Note or until such time as the SAEDC may exercise its option to convert the Note into shares of equity. SBS must also retain and create a minimum of six full-time jobs by December 2014 and pay an average annual salary of at least $50,000.

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Military Health Care. San Antonio's military healthcare facilities have positively impacted the City for decades. Many military medical transformations came as a result of the BRAC 2005 legislation.

Historically, BAMC at Joint Base San Antonio-Fort Sam Houston ("JBSA-Fort Sam Houston") was known as a hospital and an Army Unit, but the BAMC name is now specifically the unit that commands Army medical activity in San Antonio. BAMC's medical facilities include SAMMC, Center for the Intrepid, Fort Sam Houston Primary Care Clinic, McWethy Troop Medical Clinic, Taylor Burk Clinic at Camp Bullis, and the Schertz Medical Home. These BAMC facilities have a total workforce of over 7,500 personnel.

The renowned hospital known as BAMC became SAMMC in September 2011 and has expanded to 2.1 million square feet due to BRAC 2005 legislation. SAMMC is the largest inpatient medical facility in the DoD, the only DoD Burn Center, and the only DoD Level 1 Trauma Center in the U.S. SAMMC hosts Centers of Excellence for amputee care, burn care, and breast imaging and contains dedicated inpatient units for bone marrow transplant, maternal-child and neonatal intensive care; as well as pediatric, burn, cardiac and psychiatric care. On any given day at SAMMC, the emergency department averages 174 visits and admits approximately five civilian emergencies, four babies are born and 238 inpatient beds are occupied.

WHASC at Joint Base San Antonio-Lackland ("JBSA-Lackland") is the largest in the DoD with more than 29 sub-specialties and 30 Credited Graduate Medical Education training programs. The facility is manned by more than 2,600 personnel and provides primary and specialty care; outpatient surgery; a sleep center; a contingency aeromedical staging facility; and eye, hearing and diabetes centers of excellence. A new 651,684 square foot Ambulatory Surgical Center is currently under construction at JBSA-Lackland and is scheduled to open in 2015. It is part of the $390 million recapitalization of the old Wilford Hall Medical Center facility.

The San Antonio Military Health System ("SAMHS") oversees the healthcare delivery of 230,000 DoD beneficiaries in the San Antonio metropolitan region. Healthcare services are provided by the SAMMC and the WHASC. The SAMHS treatment facility manages a total combined budget of over $839 million and contributes over $138 million annually in inpatient/outpatient private sector care expenses.

Previously, all U.S. Army combat medic training was conducted at Fort Sam Houston. As a result of BRAC 2005, all DoD military enlisted combat medic training is now accomplished at the new Medical Education and Training Campus at JBSA-Fort Sam Houston.

San Antonio received a new medical research mission due to BRAC 2005. BRAC 2005 transformed the U.S. Army Institute of Surgical Research ("USAISR") into a tri-service Battlefield Health and Trauma ("BHT") Research Institute that has been operating at Fort Sam Houston since August 2010. The BHT is composed of the USAISR, Naval Medical Research Unit San Antonio and the Air Force Dental Evaluation and Consultation Service. This new research facility is adjacent to the SAMMC and was created to remove redundancy and create a synergy in combat casualty care research.

Finance Industry

The largest private sector employer in the industry is United Services Automobile Association ("USAA"). USAA announced plans last spring to expand and add up to 1,000 jobs. The expansion is due to a more than 20% increase in customer base in the past three years. The company has about 9.4 million customers, comprised of military members, veterans and their families. The company currently employs a total of 16,400 people. While this sector is led by USAA, San Antonio is home to other insurance company headquarters such as Catholic Life and GPM Life, as well as being the home to many regional operations centers for many health care insurers. Insurers with substantial regional operations centers in San Antonio include Allstate Insurance Company ("Allstate"), Nationwide Mutual Insurance Company ("Nationwide"), Caremark, United Health, and PacifiCare.

After considering Little Rock, Tulsa, and Raleigh, Nationwide established a new regional corporate headquarters location in San Antonio in October 2009. Nationwide, headquartered in Columbus, Ohio, is a national insurance provider with over 34,000 employees, and had $23.9 billion in revenues in 2013. With its announcement to expand in San Antonio, Nationwide committed to retaining 932 current employees and creating an additional 838 new jobs. Phase I of the project involved a consolidation of existing operations into an existing facility, and $3

million in new personal property improvements. Nationwide has broken ground on Phase II of its investment in San Antonio with an $89 million corporate campus.

Ex-San Antonio Mayor Julián Castro and Bexar County Judge Nelson Wolff joined Nationwide officials in commemorating the start of construction on the company's new 300,000 square foot sales and service operations center that, once completed, would house 800 new employees, in addition to 1,000 employees that are being consolidated from its four existing locations. Company officials also awarded $80,000 to local charities in San Antonio at the event. On September 27, 2012, the City and Nationwide officials inaugurated the grand opening of the new 300,000 square foot facility which is located in the master-planned Westover Hills community, near the intersection of Hyatt Resort Drive and State Highway 151 on the City's far west side. As of June 2014, Nationwide reported that it employs 1,330 employees at its Westover Hills location.

On February 9, 2010, Allstate announced its decision to locate a customer operations center, invest $12 million, and create 600 new full-time jobs in San Antonio. The core function of this operations center will support direct sales calls and selling additional insurance products to existing clients. Allstate is the nation's largest publicly held personal lines insurer. Allstate employs an estimated 70,000 agents and support staff nationwide. In 2013, the company ranked 94th on the list of Fortune 500 companies, with annual revenues exceeding $34 billion. Allstate's main lines of insurance include automobile, property, life, and retirement and investment products. Allstate has two other sales support centers located in Northbrook, Illinois (its headquarters) and Charlotte, North Carolina. As of June 2014, Allstate reported that it employs 452 employees at its San Antonio operations center and eventually expects the center will employ 600 employees, who will sell Allstate products and provide service to the company's customers.

San Antonio is also the home of many banking headquarters and regional operation centers such as Frost Bank, Broadway National Bank, and USAA Federal Savings Bank. Companies with large regional operations centers in San Antonio include Bank of America, Wells Fargo, J.P. Morgan Chase, and Citigroup.

Hospitality Industry

The City's diversified economy includes a significant sector relating to the hospitality industry. A 2014 Economic Impact Report of San Antonio's Hospitality Industry (representing 2013 data) found that the hospitality industry has an economic impact of more than $13 billion. The estimated annual payroll for the industry is $2.49 billion, and the industry employs more than 122,500 people.

In 2013, the City's overall level of hotel occupancy decreased by -0.3%; room supply increased by 0.1%; total room nights sold decreased by -0.2%; the average daily room rate increased 8%; revenue per available room increased 4.5%; and overall revenue increased 4.6%.

Tourism. The list of attractions in the San Antonio area includes, among many others, the Alamo and other sites of historic significance, the River Walk, and two major theme parks, SeaWorld San Antonio and Six Flags Fiesta Texas. San Antonio attracted 31 million visitors in 2013. Of these, over 15 million were overnight leisure visitors, placing San Antonio as one of the top U.S. destinations in Texas. Recent FY 2014 accomplishments contributing to the City's success included: (1) launched the Unforgettable Campaign to consumers in October 2013 that showcases and celebrates the multitude of attributes that represent the depth and diversity of San Antonio; the campaign uses photography to show multiple San Antonio assets in unexpected ways; the campaign displays many attributes of San Antonio and then encourages deeper exploration with a custom microsite for each ad; (2) reported more than $31 million in earned Media Value for FY 2014; this is the dollar value of the positive media coverage generated by CVB's communications team; this represents the stories and articles in print (i.e., magazines, newspapers, etc.), TV, radio, and online media; the dollar figure aligns with what the advertising cost of that coverage would have been if the City had purchased the exposure; (3) launched Synchronicities Three City Partnership (Anaheim, California, Baltimore, Maryland, and San Antonio); an unparalleled solution for meeting professionals looking to maximize return on investment; using valuable information from focus groups and surveys, it unites three premier destinations for a seamless year-to-year knowledge transfer and partnership; designed to give professionals consistent service and customized attendee engagement; and (4) achieved 2,000 Certified Ambassadors (doubling prior year); the San Antonio Tourism Ambassadors Program teaches how to turn every

visitor encounter into a positive experience; overall, the program benefits the visitor, the industry, and the local economy.

Conventions. San Antonio is also one of the top convention cities in the country. In FY 2014, the San Antonio Convention & Visitors Bureau ("CVB") sales staff booked over 859,000 room nights for current and future years. Significant meetings booked included: PAX South with a total of 31,000 room nights for 2015, 2016, and 2017; American Association of Nurse Practitioners with 19,100 room nights for 2016; Future Business Leaders of America with 26,200 room nights for 2019; and American Water Works Association with 14,300 room nights. The CVB continues to be proactive in attracting convention business through its management practices and marketing efforts.

The following table shows both overall City performance as well as convention activity booked by the CVB for the calendar years indicated:

Calendar Year	Hotel Occupancy [1]	Revenue per Available Room (RevPAR) [1]	Room Nights Sold [1]	Convention Attendance [2]	Convention Room Nights [2]	Convention Delegate Expenditures (Millions) [2, 3]
2004	64.4	55.80	6,669,644	491,287	621,640	510.5
2005	68.8	63.06	7,283,824	503,601	699,932	523.3
2006	69.1	69.43	7,439,783	467,426	736,659	485.8
2007	66.3	69.90	7,397,123	455,256	647,386	473.1
2008	64.6	70.82	7,669,475	563,164	691,525	607.5
2009	57.1	55.94	7,167,603	399,408	660,736	474.5
2010	59.3	57.02	7,768,002	535,400	736,325	636.1
2011	61.3	58.08	8,236,019	499,171	637,593	593.0
2012	63.5	60.79	8,651,826	449,202	635,829	533.7
2013	63.1	63.44	8,610,676	712,577	734,190	846.6

[1] Data obtained from Smith Travel Research based on hotels in the San Antonio selected zip code reports dated January 2014, January 2013, and January 2012, which applies to 2013 data, 2012 data, and 2004-2011 data, respectively.

[2] Reflects only those conventions hosted by the CVB.

[3] Beginning in 1998, the estimated dollar value is calculated in accordance with the 1998 DMAI Foundation Convention Income Survey Report conducted by Deloitte & Touche LLP, which reflected the average expenditure of $900.89 per convention and trade show delegate. January 2004 through September 2008 are based on an average expenditure of $1,039.20 per convention and trade show delegate, and October 2008 through present are based on an average expenditure of $1,188.05 per convention and trade show delegate.

Source: City of San Antonio, Convention and Visitors Bureau.

Military Industry

The growth in new missions and significant construction activities brought about by BRAC 2005, strengthened San Antonio's role as a leading military research, training, and education center. One of the major outcomes of BRAC 2005 was the creation of Joint Base San Antonio ("JBSA") which is the largest joint base in the United States. JBSA consolidates all the base support functions, real property, and land for JBSA-Lackland, JBSA-Randolph, and JBSA-Fort Sam Houston (including Camp Bullis) under the 502nd Air Base Wing. The Joint Base includes over 55,000 acres, supports 80,000 personnel, has a plant replacement value of $32 billion, and an annual budget of $800 million. Over 132,000 personnel are trained at Joint Base facilities every year.

JBSA, and its more than 200 mission partners, represent a significant component of the City's economy providing an annual economic impact, when combined with other DoD contracts and contractors, military retirees, veterans, and direct and indirect jobs, of over $27 billion for the City. In addition, the property of the former Brooks Air Force Base ("Brooks AFB"), a fourth major military installation, was transferred from the U.S. Air Force to the City-created Brooks Development Authority ("BDA") in 2002, as part of the Brooks City-Base Project ("Brooks City-Base"). Furthermore, the military is still leasing over 1.7 million square feet of space at Port San Antonio (the "Port"), which is the former Kelly Air Force Base that was closed in 2001.

One of the other significant events brought about by BRAC 2005 is the realignment of medical facilities resulting in a major positive impact on military medicine in San Antonio, with $3.2 billion in construction and the addition of approximately 12,500 jobs at the JBSA complex.

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

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

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

Various construction projects continue at JBSA-Fort Sam Houston. The new Walters Street Gate and Entry Control Point and a new Medical Education and Training Campus Headquarters Building have been completed. A new Student Activity Center opened in November 2013 and construction was completed on a new SAMMC Visitor Control Center in January 2014. A new 310-room hotel is under construction, and a new 216-room apartment style dormitory will break ground in 2015. A small addition to the hospital for a hyperbaric chamber and a new fire station for the SAMMC area are also planned for FY 2015 and a new Army-Air Force Exchange Services PX/BX store is planned for FY 2016.

JBSA-Camp Bullis. Armed Forces medics at JBSA-Fort Sam Houston, receive additional field training at JBSA-Camp Bullis, which comprises 28,000 acres. JBSA-Camp Bullis is also used by the 37th Training Wing for Security Forces technical and professional development training. Additionally, JBSA-Camp Bullis is home to the USAF Medical Training Readiness Center, which encompasses four medical related courses. It is also home to multiple Army Reserve and Army National Guard units of all types, to include Military Intelligence, Engineer, Medical, Infantry and Special Forces. The 470th Military Intelligence Brigade, headquartered at JBSA-Fort Sam Houston, operates the INSCOM Detention Training Facility at JBSA-Camp Bullis, and the Defense Medical Readiness Training Institute operates the Combat Casualty Care Course. JBSA-Camp Bullis also supports regular use by local law enforcement agencies and Federal entities. In 2013, JBSA-Camp Bullis supported the training of approximately 180,000 personnel. Because of its geographical size, numerous units and missions are continually looking at JBSA-Camp Bullis as a viable place to locate and train.

JBSA-Lackland. JBSA-Lackland is home to the 37th Training Wing, situated on 9,700 acres, all within the city limits of San Antonio. According to a recent Economic Impact Analysis, over 53,000 military, civilian, student, contractors and military dependents work, receive training, or utilize JBSA-Lackland services. JBSA-Lackland hosts the Air Force's only Basic Military Training ("BMT") function for all enlisted airmen, which is known as the "Gateway to the Air Force". Additionally, JBSA-Lackland hosts many of the technical training courses which the BMT graduates are routed to prior to their first assignment. On an annual basis, JBSA-Lackland is expected to graduate 86,000 trainees per year. The Air Force is in the middle of a $900 million program to replace the BMT

Recruit Housing and Training buildings that have been in continuous operation since construction in the late 1960s. Construction is now complete for two of the Airmen Training Complexes ("ATC") and the first Dining/Classroom Facility ("DCF") that supports the ATCs. Construction is also complete for the Recruit/Family In-processing and Information Center, every new recruit's entry into BMT. Construction is moving ahead on the second two ATCs and the second DCF with estimated completion of these three facilities between August 2014 and March 2015. The beginning of the second half of the Basic Military Training Complex replacement program is planned for FY2016 with the start of the fifth ATC and the third DCF. Each ATC will house up to 1,200 trainees and the DCF includes dining halls and classroom facilities for two ATCs. The BMT replacement program is estimated to be complete by FY 2021.

Projected growth also includes a 160,000 square foot expansion of the 24th Air Force, the Cyber Command, facilities, and a potential increase of 1,500 students at the Defense Language Institute English Learning Center. Permanent beddown of the Transportation Security Agency's Canine Academy is on-going as construction of their headquarters, additional kennels, and training lab facilities began in 2014. Finally, the Defense Health Program is planning the replacement of the Reid Medical Center in FY 2016.

Adjacent and contiguous to JBSA-Lackland is the Port, where the Air Force maintains a significant presence. The Air Force and the Port jointly utilize the Kelly Field runway for military and commercial airfield operations. The Air Force continues to lease over 25 buildings, which consist of 1.75 million square feet of space and over 270 acres. The largest Air Force leaseback is at Building 171, a 460,000 square foot facility previously closed from the 1995 Base Realignment and Closure of Kelly AFB. Approximately 7,000 Air Force and other DoD employees work at this and other facilities on the Port in this post-BRAC 2005 era.

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

JBSA-Randolph. JBSA-Randolph, which is known as "the Showplace of the Air Force" because of its consistent Spanish Colonial Revival architectural standard retained from when the installation was first constructed in the early 1930s, is on the northeast side of San Antonio and houses the Headquarter Air Education and Training Command and the Air Force Personnel Center. Other major tenant organizations include the Air Force Manpower Agency, the Air Force Recruiting Service, and the Air Force Office of Special Investigations (Region 4). The main operational mission is carried out by the 12th Flying Training Wing (the "Wing") which equips and trains aviators and supports worldwide contingency operations. The Wing operates parallel runways on either side of the main installation facilities and conducts 24-hour-a-day flight training operations. In a related aviation mission, JBSA-Randolph, which recently added 85 instructors and staff to its Remotely Piloted Aircraft ("RPA") training unit, will produce RPA pilots to man an Unmanned Aerial Systems ("UAS") force which now encompasses 8.5% of total Air Force pilot manning. The UAS force is projected to grow by approximately 25% between FY 2013 and FY 2017.

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

San Antonio received funding in FY 2008 for two large projects that serve all of the military branches. On September 11, 2007, the Veterans Administration announced plans to build a new $67 million Level I Polytrauma Center at the Audie L. Murphy Veterans Administration hospital campus. The expansion began in early 2009 and was completed in September 2011. This hospital is designed to be the most advanced in the world and is capable of providing state-of-the art medical care to veterans with multiple serious injuries. San Antonio is also home to the National Trauma Institute ("NTI"), a collaborative military-civilian trauma institute involving SAMMC, University Hospital, the UT Health Science Center, and the USAISR. The NTI coordinates resources from the institutions to most effectively treat the trauma victims and their families. The NTI received $3.8 million in grants in FY 2010; however, due to Congress' termination of the federal budget "earmark" methodology, NTI has not received further grants, but is still active in its primary mission.

In 2005, the San Antonio community put in place organizations and mechanisms to assist the community and the military with the BRAC 2005 and other military-related issues. The Military Transformation Task Force ("MTTF") is a City, Bexar County, and Greater San Antonio Chamber of Commerce organization which provides a single integrated voice from the community to the military. The MTTF is formed of several committees each dedicated to working with the community and military on the BRAC 2005 actions and post-BRAC 2005 actions.

In January 2007, the City established the Office of Military Affairs ("OMA") as the single point of contact for the City on military-related issues. The mission of OMA is to work with the military to sustain and enhance mission readiness, develop and institutionalize relations to strengthen a community-military partnership, and to provide an official formalized point of contact for the military on issues of common concern. OMA provides staff support to the MTTF and works closely with each MTTF committee in order to facilitate their work. OMA is also working with the local military bases to address compatible land-use issues around the installations in order to enhance mission readiness. Finally, the City and the military have established the Community-Military Advisory Council. This Community-Military Advisory Council provides a mechanism for local government, business, and military leaders to address issues of common concern.

In 2008, OMA introduced the Growth Management Plan as one of the responses to the growth brought about by the BRAC 2005 actions, and it clearly laid out the partnership between the San Antonio community and the military. One example of the partnership is the City's effort to gather over $30 million in resources and funding from bond proceeds, City funding, federal earmarks, and grants to provide significant infrastructure improvements around Fort Sam Houston. The premier project is the reconstruction and widening of Walters Street, a primary entrance to Fort Sam Houston. This project was substantially completed in June of 2013. This project is complex, since it is the center segment of a cooperative effort joining the already completed Texas Department of Transportation ("TxDOT") improvements on IH-35 to a new, high security gate entrance that was completed by Fort Sam Houston. An even more unique project is the City's construction of a much improved bridge over Salado Creek on Binz Engleman Road, which was actually built on federal property and was gifted to the military upon completion in June of 2012. Other key projects include intersection improvements on Harry Wurzbach Road between the Fort Sam Houston Gate and Rittiman Road, and the construction of a new bridge on Rittiman Road, west of IH-35. The City also expended significant funding to support development along Walters Street by improving utilities, installing a new water line and improving numerous side streets in that area. These improvements are now complete. The City was also selected by the DoD's Office of Economic Adjustment to receive an award of $25 million in federal funds to construct new ramp connectors between IH-35 and Loop 410 near SAMMC. This initiative with TxDOT will greatly improve traffic flow and safety for personnel seeking access to the medical facility area.

Currently, DoD is the community's largest employer, supporting the employment of over 189,000 people, with an economic impact of $27.7 billion annually. JBSA alone directly employs 92,000 and has a total economic impact of $11.6 billion in payroll, contract expenditures, and value of jobs created. Over 55,000 military retirees reside in San Antonio and receive over $1.5 billion in annual benefit payments. The BRAC 2005 program in San Antonio concluded in 2011, but the construction momentum continues. Multiple projects are planned through FY 2015. The value of the proposed construction projects during this time period is anticipated to average between $200 to $300 million per year.

Other Major Industries

Aerospace. According to the Economic Impact Study commissioned by the Greater San Antonio Chamber of Commerce in 2010, the aerospace industry's annual economic impact to the City was about $5.4 billion. This industry provides approximately 13,616 jobs, with employees earning total annual wages of over $678 million. The aerospace industry continues to expand as the City leverages its key aerospace assets, which include San Antonio International Airport, Stinson Municipal Airport, the Port, JBSA-Randolph, JBSA-Lackland, and training institutions. Many of the major aerospace industry participants such as Boeing, Lockheed Martin, General Electric, Pratt & Whitney, Raytheon, Cessna, San Antonio Aerospace – a division of Singapore Technologies, Southwest Airlines, American Airlines, Delta Air Lines, United Airlines, US Airways, FedEx, UPS, and others, have significant operations in San Antonio. The aerospace industry in San Antonio is diversified with continued growth in air passenger service, air cargo, maintenance, repair, overhaul, and general aviation.

In February 2011, Southwest Airlines ("SWA") finalized its acquisition of AirTran Holdings, Inc. for $1.4 billion in cash and stock. The acquisition provided SWA with a presence in 37 new cities, including Hartsfield-Jackson Atlanta International Airport (AirTran's main hub) and two AirTran customer service centers in Orlando, Florida and Atlanta, Georgia. As of March 1, 2012, SWA and AirTran are operating under a single operating certificate. Following this acquisition, SWA began discussions with City staff about its intent to consolidate customer service operations in San Antonio or at one or more of their other customer service centers.

In 1981, SWA opened its customer services and support center in San Antonio. This facility currently accommodates the existing workforce of 478 employees, but could not expand to include the additional 322 employees SWA planned to hire. Therefore, SWA began exploring other sites in San Antonio to accommodate a potential consolidation and growth. Other expansion sites SWA considered included Orlando, Florida, Atlanta, Georgia, Oklahoma City, Oklahoma, and Phoenix, Arizona. After consideration, SWA decided that due to changing needs and requirements in the company, and new technology being utilized to meet customer needs, it would only need to hire an additional 227 employees for a total of 705. SWA remains committed to its Customer Support and Service Operations in San Antonio, having signed a long-term lease at its new facility, and plans to maintain its workforce in San Antonio.

In early 2012, Boeing announced that its San Antonio facility would gain 300 to 400 workers and maintenance responsibilities for the nation's executive fleet due to a decision to close a Wichita, Kansas plant. The aircraft maintenance and support work moving to San Antonio will include improvements to the nation's fleet of executive jets, including Air Force One, the Boeing 747s that transport the President of the United States, and the jets that transport the Vice President, Cabinet members, and other government officials.

Applied Research and Development. The Southwest Research Institute ("SwRI") is one of the original and largest independent, nonprofit, applied engineering and physical sciences research and development organizations in the U.S., serving industries and governments around the world in the engineering and physical sciences field. SwRI has contracts with the Federal Aviation Administration (the "FAA"), General Electric, Pratt & Whitney, and other organizations to conduct research on many aspects of aviation, including testing synthetic jet fuel, developing software to assist with jet engine design, and testing turbine safety and materials stability. SwRI occupies 1,200 acres and provides nearly two million square feet of laboratories, test facilities, workshops, and offices for approximately 3,000 scientists, engineers, and support personnel. SwRI's total revenue for FY 2013 was $592 million, managing more than 80 projects with expenditures of more than $6.7 million to its internally sponsored research and development program which is designed to encourage new ideas and innovative technologies.

Information Technology. The information technology ("IT") industry plays a major role in San Antonio. The economic impact of IT and cyber business already measures in the billions ($10 billion in 2010, with conservative estimates of growth to $15 billion by 2015). The industry itself is both large and diverse, including IT and Internet-related firms that produce and sell IT products. San Antonio is particularly strong in information security. In fact, San Antonio is 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 ("NSA") presence, and the Center for Infrastructure Assurance and Security ("CIAS") at UTSA.

San Antonio boasts some of the most sophisticated uses of IT in the world, even though much of that advanced usage remains undisclosed for security reasons, since the community is home to a large concentration of military and intelligence agencies charged with the missions of intelligence, surveillance and reconnaissance, information operations and network defense, attack and exploitation. Prominent activities in cyber warfare, high tech development, acquisition and maintenance are found among the Air Intelligence Agency, Joint Information Operations Warfare Command, NSA/Central Security Service Texas, 67th Network Warfare Wing, Air Force Information Operations Center, and Cryptology Systems Group.

The CIAS at UTSA is one of the leading research and education institutions in the area of information security in the country. The CIAS has established partnerships with major influential governmental and non-governmental organizations such as the DoD, Department of Homeland Security, and the United States Secret Service. The CIAS has also been actively involved with sector-based Information Sharing and Analysis Centers' security preparedness exercises for organizations in critical infrastructures.

Chevron U.S.A. Inc. ("Chevron") has selected San Antonio as the site for the construction of a 130,000 square foot data center to consolidate all of its North American data center operations. City Council approved the execution of a tax abatement agreement with Chevron. The data center involves a capital investment of over $335 million over ten years and will create 17 new jobs that pay approximately $60,000 annually in the targeted industry of IT. Chevron completed construction of the data center on a 33.82 acre site in Westover Hills (adjacent to the Microsoft Center), located at 5200 Rogers Road commenced operations on September 2014.

CyrusOne is a publicly traded owner, operator, and developer of enterprise-class data center properties. CyrusOne currently owns and operates a 107,000 square foot co-location data center at 9999 Westover Hills Blvd. The company's customers include 15 of the top 100 global companies and five of the top 10 companies, including local companies such as Christus Health, Schlumberger, and Halliburton. City Council approved a six year, 50% tax abatement agreement with CyrusOne on its planned investment of approximately $120 million in real and personal property improvements, and the creation of 15 new full-time jobs.

Manufacturing Industry. Toyota Motor Corporation ("Toyota"), one of the largest manufacturing employers in San Antonio with an estimated workforce of 2,850, expanded its local production in 2010, adding the production of the Tacoma truck at its manufacturing facility in San Antonio. Toyota shifted its Tacoma manufacturing from Fremont, California to San Antonio, creating an additional 1,000 jobs and investing $100 million in new personal property, inventory, and supplies. Toyota and its 21 on-site suppliers, located on San Antonio's south side, have created 292 new jobs and retained 6,151 jobs through 2013, bringing the total number of jobs supporting Toyota's production of Tundra and Tacoma vehicles to 6,443, with an annual impact of $1.7 billion.

NBTY Manufacturing Texas, LLC ("NBTY") is the largest vertically integrated manufacturer of nutritional supplements in the United States. The company manufactures, wholesales, and retails more than 25,000 products including vitamins, minerals, herbs, and sports drinks. The company sells its goods through pharmacies, wholesalers, supermarkets, and health food stores around the world. NBTY is owned by the investment firm, The Carlyle Group, which purchased 100% of the firm's publicly traded shares on October 1, 2010. NBTY was considering an expansion of its vitamin manufacturing operations at 4266 Dividend – the site of the former Judson-Atkinson Candies, Inc., which closed its operations in November 2011. NBTY was also considering other potential sites in Long Island, New York and Hazelton, Pennsylvania. To attract NBTY to San Antonio, the City offered the company a cash grant of $200,000 over four years and the annual reimbursement of ad valorem taxes paid on new real and personal property improvements over ten years not to exceed $201,546 for a total cumulative grant of up to $401,546. Based on the City's offer of incentives, NBTY indicated its intent to expand in San Antonio, create 65 new jobs by January 1, 2016, occupy the former Judson-Atkinson facility, and invest $6 million in improvements. NBTY also intends to offer employment to former Judson Candy Factory employees by hiring the former plant director to connect with former employees with production experience with the existing manufacturing equipment. As of December 31, 2013, NBTY has created 36 jobs and invested over $15 million in real and personal property improvements.

Xenex Healthcare Services LLC ("Xenex"), formerly headquartered in Austin, Texas, manufactures a patented mobile disinfection machine to decontaminate patient care environments. Xenex is an early stage company selling its disinfection machines to hospitals around the country. City Council authorized an EDG of $150,000 from the Economic Development Incentive Fund to Xenex contingent upon Xenex relocating its headquarters and operations from Austin to San Antonio and creating 27 jobs over two years. Xenex relocated the company to San Antonio in 2012. Xenex business operations in San Antonio have expanded as more hospitals and health facilities are investing in the company's disinfecting robot. Since moving to San Antonio in 2012, Xenex has grown from 15 employees to 51 employees.

Support Operations. On November 22, 2010, PETCO Animal Supplies, Inc. ("PETCO") announced it had selected San Antonio over 47 other communities as the site of a new satellite support center, which is being created as an extension of the company's San Diego headquarters and will be called the National Support Center. The National Support Center in San Antonio will house 400 PETCO associates in functions including accounting, human resources, internal audit, loss prevention, risk management, and ethics and compliance. These 400 new jobs will have an annual average wage of approximately $58,000 with at least 10% of the jobs paying $80,000 or more. Many of these jobs are corporate-level positions with decision-making authority over major company functions. As of June 2014, PETCO has reported employing 369 people in its facility. PETCO is the second-largest U.S. retailer

of specialty pet supplies. PETCO operates more than 1,000 stores in all 50 states and the District of Columbia, making it the only pet store to cover the entire U.S. market.

Glazer's Wholesale Drug Company ("Glazer's"), headquartered in Dallas, is one of the largest beverage distributors in the U.S. The company represents a wide variety of wine, spirits, malt beverage, and non-alcoholic suppliers in 11 states and employs over 6,000 people. Glazer's has operated in San Antonio since 1940 and is currently located at 3030 Aniol Street, where it employs 125 people. Glazer's has requested an amendment to a Tax Abatement Agreement with the City, dated August 19, 2010, to reflect a new investment of over $32 million in real and personal property at a new facility purchased by Glazer's, and creation of 100 new jobs and retainment of 350 jobs, for a total of 450 jobs to be located at the new facility. Glazer's has also purchased an additional 9.37 acres of City-owned land adjacent to the previous 35-acre purchase to accommodate the larger facility. City staff has negotiated to sell the additional land for $399,999 plus a $75,000 charitable donation by Glazer's to the City for the benefit of targeted area redevelopment, such as the West side, with payments of $25,000 over each of the three years from 2014 to 2016.

Green Technology. In response to an April 2009 Request for Proposal, CPS negotiated and entered into a 30-year power purchase agreement with TX Solar I, LLC to construct a clean, dependable, and renewable energy solar farm in San Antonio and Bexar County, known as the "Blue Wing Solar Energy Generation Project". TX Solar I, LLC, a wholly owned subsidiary of Duke Energy, is one of the largest electric power companies in the U.S. The project will consist of 214,500 ground-mounted thin film panels manufactured by First Solar with an annual generation of about 14 megawatts ("MW"). This project created approximately 100 green jobs during the construction and operation phases with a capital investment of approximately $41,590,000 in real and personal property. The site is located southwest of the City near the intersection of IH-37 and U.S. Highway 181. Approximately 80% of the property site lies within Bexar County and approximately 20% is within the City limits.

In June 2010, CPS and UTSA announced a ten-year, $50 million agreement to position San Antonio as a national leader in green technology research. The agreement will establish the Texas Sustainable Energy Research Institute at UTSA. Dr. Les Shephard, the USAA Robert F. McDermott Distinguished Chair in Engineering at UTSA, will head the institute formerly known as the Institute for Conventional, Alternative and Renewable Energy. This research institute will work with other academic and research entities with robust green programs including the SwRI as well as the Mission Verde Center, a City partnership that includes the Alamo Colleges and the Texas A&M University Texas Engineering Experiment Station. It also has an active military establishment looking to address specific energy needs. CPS will invest $50 million over ten years in the UTSA Institute beginning in 2011.

The City continues to maximize the municipally-owned CPS utility to develop investment and employment in San Antonio. Through a combination of power purchase agreements and local economic development incentives, the City and CPS are steadily securing jobs, investment, and enhancing university research and development in the area of renewable energy.

As of July 2014, CPS' renewable energy capacity totals 1,162.3 MW in service with another 354.9 MW under contract and in varying levels of project construction. CPS has executed a Master Agreement with OCI Solar Power ("OCI") for 400 MW from seven facilities expected to be built and operational by 2017. Each individual facility compromising OCI's 400 MW will have its own Purchase Power Agreement. OCI's Alamo 1 project facility of 40.7 MW achieved commercial operation in December 2013, St. Hedwig (Alamo 2) for 4.4 MW achieved commercial operation in March 2014, and Brackettville (Alamo 4) for 39.6 MW is scheduled to achieve commercial operation in August 2014. The Nelson Gardens 4.2 MW landfill gas generation project achieved commercial operation in April 2014. CPS has one of the strongest renewable energy programs in Texas with a renewable capacity under contract totaling 1,517.2 MW.

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On June 20, 2011, CPS and the City announced the expansion of five companies into the area directly related to renewable energy and energy efficiency technologies. These firms were: Consert, GreenStar, ColdCar USA, Summit Power, and SunEdison. Since that time, these companies have begun implementing their commitments to San Antonio. In early January 2014, CPS allowed its agreement with Summit Power to expire. Recent developments include the following:

- Three separate purchase power contracts have been signed with SunEdison that will bring approximately 30 MW of renewable solar energy to CPS. CPS will provide about 60% of the long-term capital for development of the project by prepaying for a portion of the anticipated electrical output. SunEdison will utilize these funds to reduce the interest cost of the project. These uniquely structured contracts, a first in the solar industry, will ultimately provide CPS ratepayers with more than $32 million in energy savings over the next 25 years. The two 10 MW solar farm projects on approximately 200 acres at the SAWS Dos Rios Water Recycling Center are operational. The third solar farm achieved commercial operation in August 2012.
- GreenStar, a manufacturer of LED streetlights, has moved into a new manufacturing space in the Alamo Downs area. Currently, the company employs about 42 people in its San Antonio location. At the end of September 2011, the first shipment containing 100 LED lights was delivered to CPS. A total of 25,000 LED streetlights will be installed throughout the City over the next several years.
- Consert relocated its corporate headquarters from North Carolina to San Antonio and has hired 53 employees. Consert has completed close to 17,000 installations of its innovative energy management technology in the San Antonio area.
- ColdCar USA continues to actively seek a manufacturing facility site in San Antonio. In November 2011, ColdCar USA delivered its first all electric refrigeration truck to Ft. Collins, Colorado.
- On January 11, 2012, OCI and Nexolon were selected by CPS to build one of the country's largest solar projects, a 400-megawatt solar power manufacturing plant in San Antonio, resulting in an investment of more than $100 million. This solar project is the largest in the nation and will catapult Texas into the top five U.S. solar producing states. CPS reached an agreement with OCI to build the 400-megawatt solar energy project, and entered into a 25-year Power Purchase Agreement ("PPA") on July 23, 2012. The PPA with CPS requires OCI to ensure the following: (1) establishment of an "anchor" facility to manufacture solar energy related products and one or more manufacturing facilities for multiple components of the solar energy value chain, such as racking systems; (2) investment of at least $100 million for the proposed "anchor" facility; and (3) the creation of at least 800 total solar energy related jobs with an annual payroll of $30 million. One of OCI's partners, Nexolon will initially create 404 solar manufacturing jobs toward meeting the total job requirement and both companies plan to establish their U.S. corporate headquarters in San Antonio, with OCI creating 76 corporate jobs and Nexolon creating 40 corporate jobs.

Inner City Development

On February 4, 2010, the City Council approved the Inner City Reinvestment/Infill Policy as a strategy to stimulate growth in the inner city. Current market trends support a renewed interest in the heart of San Antonio, as illustrated by studies conducted for San Antonio such as the Downtown Housing Study, the Real Estate Market Value Analysis, and the Housing + Transportation Affordability Index. In particular, the Real Estate Market Value Analysis shows that a substantial portion of San Antonio's core has very high rates of vacant properties, properties that could be put to use to support increasing demand for near-downtown housing, jobs, and services. This policy establishes the Inner City Reinvestment/Infill Policy Target Area as the highest priority for incentives. Specifically, the following actions are endorsed: (1) waiver of certain City fees and SAWS fees within the target area, and (2) provide greater incentives for economic development projects within the target area. The policy is designed to combat sprawl by strengthening San Antonio's vibrant urban core and driving investment into the heart of the City.

Argo Group US, Inc. ("Argo") moved its insurance operations from Menlo, California to San Antonio in 2001 and maintains its U.S. corporate headquarters in San Antonio. In 2007, Argo merged with PXRE Group Ltd., a Bermuda-based property reinsurer, and established its international headquarters in Bermuda. Argo has about 1,300 employees worldwide in eight countries, including 17 offices in 12 states, with annual revenues of approximately $1.3 billion. Argo was located at 10101 Reunion Place and considering relocation of its San Antonio operations to other sites within San Antonio, as well as to sites in other U.S. cities. In order to retain these good-paying corporate headquarters jobs in San Antonio, the City offered Argo free parking at the St. Mary's garage for

ten years valued at approximately $2,850,120 for up to 300 parking spaces. In exchange for this financial incentive, Argo located over 200 jobs at the IBC Centre building at 175 E. Houston Street and has agreed to retain these jobs at this location for the ten-year term of the agreement. Argo also agreed to meet the City's minimum wage requirements and pay an average annual salary of at least $50,000. These incentives were approved by City Council on September 15, 2011.

HVHC Inc. ("HVHC") established its headquarters in San Antonio in 1988 and currently employs 440 at its headquarters facility downtown with plans to add another 100 jobs over the next two years. HVHC operates the third largest optical retail sector in the U.S. under several brand names, such as Visionworks. The company currently operates over 540 retail stores in 36 states and plans to grow to 1,000 stores in the next five years. City staff met with representatives of the company in December 2010 as part of the community's Business Retention and Expansion program administered through the City's contract with the Economic Development Foundation. During this meeting, City staff learned the company planned to relocate from its current facility at 11103 West Avenue and was considering a consolidation and expansion of its operations at either another site in San Antonio or in other Texas cities, including Dallas and Austin. In order to retain the company's operations and headquarters in San Antonio, the City offered the following financial incentives to HVHC: (1) a cash grant of $1,050,000 payable over two years at $3,000 per job created/retained, and (2) approximately $2,923,200 in parking subsidies in the St. Mary's garage over ten years, to include free parking for up to 350 employees for five years and parking at a 60% discount for up to 350 employees for another five years. In exchange for these financial incentives, HVHC agreed to: (1) retain its operations and corporate headquarters in San Antonio; (2) relocate 265 corporate jobs to the IBC Centre building on Houston Street no later than March 31, 2012, which the company complied with by providing payroll documentation on March 29, 2012; (3) relocate its vision care benefits subsidiary, Davis Vision, from Latham, New York to San Antonio; (4) add 85 new jobs for a total of 350 jobs at the IBC Centre no later than December 31, 2012; (5) meet the City's minimum wage requirements in the Tax Abatement Guidelines; and (6) pay an annual average salary of at least $50,000. These incentives were approved by City Council on September 1, 2011. As of December 31, 2012, HVHC has complied with all of the outlined requirements and has reported creating a total of 402 jobs.

Additionally, HVHC entered into another agreement with the City, expanding its headquarter operations by agreeing to create an additional 150 jobs for a total of 500 jobs by December 31, 2015 and retaining these jobs downtown for the remainder of the term of the grant through September 11, 2021. In turn, City Council approved an amendment to the current parking grant agreement in the amount of $360,000 payable over five years at $72,000 per year. In September 2012, HVHC advised City staff that the company was considering San Antonio and two sites in the Dallas area for the expansion of their manufacturing operations. To secure the manufacturing project for San Antonio, City staff recommended City Council approve a cash grant of up to $1,140,000 for the manufacturing project. For this grant, HVHC must locate its new manufacturing operations at 655 Richland Hills for a term of at least ten years, create up to 600 jobs, pay the living wage of $11.08/hour to all employees, designate a minimum of 50 "high wage" jobs paying an annual salary of at least $43,186 and invest approximately $25 million in personal property improvements. Both of these incentives were approved by City Council on April 11, 2013.

On June 21, 2012, City Council adopted the Center City Housing Incentive Policy which will provide greater incentives to housing projects within the targeted growth areas identified in the City's Downtown Strategic Framework Plan. The policy encourages historic rehabilitation, adaptive reuse, brownfield redevelopment, and transit oriented development; rewards good urban design; and encourages mixed use and mixed income redevelopment. The policy is an as-of-right housing incentive system which applies to multi-family rental and for sale housing projects within the Inner City Reinvestment Policy Target Area. Eligible projects will receive City fee waivers, SAWS fee waivers, and real property tax reimbursement grants for new residential development and residential conversions in the Center City, in order to normalize land values and provide greater certainty and speed of approvals to developers. Additionally, Inner City Incentive Fund loans and mixed use development forgivable loans will be awarded based on the terms outlined in the policy which will vary based on the geographic location of the housing project with projects located within the Urban Core receiving a higher grant amount per housing unit than projects in other target growth areas. As of June 12, 2014, 17 incentive agreements have been executed under the program which will produce 1,928 new housing units in the Center City.

Port San Antonio

The Port is a logistics-based industrial platform on the 1,900-acre site of the former Kelly Air Force Base. It was created by the Texas Legislature in 2001 following the closure of the base and tasked with redeveloping and managing the property to ensure that it continues serving as an economic engine for the region. Though created by the local government, the Port is self-sustaining and operates like a business – receiving its income from the properties it leases and services it provides, and reinvesting profits into further development of the property.

The Port is the region's single largest real estate management and leasing firm, overseeing 12.9 million square feet of facilities and logistics assets that include an industrial airport, Kelly Field, SKF, and a 350-acre railport, East Kelly Railport. The entire site is contained within a foreign-trade zone, FTZ #80-10, and has quick road connections to Interstate Highways 35, 10, and 37.

The Port redevelopment efforts to date have attracted almost 80 customers to its site, including aerospace, logistics and military/governmental organizations. These customers employ more than 14,000 workers and generate over $4 billion in regional economic activity each year. The Port has received numerous recognitions for its innovative work, including being named Redevelopment Community of the Year in 2010 by the Association of Defense Communities. A regional sustainability leader since 2009, two of the Port's newly developed properties have been LEED-certified by the U.S. Green Building Council.

Fourteen of the Port's customers are aerospace-related firms, including industry leaders Boeing, Lockheed Martin, StandardAero, Chromalloy, Gore Design Completions ("Gore"), and Pratt & Whitney. Of the 14,000 workers at the Port, about 5,000 are employed in the aerospace sector.

The Port reached important milestones in 2011, positioning it and its customers for further growth as an important economic engine for the region.

In the aerospace sector, Boeing's Port facility ushered in a new era of commercial projects in the past year. The company, which has been operating at Kelly Field since 1998 with a focus on maintenance, repair, and overhaul of military aircraft, welcomed its first 787 Dreamliner in the spring of 2011. The airplane is one of four scheduled to undergo change incorporation (electronics and software upgrades) at the Port before final completion and delivery to customers worldwide. In addition, the first of six new 747-8 tankers arrived at Boeing's Port facility in 2011 where they underwent change incorporation through 2013. Based on the success of this project, the Port San Antonio Boeing facility will continue to incorporate commercial maintenance, repair, and overhaul into their operations.

Similarly, Gore, which is North America's largest outfitter of custom interiors for wide body jets and the third largest company of its type in the world, has been steadily growing since its arrival at the Port in 2005. In 2010, Gore added over 100,000 square feet to its hangar and workshop facilities at Kelly Field, giving it the necessary room to deliver luxury interiors for a Boeing 767 and its first Boeing 777 completion to foreign heads of state in 2011. Without breaking momentum, the company took in two new aircraft to keep it busy through 2012 – further cementing its position as a global industry leader.

Elsewhere at the Port, efforts to upgrade a 450,000 square foot office facility known as Building 171 continued in 2011. The facility accommodates 11 Air Force agency headquarters and 3,000 personnel. Since 2009, the Port has managed over $60 million in upgrades to the property to meet new Anti-Terrorism Force Protection standards that ensure the safety of its occupants and the sensitive work that takes place within. In 2012, the completion of final bays allowed the 24th Air Force-Cyber Command to become the final occupant of the building. There, the unit leads operations to defend the Air Force's information systems worldwide against the new frontier in warfare-cyber attacks.

Four properties adjacent to Building 171 are also undergoing upgrades managed by the Port to support Air Force expansion within a single 70-acre containment area. Buildings 178, 179, and 200, measuring a combined 218,000 square feet, provide additional offices and specialized space for important servers and other computer equipment, including those utilized by the 24th Air Force-Cyber Command.

In 2010, the Port also completed a $10 million upgrade to a former World War II era warehouse, which now comprises 85,000 square feet of modern office space. The building allowed ACS, a Xerox Company and Port customer since 2000, to relocate from a 45,000 square foot space it previously occupied into its new facility as it grew its workforce from 400 to over 800 employees throughout 2010 and 2011. The company provides business support services to private and governmental customers, including serving as the State Disbursement Unit for Texas child support payments.

The Port will reach an important milestone as two road construction phases which began in 2011 are expected to be completed in 2015. The first phase of construction which was completed in 2013 starts on the Port's northwest entrance, where 36th Street intersects with Growdon Road, and stretching for almost a mile to the south until it intersects with Billy Mitchell Boulevard. The new 36th Street extension creates an enhanced route inside the Port. The first phase of construction, also known as the 36th Street Project, is now fully open inside the Port between U.S. Highway 90 and Billy Mitchell Boulevard, and has improved overall access to the Port and opens 150 acres at Kelly Field for the development of new air-served facilities. In late 2014, the City will begin the second phase of construction on work that extends the road from Billy Mitchell Boulevard to General Hudnell Drive, creating additional connections for Port workers and commercial drivers.

The new sites opened by the 36th Street extension will enable the construction of new hangars and workshops that can support an additional 8,000 new jobs in that part of the Port alone – further positioning the region as an important and thriving aerospace center. The project is headed by the City's Capital Improvement Management Services Department. Additional project partners include the Metropolitan Planning Organization, CPS, SAWS, and TxDOT.

Brooks City-Base

Brooks City-Base continues to foster the development of its business and technology center on the south side of San Antonio through its aggressive business attraction and retention efforts. Recognized as one of the most innovative economic development projects in the United States, Brooks City-Base is a 1,200 acre campus with approximately 250 acres available for immediate development. The U.S. Air Force ceased all operations at Brooks City-Base on September 15, 2011.

Since the project's inception, more than 2,400 jobs have been created with an average salary of $48,000. More than $300 million in real estate development has occurred on campus, with another $170 million in projects being planned and constructed at Brooks City-Base through 2016.

Brooks Development Authority ("BDA") encouraged economic growth noting the following projects:

- VMC Consulting expands its center at Brooks City-Base creating 600 additional jobs to support San Antonio client base.
- Brooks City-Base is working to restore Hangar 9 and maintain its historical presence on campus.
- Spine and Pain Center of San Antonio, PLLC signed a ten-year lease agreement with BDA. The center opened its doors with approximately 9,622 rentable square feet.
- The Landings at Brooks City-Base completed the first phase of construction on a 300 unit multi-family apartment complex. The development is owned by the BDA and the NRP Group is the co-developer.
- The City completed construction of its new Fire and Police Emergency Dispatch Center, a state-of-the-art communications facility located across from the City's Emergency Operations Center and replaced the 9-1-1 center located at the police headquarters downtown.
- BDA finalized a land sale to Head and Neck, a medical facility, to establish a 20,000 square foot medical office building on the Brooks City-Base Campus.
- On June 27, 2011, the Mission Trail Baptist Hospital, located on 28 acres at Brooks City-Base, opened its doors. This facility consists of three stories, with the capability of adding additional floors and square footage as needed. It currently employs 567 people.
- In June 2014, the University of the Incarnate Word ("UIW") announced plans to build the city's first osteopathic medical school on the campus of Brooks City-Base.

- Phase 1 of the medical school will begin with four buildings in the historic district of Brooks City-Base. The cost of building the school is approximately $12 million. UIW will lease the buildings starting August 1, 2014 and will take ownership after 25 years. The school is scheduled to open in 2016.

To continue fostering economic activities on the south side of San Antonio, BDA has leveraged resources in the following ways:

- BDA applied for designation as an EB-5 Regional Center in July 2011, and was granted its first EB-5 Regional Center Designation in October 2012. BCB is developing a master plan development with the goal of promoting and sustaining economic development activities in the area. BCB is seeking to raise EB-5 dollars to fund such projects as luxury lofts and the construction of a full service hotel at the former Air Force barracks. These specific projects amount to a capital investment of approximately $60 million, and are expected to generate approximately 400 direct and indirect new jobs.
- BDA was awarded $1.9 million from the State Energy Conservation Office ("SECO") for energy saving upgrades to eight buildings and 163 residential housing units. The SECO loans were obtained by BDA for energy saving upgrades to various residential housing units, new chiller systems for various buildings, replacement of heating, ventilation, and air conditioning systems associated with Buildings 160 and 170, and upgrades to Buildings 532, 570, 775, and 150, for installation of rooftop solar panels and the replacement of the HVAC system.

On December 13, 2012, City Council designated Brooks City-Base as a Reinvestment Zone in accordance with State statute for the purpose of the Nexolon project. A Reinvestment Zone designation to the Brooks City-Base site will contribute to the retention and expansion of primary employment and attract major investment in the zone. The City also provided Nexolon a tax abatement and an EDG incentive. In turn, Nexolon has decided to locate its solar panel manufacturing operations and its U.S. corporate headquarters at Brooks City-Base. Nexolon has also agreed to support the creation and sustainment of a renewable energy and advanced manufacturing workforce through a $500,000 contribution to the Alamo Colleges over five years. These funds will be used by the Alamo Colleges to continue its efforts to develop a customized curriculum and training program to support the development of a renewable energy workforce.

Sources: The Greater San Antonio Chamber of Commerce; San Antonio Medical Foundation; City of San Antonio, Department of International and Economic Development Department; Convention and Visitors Bureau; and the Strategic Alliance for Business and Economic Research Institute.

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Growth Indices

San Antonio Electric and Gas Customers

For the Month of December	Electric Customers	Gas Customers
2004	617,261	308,681
2005	638,344	310,699
2006	662,029	314,409
2007	681,312	319,122
2008	693,815	320,407
2009	706,235	321,984
2010	717,109	324,634
2011	728,344	328,314
2012	741,566	330,945
2013	754,893	333,587

Source: CPS.

SAWS Average Customers per Fiscal Year

Fiscal Year Ended December 31	Water Customers [1]
2004	311,556
2005	320,661
2006	331,476
2007	341,220
2008	346,865
2009	350,859
2010	355,085
2011	358,656
2012	362,794
2013	367,388

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

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Construction Activity

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

Calendar	Residential Single Family		Residential Multi-Family [1]		Other [2]	
Year	Permits	Valuation	Permits	Valuation	Permits	Valuation
2004	7,434	$825,787,434	206	$7,044,283	14,695	$1,389,950,935
2005	8,207	943,804,795	347	5,221,672	20,126	1,772,959,286
2006	7,301	890,864,655	560	13,028,440	19,447	1,985,686,296
2007	4,053	617,592,057	29	4,715,380	13,268	2,343,382,743
2008	2,588	396,825,916	13	2,033,067	9,637	2,634,745,310
2009	2,084	311,309,870	50	5,692,447	6,933	1,684,823,866
2010	1,976	307,406,128	10	1,612,057	5,702	1,320,800,279
2011	1,663	260,602,240	2	445,000	5,128	1,723,212,400
2012	2,001	330,367,267	29	4,240,304	5,192	1,876,833,267
2013	1,905	341,140,466	16	3,036,631	3,369	1,387,318,007

[1] Includes two-family duplex projects.

[2] Includes commercial building permits, commercial additions, improvements, extensions, and certain residential improvements.
Source: City of San Antonio, Department of Development Services.

Total Municipal Sales Tax Collections – Ten Largest Texas Cities

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

	2013	2012	2011	2010	2009
Amarillo	$ 70,744,051	$ 65,386,227	N/A	$ 56,863,740	$ 56,514,269
Arlington	94,043,810	88,941,229	$ 86,127,967	83,143,848	80,170,009
Austin	167,597,270	158,855,261	144,161,036	137,309,212	131,403,989
Corpus Christi	76,088,455	72,581,730	62,721,436	N/A	57,311,248
Dallas	242,456,290	232,445,766	215,394,908	204,732,898	205,447,327
El Paso	75,831,660	74,164,329	72,347,296	68,348,227	64,480,623
Fort Worth	118,919,449	112,745,847	105,424,832	100,569,555	97,877,323
Houston	608,189,684	569,942,545	507,928,840	473,149,941	489,009,133
Plano	69,804,509	68,410,251	66,325,563	58,888,948	N/A
Round Rock	N/A	N/A	63,030,582	61,644,122	58,694,318
SAN ANTONIO	269,947,330	244,094,371	220,171,017	208,322,621	202,966,327

Source: State of Texas, Comptroller's Office.

Education

There are 15 independent school districts within Bexar County with a combined enrollment of 325,196 encompassing 42 high schools, 69 middle/junior high schools, 264 early education/elementary schools, 20 magnet schools, and 40 alternative schools as of October 2013. There are an additional 25 charter school districts with 69 open enrollment charter schools at all grade levels. In addition, Bexar County has 80 accredited private and parochial schools at all education levels. Generally, students attend school in the districts in which they reside. There is currently no busing between school districts in effect. The seven largest accredited and degree-granting universities, which include a school of medicine, a school of nursing, a dental school, a law school, and five public community colleges, had combined enrollments of 116,655 for Fall 2013.

Sources: Texas Education Agency; and Texas Higher Education Coordinating Board.

Employment Statistics

The following table shows current nonagricultural employment estimates by industry in the San Antonio-New Braunfels MSA for the period of October 2014, as compared to the prior periods of September 2014 and October 2013, respectively.

Employment by Industry

San Antonio-New Braunfels MSA [1]	October 2014	September 2014	October 2013
Mining and Logging	6,600	6,700	6,100
Construction	45,100	45,600	43,500
Manufacturing	46,000	46,000	46,200
Trade, Transportation, and Utilities	161,900	160,900	155,100
Information	21,300	21,200	20,800
Financial Activities	78,700	77,800	76,300
Professional and Business Services	118,500	117,000	111,900
Education and Health Services	143,000	140,600	140,900
Leisure and Hospitality	118,800	119,600	116,200
Other Services	34,900	35,000	34,100
Government	162,900	160,600	163,100
Total Nonfarm	937,700	931,000	914,200

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

The following table shows civilian labor force estimates, the number of persons employed, the number of persons unemployed, and the unemployment rate in the San Antonio-New Braunfels MSA, Texas, and the United States for the period of October 2014, as compared to the prior periods of September 2014 and October 2013, respectively.

Unemployment Information *(all estimates in thousands)*

San Antonio-New Braunfels MSA [1]	October 2014	September 2014	October 2013
Civilian Labor Force	1,062.0	1,058.7	1,046.6
Number of Employed	1,014.2	1,008.9	985.9
Number of Unemployed	47.8	49.8	60.7
Unemployment Rate (%)	4.5	4.7	5.8

Texas (Actual) [1]	October 2014	September 2014	October 2013
Civilian Labor Force	13,067.7	13,043.8	12,824.2
Number of Employed	12,442.1	12,389.9	12,043.1
Number of Unemployed	625.6	653.9	781.1
Unemployment Rate (%)	4.8	5.0	6.1

United States (Actual) [1]	October 2014	September 2014	October 2013
Civilian Labor Force	156,616.0	155,903.0	154,918.0
Number of Employed	147,936.0	146,941.0	144,144.0
Number of Unemployed	8,680.0	8,962.0	10,773.0
Unemployment Rate (%)	5.5	5.7	7.0

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

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San Antonio Electric and Gas Systems

History and Management

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

Vacancies in membership on the CPS Board are filled by majority vote of the remaining members. New CPS Board appointees must be approved by a majority vote of the City Council. A vacancy, in certain cases, may be filled by the City Council.

The CPS Board is vested with all of the powers of the City with respect to the management and operation of the EG Systems and the expenditure and application of the revenues therefrom, including all powers necessary or appropriate for the performance of all covenants, undertakings, and agreements of the City contained in the bond ordinances, except regarding rates, condemnation proceedings, and issuances of bonds, notes, or commercial paper. It is also empowered to appoint and employ all officers and employees and must obtain and keep in force a "blanket" type employees' fidelity and indemnity bond (also known as commercial crime bond) covering losses in the amount of not less than $100,000.

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

Citizens Advisory Committee

In 1997, CPS established a 15-member Citizens Advisory Committee ("CAC") to enhance its relationship with the community and to provide community input directly to the CPS Board and CPS staff. The CAC meets monthly with the primary goal of providing recommendations on utility-related projects and programs to offer a customer perspective on community issues, assist in identifying strengths, and offer suggestions for improvement to the organization. Representing the various sectors of CPS' service area, the CAC encompasses a broad range of customer groups in order to identify their concerns and understand their issues.

City Council members nominate ten of the 15 members, one representing each district. The other five members are at-large candidates interviewed and nominated by the CAC from those submitting applications and resumes. The CPS Board appoints all members to the CAC. Members can serve up to three, two-year terms.

Service Area

The CPS electric system serves a territory consisting of substantially all of Bexar County and small portions of the adjacent counties of Comal, Guadalupe, Atascosa, Medina, Bandera, Wilson, and Kendall. Certification of this service area was granted by the Public Utility Commission of Texas (the "PUCT"). CPS is currently the exclusive provider of retail electric service within this service area, including the provision of electric service to some U.S. military installations located within the service area that own their own distribution facilities. Until and unless the City Council and the CPS Board exercise the option to opt-in to retail electric competition (called "Texas Electric Choice" by the PUCT), CPS has the sole right to provide retail electric services in its service area.

In addition to the area served at retail rates, CPS currently sells wholesale electricity to the Floresville Electric Light & Power System, the City of Hondo, and the City of Castroville. Long-term supply agreements have been entered into with Central Texas Electric Cooperative, the City of Boerne, the City of Seguin, and the Kerrville Public Utility Board to supply for terms that began in June 2013 and extend through 2021 for Central Texas Electric

Cooperative and through 2023 for the other three entities. In addition, from time to time, CPS provides a variety of supply arrangements on a short term basis for terms ranging from one month up to one year. The requirements under the existing wholesale agreements are firm energy obligations of CPS.

The CPS gas system serves the City and its environs, although there is no certificated CPS gas service area. In Texas, no legislative provision or regulatory procedure exists for certification of natural gas service areas. As a result, CPS competes against other gas supplying entities on the periphery of its service area.

CPS maintains "Franchise Agreements" with 30 incorporated communities in the San Antonio area. These Franchise Agreements permit CPS to operate its facilities in the cities' streets and public ways in exchange for a franchise fee on electric and natural gas revenues earned within the respective municipal boundaries. Effective February 1, 2014, CPS adjusted the franchise fee from 3% to 4.5%. All 30 cities have executed an addendum/ordinance to the existing franchise agreement in order for the percentage to take effect.

Retail Service Rates

Under the Texas Public Utility Regulatory Act ("PURA"), significant original jurisdiction over the rates, services, and operations of "electric utilities" is vested in the PUCT. In this context, "electric utility" means an electric investor-owned utility ("IOU"). Since the electric deregulation aspects of Senate Bill 7, which were adopted by the Texas Legislature in 2001 ("SB 7") and became effective on January 1, 2002, the PUCT's jurisdiction over IOU companies primarily encompasses only the transmission and distribution functions. PURA generally excludes municipally-owned utilities (referred to individually as a "Municipal Utility" and collectively as the "Municipal Utilities"), such as CPS, from PUCT jurisdiction, although the PUCT has jurisdiction over electric wholesale transmission rates. Under the PURA, a municipal governing body or the body vested with the power to manage and operate a Municipal Utility such as CPS has exclusive jurisdiction to set rates applicable to all services provided by the Municipal Utility with the exception of electric wholesale transmission activities and rates. Unless and until the City Council and CPS Board choose to opt-in to electric retail competition, CPS' retail service electric rates are subject to appellate, but not original, rate regulatory jurisdiction by the PUCT in areas that CPS serves outside the City limits. To date, no such appeal to the PUCT of CPS' retail electric rates has ever been filed. CPS is not subject to the annual PUCT gross receipts fee payable by electric utilities.

The Railroad Commission of Texas ("RRCT") has significant original jurisdiction over the rates, services, and operations of all natural gas utilities in Texas. Municipal Utilities such as CPS are generally excluded from regulation by the RRCT, except in matters related to natural gas safety. CPS retail gas service rates are applicable to rate payers outside the City and are subject to appellate, but not original rate regulatory jurisdiction, by the RRCT in areas that CPS serves outside the City limits. To date, no such appeal to the RRCT of CPS' retail gas rates has ever been filed.

The City is obligated under the bond ordinances, as provided under the rate covenant, to establish and maintain rates, and collect charges which are sufficient to pay all maintenance and operating expenses as well as debt service requirements on all revenue debt of the EG Systems, and to make all other payments prescribed in the bond ordinances.

On November 7, 2013, the City Council approved CPS' request for a 4.25% electric and gas base rate increase which became effective February 1, 2014. CPS expects to continue to periodically seek electric and gas base rate increases that are intended to maintain debt coverage, debt to equity, and liquidity ratios.

CPS offers a monthly contract for renewable energy service under Rider E15. Effective February 1, 2014, CPS introduced the High Load Factor ("HLF") rate, which is applicable to customers with new added billing demand of 10 MW or greater. A rider to the Super Large Power ("SLP") rate, the Economic Incentive Rider E16, became effective March 10, 2003. Effective February 1, 2014, Rider E16 is now also applicable to the HLF rate. Rider E16 offers discounts off the SLP and HLF demand charge for a period up to four years for new or added load of at least 10 MW. Under certain conditions, the discount may be extended an additional six years.

In May 2009, the City Council passed a mechanism to fund CPS' Save for Tomorrow Energy Plan ("STEP") energy efficiency and conservation program, which will largely be funded through changes in the electric

fuel adjustment fee. Each of CPS' retail and wholesale rates contain an electric fuel or gas cost adjustment clause, which provides for current recovery of fuel costs. Fuel cost recovery adjustments are set at the beginning of each CPS billing cycle month.

In June 2012, the City Council passed an ordinance authorizing the creation of Rider E19, an optional service offering of electricity generated by wind-powered turbines, solar-powered systems, or other renewable resources.

Transmission Access and Rate Regulation

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

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

Additional Impacts of Senate Bill 7 (Deregulation). SB 7 provides for an independent transmission system operator ("ISO") that is governed by a board comprised of market participants and independent members and is responsible for directing and controlling the operation of the transmission network within ERCOT. The PUCT has designated ERCOT as the ISO for the portion of Texas within the ERCOT area.

The greatest potential impact on CPS' electric system from SB 7 could result from a decision by the City Council and the CPS Board to participate in a fully competitive market, particularly since CPS is among the lowest cost electric energy producers in Texas. On April 26, 2001, the City Council passed a resolution stating that the City did not intend to opt-in to the deregulated electric market beginning January 1, 2002. However, CPS believes that it is taking all steps necessary to prepare for possible competition, should the City Council and the CPS Board make a decision to opt-in, or if future legislation forces Municipal Utilities into retail competition.

Response to Competition

As of July 2014, CPS' renewable energy capacity totals 1,162.3 MW in service with another 354.9 MW under contract and in varying levels of project construction. CPS has executed a Master Agreement with OCI for 400 MW from seven facilities expected to be built and operational by 2017. Each individual facility comprising OCI's 400 MW will have its own Purchase Power Agreement. OCI's Alamo 1 project facility of 40.7 MW achieved commercial operation in December 2013, St. Hedwig (Alamo 2) for 4.4 MW achieved commercial operation in March 2014. OCI has two facilities in varying levels of development. The Brackettville (Alamo 4) project at 39.6 MW achieved commercial operation in August 2014 and the Walzem (Alamo 3) project at 5.5 MW is scheduled for commercial operation in December 2014. The Nelson Gardens 4.2 MW landfill gas generation project achieved commercial operation in April 2014. CPS has one of the strongest renewable energy programs in Texas, with a renewable capacity under contract totaling 1,517.2 MW.

Strategic Planning Initiatives. CPS has a comprehensive corporate strategic plan that is designed to make CPS more efficient and competitive, while delivering value to its various customer groups and the City.

In 2008, CPS implemented Vision 2020, outlining CPS' long-term view and focusing on four key objectives: increasing its energy efficiency and conservation efforts; expanding renewable-energy resources; providing cost-competitive electricity; and maintaining its strong commitment to the environment. To ensure

achievement of the vision, the following key strategic business drivers were established, along with targets for each: customer relationships, employee relationships, external relationships, operational excellence, renewable/carbon constraints/environment, technology and innovation, and financial integrity. CPS periodically updates Vision 2020 to ensure it properly reflects CPS' perspective and direction and continues to work with City and community leaders in the development of sustainability initiatives to improve the overall quality of life in San Antonio.

Debt and Asset Management Program. CPS has developed a debt and asset management program ("Debt Management Program") for the purposes of lowering the debt component of energy costs, maximizing the effective use of cash and cash equivalent assets, and enhancing financial flexibility. An important part of the Debt Management Program is debt restructuring through the prudent employment of variable rate debt. The program also focuses on the use of unencumbered cash and available cash flow, when available, to redeem debt ahead of scheduled maturities as a means of reducing outstanding debt. The Debt Management Program is designed to lower interest costs, fund strategic initiatives and increase net cash flow. CPS has a Debt Management Policy (the "Policy") providing guidelines under which financing and debt transactions are managed. The Policy focuses on financial options intended to lower debt service costs on outstanding debt; facilitate alternative financing methods to capitalize on the present market conditions and optimize capital structure; and maintain favorable financial ratios. The Policy limits CPS' gross variable rate exposure to 25% of total outstanding debt. Variable rate debt as of January 31, 2014, comprised approximately 14.1% of CPS' debt portfolio.

In January 2014, CPS sold its communication towers to Crown Castle in a transaction valued at $41 million (net cash benefit to CPS). Communication tower management is not in line with CPS' core business and, as a result, CPS determined that this asset was better utilized to pay down existing CPS debt.

Electric System

Generating Plants. CPS operates 19 non-nuclear electric generating units, four of which are coal-fired and 15 of which are gas-fired. Some of the gas-fired generating units may also burn fuel oil, providing greater fuel flexibility and reliability. CPS also owns a 40% interest in South Texas Project's ("STP") two nuclear generating Units 1 and 2. The nuclear units supplied 32.7% of the FY 2014 electric system's native load.

New Generation/Conservation. One of CPS' strongest aspects of operational and financial effectiveness has been the benefit it has derived from its diverse and low-cost generation portfolio, which is currently comprised of coal, nuclear, and gas; various renewables such as wind, landfill gas, and solar; as well as purchased power. Continued diversification is a primary objective of the CPS management team. Accordingly, this team periodically assesses future generation options that would be viable for future decades. This extensive assessment of various options involves projections of customer growth and demand, technological viability, upfront financial investment requirements, annual asset operation and maintenance costs, environmental impacts, and other factors.

To mitigate the pressure on new generation construction requirements, CPS' management is expanding its efforts towards community-wide energy efficiency and conservation. These mitigation efforts are very important to CPS' strategic energy plans and, specifically, to its new generation needs. CPS is currently implementing energy efficiency and conservation measures designed to save approximately 771 MW of electrical demand by the year 2020. Additionally, CPS' management has explored, and continues to cooperatively develop, opportunities with City Council for potential changes in ordinances, codes and administrative regulations focused on encouraging commercial and residential utility customers, builders, contractors and other market participants to implement energy conservation measures.

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

STP Participant Ownership. STP is a two-unit nuclear power plant, with Unit 1 and Unit 2 having a nominal output of approximately 1,330 MW each. Participants in the STP Units 1 and 2 and their shares therein are as follows (MW capacity are approximations):

Ownership
Effective February 2, 2006

Participants	Percent (%)	MW
NRG Energy ("NRG")	44.0	1,170
CPS	40.0	1,064
City of Austin-Austin Energy	16.0	426
	100.0	2,660

STP is maintained and operated by a non-profit Texas corporation ("STP Nuclear Operating Company" or "STPNOC") financed and controlled by the owners pursuant to an operating agreement among the owners and STPNOC. Currently, a four-member board of directors governs STPNOC, with each owner appointing one member to serve with STPNOC's chief executive officer. All costs and output continue to be shared in proportion to ownership interests.

STP Units 1 and 2 each have a 40-year Nuclear Regulatory Commission ("NRC") license that expires in 2027 and 2028, respectively. In October 2010, STPNOC filed an application with the NRC to extend the operating licenses of STP Units 1 and 2 to 2047 and 2048, respectively. The NRC issued a revision to STPNOC's license renewal application schedule due to a scheduling request from the Advisory Committee on Reactor Safeguards and due to continued work on one of the open items. This schedule change lists milestones associated with issuance of the Safety Evaluation Report as "to be determined". In a separate action, a recent decision by the United States Court of Appeals for the District of Columbia vacated the NRC's waste confidence rule update. In response, the NRC issued an order stating that final approval of licenses dependent on the waste confidence rule, such as new reactor licenses and license renewals, would not be granted until the court ruling had been addressed. Subsequently, the NRC directed their staff to develop a new waste confidence rule and Generic Environmental Impact Statement ("GEIS") by September 2014. In January 2014, the NRC revised the review schedule for issuing the GEIS and proposed new final rule to October 3, 2014. The slight delay in schedule was related to time lost during the government shutdown and lapse of appropriations in October 2013. On August 26, 2014 the NRC approved the GEIS and final rule (renamed the "Continued Storage rule"). In a separate order, NRC approved lifting the licensing suspension once the Continued Storage rule becomes effective. On September 19, 2014 the Continued Storage rule was published in the Federal Register to become effective on October 20, 2014. On September 29, 2014, interveners filed a petition to suspend the new rule with the Atomic Safety and Licensing Board (the "ASLB") and a proposed contention opposing the NRC's action. This matter is being reviewed by the NRC. CPS expects that STPNOC's license renewal applications will be approved in the later part of 2016. Upon approval of these applications, STP Units 1 and 2 will be licensed for a total of 60 years of operation.

Used Nuclear Fuel Management. Under the Nuclear Waste Policy Act, 42 U.S.C. 10101, et seq. ("NWPA"), the Department of Energy ("DOE") has an obligation to provide for the permanent disposal of high-level radioactive waste, which includes used nuclear fuel at United States commercial nuclear power plants such as STP. To fund that obligation, all owners or operators of commercial nuclear power plants have entered into a standard contract under which the owner(s) pay a fee to DOE of 1.0 mill per kilowatt hour electricity generated and sold from the power plant along with additional assessments. In exchange for collecting this fee and the assessments, the DOE undertook the obligation to develop a high-level waste repository for safe long-term storage of the fuel and, no later than January 31, 1998 to transport and dispose of the used fuel. That date came and went, and no high-level waste repository has been licensed to accept used fuel. The National Association of Regulatory Utility Commissioner ("NARUC") has challenged further collection of this fee. On November 19, 2013, the U.S. Court of Appeals for the District of Columbia ruled in favor of NARUC and ordered the DOE to submit to Congress a proposal to reduce the fee to zero until certain conditions are met. While the reporting of volumes will continue, effective May 16, 2014, the rate changed to 0.0 mill per kilowatt hour (0/M/kWh), or no fee.

Until DOE is able to fulfill its responsibilities under the NWPA, the NWPA has provisions directing the NRC to create procedures to provide for interim storage of used nuclear fuel at the site of a commercial nuclear

reactor. STPNOC has started the process of planning, licensing, and building an on-site independent spent fuel storage installation ("ISFSI", also known as "Dry Cask Storage") with the expectation that the ISFSI will be operational towards the middle of the decade. CPS will be responsible for 40% of the cost of the project and expects to pay these costs using funds currently held in the STP Decommissioning Trust. CPS has received reimbursement for certain initial costs related to the Dry Cask Storage project and expects that certain additional costs related to the Dry Cask Storage project will be reimbursable under a settlement executed with the DOE.

Additional Nuclear Generation Opportunities. In 2006 and 2007, CPS management undertook an examination of its future generation options. The option that was ultimately pursued was participation with NRG and its affiliate Nuclear Innovation North America ("NINA") in the development of two new generating units, STP Units 3 and 4, at the STP. After agreeing in September 2007 to participate in preliminary development of the project, with a possible ownership of up to 50% of the two new units, CPS undertook a lengthy process of cost analysis and project development, which concluded in late 2009 and early 2010 with a dispute and a litigated settlement between CPS, NRG, and NINA. As a result of the settlement, CPS relinquished all but 7.625% interest in the project and its percentage ownership interest in common facilities at STP Units 1 and 2 that would also be used by STP Units 3 and 4 once operational and, in exchange, was shielded from any further costs of development through and up to the time the units were ready for commercial operation. In addition, CPS will also receive two $40 million installment payments conditioned upon award of a federal loan guarantee award to NRG and the NRG/Toshiba Corporation partnership, NINA. NINA also agreed to make a contribution of $10 million over a four year period to Residential Energy Assistance Partnership, Inc., a Section 501(c)(3) non-profit corporation that provides emergency bill payment assistance to low income customers. Following that settlement, NINA has pursued development of the project and has sought a federal loan guarantee to finance the project, with support from CPS as required (but without any additional investment in funds by CPS). If STP Units 3 and 4 become operational, CPS anticipates that its 7.625% ownership interest therein will entitle it to annually receive approximately 200 MW of power at which time CPS would also be responsible for its pro rata share of the cost of operating and maintaining these new units.

The March 2011 tsunami in Japan that damaged the Fukushima nuclear plant owned by Tokyo Electric Power Company had an immediate and significant effect on the status of and prospects for future nuclear development in the United States. On April 19, 2011, NRG announced that it planned to write down its entire investment in STP Units 3 and 4 by recording a first-quarter charge of approximately $481 million associated with the impairment of all of the net assets of NINA. NRG stated the events in Japan had introduced uncertainties that reduced the probability of being able to successfully develop STP Units 3 and 4 in a timely fashion. NRG also announced that it will not invest any additional capital into STP Units 3 and 4 but will continue to own a legal interest. Toshiba America Nuclear Energy ("TANE") will be responsible for funding ongoing costs to continue the licensing process; however, TANE has yet to publicly disclose any specific plans beyond its possible short-term licensing effort. In light of the reduction in scope of STP Units 3 and 4, and uncertainty regarding timelines and long-term milestone commitments, CPS' management continues to evaluate whether it should fully or partially write-down its investment in STP Units 3 and 4. CPS has made an assessment that its investment in STP Units 3 and 4 remains valuable and that the most appropriate treatment would be to continue to report this investment on its balance sheets at full historical cost. However, if it is determined at some point in the future that a write down is appropriate, due to the unusual and infrequent nature of the circumstances that have to be considered, the impact of writing down STP Units 3 and 4 would be treated as an extraordinary item on its Statements of Revenues, Expenses and Changes in Fund Net Assets. The write down would be a noncash transaction that would have no impact on CPS' debt service coverage ratio; however, it would change the debt-to-equity ratio. CPS continues to maintain regular communication with all stakeholders, including the rating agencies, regarding ongoing assessment of the viability of STP Units 3 and 4 and the impact to its financial position.

NRC staff issued a letter dated December 13, 2011, stating that NINA's Combined License Application ("COLA") does not meet the requirements of 10 CFR 50.38 (Ineligibility of Certain Applicants). This federal regulation contains restrictions associated with foreign ownership, control and domination ("FOCD"). The letter also stated that NRC staff is suspending its review of the foreign ownership section of the STP Units 3 and 4 COLA until this matter is resolved by NINA. The NRC stated that it would continue the review of the remaining portions of the COLA. The NRC letter referenced a NINA letter dated June 23, 2011, in which NINA submitted to the NRC revised General and Financial Information that included a revised foreign ownership Negation Action Plan. This information was later included as Part 1 of Revision 6 to the STP Units 3 and 4 COLA that NINA submitted to the

NRC on August 30, 2011. In the revised Negation Action Plan, Toshiba could acquire up to a 90% ownership interest in NINA, with a corresponding 85% ownership interest in STP Units 3 and 4. On December 31, 2011, in response to the NRC letter dated December 13, 2011, interveners filed a motion for summary disposition of the STP Units 3 and 4 COLA due to the foreign ownership, control, and domination issue. Subsequently, on February 7, 2012, the ASLB denied this motion for summary disposition, noting an evidentiary hearing would be the more appropriate method of analyzing the facts related to this issue. NINA submitted a revision to the STP Units 3 and 4 COLA. Subsequent to the COLA revision, NINA submitted to the NRC a revised Negation Action Plan as well as updated information related to FOCD and financial qualification. On April 29, 2013, as part of the NRC's FOCD review of STP Units 3 and 4, the NRC staff issued a determination that NINA continues to be under foreign ownership, control or domination. NINA's management believes that this initial ruling by the NRC staff was a necessary first step in order to move the process forward to an evidentiary hearing by the NRC ASLB and continues to remain optimistic that an evidentiary hearing will result in a determination that NINA is not under foreign ownership, control or domination. A decision was issued by the ASLB on April 10, 2014 ruling in favor of NINA's position that it is not under foreign ownership, control or domination. In May 2014, the interveners filed an appeal with the NRC Commissioners regarding ASLB's decision on the FOCD issue. On August 27, 2014, the NRC issued an order that extends the time for the Commission to review this matter. This most recent development regarding the FOCD is deemed to have no impact on CPS' assessment of the reported value of its investment in STP Units 3 and 4.

Qualified Scheduling Entity ("QSE"). CPS operates as an ERCOT Level 4 QSE representing all of CPS' assets and load. The communication with ERCOT and the CPS power plants is monitored and dispatched 24 hours per day, 365 days a year. QSE functions include load forecasting, day ahead and real time scheduling of load, generation and bilateral transactions, generator unit commitment and dispatch, communications, invoicing and settlement.

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

Distribution System. The distribution system is currently supplied by 87 substations, which are strategically located on the high voltage 138 kV transmission system. The central business district of the City is served by nine underground networks, each consisting of four primary feeders operated at 13.8 kV, transformers equipped with network protectors, and both a 4-wire 120/208 volt secondary grid system and a 4-wire 277/480 volt secondary spot system. This system is well-designed for both service and reliability. Approximately 7,744 circuit miles (three-phase equivalent) of overhead distribution lines are included in the distribution system. These overhead lines also carry secondary circuits and street lighting circuits. The underground distribution system consists of 430 miles of three-phase equivalent distribution lines, 84 miles of three-phase downtown network distribution lines, and 4,485 miles of single-phase underground residential distribution lines. Many of the residential subdivisions added in recent years are served by underground residential distribution systems.

Gas System

Transmission System. The gas transmission system consists of a network of approximately 89 miles of steel mains that range in size from 4 to 30 inches. Over 62 miles of the gas transmission system were placed into service since 2000 and over 90% are less than 25 years old. The entire system is coated and cathodically protected to mitigate corrosion. The gas transmission system operates at pressures between 135 pounds per square inch ("psig") and 1,100 psig, and supplies gas to the gas distribution system and CPS Generating Plants. A Supervisory Control and Data Acquisition ("SCADA") computer system monitors the gas pressure and flow rates at many strategic locations within the transmission. Additionally, most of the critical pressure regulating stations and isolation valves are remotely controlled by SCADA.

Distribution System. The gas distribution system consists of 294 pressure regulating stations and approximately 5,210 miles of mains. The system consists of 2 to 30-inch steel mains and 1-1/4 to 8-inch high-density polyethylene (plastic) mains. The distribution system operates at pressures between 9 psig and 274 psig.

All steel mains are coated and cathodically protected to mitigate corrosion. Critical areas of the distribution system are designated critical pressure regulating stations and isolation valves are remotely controlled by SCADA.

Implementation of New Accounting Policies

For the fiscal year ended January 31, 2013, CPS implemented:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, establishes guidance for reporting service concession arrangements. CPS does not currently have any arrangements that would fall under the scope of this guidance; therefore, there was no impact to CPS' financial statements from this implementation.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies certain criteria used to determine whether an entity should be considered a component unit. The modifications did not cause a change in the status of any of CPS' component units.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements*, incorporates guidance that previously could only be found in certain FASB and AICPA pronouncements issued prior to November 30, 1989. There was no impact to CPS' financial statements as a result of the implementation of this guidance.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes guidance for reporting these elements in the statement of financial position and lays out two presentation formats that may be used. It specifies that the statement of net position should report the residual amount as net position rather than net assets. Other than a change in presentation, there was no impact to CPS' financial statements from implementation of this guidance.

For the fiscal year ended January 31, 2014, CPS implemented:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Additionally, this Statement provides reporting guidance related to deferred outflows of resources and deferred inflows of resources. Adoption of this Statement resulted in the reclassification of certain items previously reported as assets or liabilities. Additionally, a regulatory asset was established for the debt issuance costs that would otherwise have been expensed upon implementation of GASB Statement No. 65.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, removes from GASB Statement No. 10 certain provisions pertaining to fund-based reporting and modifies specific guidance in GASB Statement No. 62 on accounting for (1) certain types of lease payments, (2) certain elements of purchased loan transactions, and (3) certain fees related to mortgage loans that are sold. There was no impact on CPS' financial statements from implementation of this guidance.

GASB Statement No. 67, *Financial Reporting for Pension Plans,* amends the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and GASB Statement No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts, or equivalent arrangements. This Statement enhances note disclosures and required supplementary information ("RSI") for both defined-benefit and defined-contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in ten-year RSI schedules. This Statement is implemented in FY 2014 by the CPS-sponsored pension benefit trust.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions*, provides accounting and disclosure guidance for transactions in which a government has extended or

received a financial guarantee without directly receiving equal-value consideration in exchange. This guidance requires a government that has extended or received a nonexchange financial guarantee to recognize a liability in certain circumstances involving the likelihood or actuality or payments being made on those guarantees. There was no impact from the implementation of this guidance, as CPS is currently neither the grantor nor the beneficiary of any nonexchange financial guarantees.

For the fiscal year ended January 31, 2015, CPS will implement:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to governmental employers that account for pensions that are provided through trusts, or equivalent arrangements. Employers are required to report the difference between the actuarial total pension liability and the pension plan's fiduciary net position as the net pension liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to the plan were exceeded by the actuarially calculated contributions. Preliminary analysis performed by CPS and its actuarial consultant indicate that CPS will be required to report a net pension liability that will be significantly higher compared to the net pension obligation currently measured and reported in accordance with GASB Statement No. 27. The adoption of GASB Statement No. 68 is recognized retroactively for all periods reported concurrently with FY 2015. CPS is using regulatory accounting, as permitted under GASB Statement No. 62, to account for the adjustment required to offset the increased pension liability recognized with the implementation of GASB Statement No. 68 pension accounting methods.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting guidance related to government combinations and disposals of government operations. The term government combinations refer to a variety of transactions and may be mergers, acquisitions, or transfers of operations. This standard sets forth definitions of each of these transaction types and prescribes the specific accounting and reporting treatment to be given for each. The Statement also provides accounting and reporting guidance for disposals of government operations that have been sold or transferred. The requirements of this Statement are applied prospectively, beginning in FY 2015. The effect of this guidance on CPS will be limited to its impact on recognition of potential combination and disposal transactions into which CPS may enter in the future.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, was issued to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The effect of this guidance on CPS is limited to recognition of a deferred outflow of resources in FY 2015 for contributions made subsequent to the measurement date of the net pension liability.

The Patient Protection and Affordable Healthcare Act ("PPACA") was signed into law on March 23, 2010. Healthcare provisions of the PPACA may result in increased costs to CPS in future years. CPS has analyzed the regulations as they currently exist and has developed a long-term strategy to address potential increases in costs associated with the health plan benefits it provides to its employees. CPS will continue to monitor the PPACA regulations as they evolve, as well as the status of the CPS employee health plans, to ensure compliance with all PPACA regulations while maintaining manageable plan costs for CPS and its employees.

Other than the aforementioned changes, no additional significant accounting principles or reporting changes were implemented in the fiscal years ending January 31, 2013 and January 31, 2014. Other accounting and reporting changes that occurred during the prior reporting year continued into the fiscal year ending January 31, 2014.

Recent Financial Transactions

On March 29, 2012, CPS issued $521.0 million of Taxable New Series 2012 Revenue Bonds to purchase the Rio Nogales natural gas power generation plant.

On June 28, 2012, CPS issued $655.4 million of Revenue Refunding Bonds, New Series 2012 to refund $716.3 million of Revenue Bonds, New Series 2005 and 2006A, and Revenue Refunding Bonds, New Series 2005A.

On November 29, 2012, CPS issued $143.6 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012A, 2012B, and 2012C to refund $147.6 million of Junior Lien Revenue Bonds, Series 2004.

On June 7, 2013, CPS cash defeased $63.5 million of New Series 2003A Bonds.

On July 25, 2013, CPS issued $375.0 million of Junior Lien Revenue Bonds, Series 2013 to fund the Capital Construction Program.

On July 3, 2014, CPS issued $200.0 million of Junior Lien Revenue Bonds, Series 2014 to fund capital expenditures to the EG Systems.

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CPS Historical Net Revenues and Coverage

	Fiscal Years Ended January 31, (Dollars in Thousands)				
	2010	2011	2012	2013	2014
Gross Revenues [1]	$1,981,103	$2,099,240	$2,296,138	$2,207,863	$2,434,969
Maintenance & Operating Expenses [2]	1,205,189	1,233,286	1,411,334	1,375,027	1,528,300
Available For Debt Service	$ 775,914	$ 865,954	$ 884,804	$ 832,836	$ 906,669
Actual Principal and Interest Requirements:					
Senior Lien Obligations [3, 4]	$ 332,540	$ 357,054	$ 363,339	$ 366,474	$ 333,089
Junior Lien Obligations [5]	$ 6,987	$ 10,774	$ 22,372	$ 23,256	$ 34,284
Actual Coverage-Senior Lien	2.33x	2.43x	2.44x	2.27x	2.72x
Actual Coverage-Senior and Junior Liens	2.29x	2.35x	2.29x	2.14x	2.47x
Pro Forma MADS Coverage					
Senior Lien Obligations [6]	2.34x	2.61x	2.67x	2.51x	2.73x
Senior and Junior Lien Obligations [7]	1.76x	1.97x	2.01x	1.89x	2.06x

[1] Calculated in accordance with the CPS bond ordinances.
[2] Certain amounts in prior years have been reclassified to conform to the current year presentation.
[3] Net of accrued interest where applicable.
[4] Includes a reduction of $5.0 million, $14.5 million, $15.6 million, $15.6 million, and $14.4 million for the fiscal years ending 2010, 2011, 2012, 2013, and 2014 respectively, related to the direct subsidy for the Build America Bonds. Also, takes into account the effects of Sequestration.
[5] Includes a reduction of $2.5 million, $10.5 million, $10.5 million, and $9.7 million for the fiscal years ending 2011, 2012, 2013, and 2014, respectively, related to the direct subsidy for the Taxable Junior Lien Series 2010A direct subsidy Build America Bonds and Taxable Junior Lien Series 2010B direct subsidy Build America Bonds. Also, takes into account the effects of Sequestration.
[6] Maximum annual debt service on Senior Lien Obligations. Preliminary, subject to change.
[7] Maximum annual debt service on Senior Lien Obligations and the Junior Lien Obligations; maximum annual debt service on the Junior Lien Obligations that are variable rate obligations calculated at the highest permissible rate during the reporting period. Preliminary, subject to change.

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San Antonio Water System

History and Management

In 1992, the City Council consolidated all of the City's water-related functions, agencies, and activities into one agency. This action was taken due to the myriad of issues confronting the City related to the development and protection of its water resources. The consolidation provided the City with a single, unified voice of representation when promoting or defending the City's goals and objectives for water resource protection, planning, and development with local, regional, state, and federal water authorities and officials.

Final City Council approval for the consolidation was given on April 30, 1992 with the approval of Ordinance No. 75686 (the "System Ordinance"), which created the City's water system into a single, unified system consisting of the former City departments comprising the waterworks, wastewater, and water reuse systems, together with all future improvements and additions thereto, and all replacements thereof. In addition, the System Ordinance authorizes the City to incorporate into SAWS a stormwater system and any other water-related system to the extent permitted by law.

The City believes that establishing SAWS has allowed the City greater flexibility in meeting future financing requirements. More importantly, it has allowed the City to develop, implement, and plan for its water needs through one agency.

The complete management and control of SAWS is vested in a board of trustees (the "SAWS Board") currently consisting of seven members, including the City's Mayor and six persons who are residents of the City or reside within the SAWS service area. With the exception of the Mayor, all SAWS Board members are appointed by the City Council for four-year staggered terms and are eligible for reappointment for one additional four-year term. Four SAWS Board members must be appointed from four different quadrants in the City, and two SAWS Board members are appointed from the City's north and south sides, respectively. SAWS Board membership specifications are subject to future change by City Council.

With the exception of fixing rates and charges for services rendered by SAWS, condemnation proceedings, and the issuance of debt, the SAWS Board has absolute and complete authority to control, manage, and operate SAWS, including the expenditure and application of gross revenues, the authority to make rules and regulations governing furnishing services to customers, and their subsequent payment for SAWS' services, along with the discontinuance of such services upon the customer's failure to pay for the same. The SAWS Board, to the extent authorized by law and subject to certain various exceptions, also has authority to make extensions, improvements, and additions to SAWS and to acquire, by purchase or otherwise, properties of every kind in connection therewith.

Service Area

SAWS provides water and wastewater service to the majority of the population within the corporate limits of the City and Bexar County, which totals approximately 1.7 million residents. SAWS employs over 1,700 personnel and maintains over 10,000 miles of water and sewer mains. The tables that follow show historical water consumption and water consumption by class for the fiscal years indicated.

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Historical Water Consumption (Million Gallons) [1]

Fiscal Year	Gallons of Water Production [b]	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated [c]	Total Direct Rate: Water Base Rate [d]	Water Usage Rate [e]	Sewer Base Rate [f]	Sewer Usage Rate [g]
2013	66,391	55,108	11,283	16.99%	50,076	$7.31	$20.09	$11.54	$14.27
2012	66,596	55,320	11,276	16.93%	49,055	7.31	20.24	9.92	12.24
2011	70,699	59,133	11,566	16.36%	49,918	7.10	18.10	8.73	10.78
2010 [a]	61,272	52,578	8,694	14.19%	48,152	7.10	18.10	8.73	10.78
2009	62,649	55,295	7,354	11.74%	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%	49,217	6.56	19.59	7.37	9.14
2006	63,388	57,724	5,664	8.94%	53,270	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%	49,592	5.61	15.47	6.60	8.19

[1] Unaudited.
[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] Pumpage is total potable water production less Aquifer Storage and Recovery recharge.
[c] Represents amounts billed to customers. Residential Class customers are billed based on water usage during a consecutive three month billing period from November through March. All other customer classes are billed for wastewater treatment based on actual water usage during each month billing period.
[d] Rate shown is for 5/8" meters.
[e] Represents standard (non-seasonal) usage charge for monthly residential water usage of 7,788 gallons per month. Includes water supply and Edwards Aquifer Authority ("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.
Source: SAWS.

Water Consumption by Customer Class (Million Gallons) [1]

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water Sales [a]:										
Residential Class	29,206	30,070	34,153	28,932	30,667	33,025	26,651	33,162	30,917	27,054
General Class	20,614	20,393	20,986	19,465	20,309	20,297	19,166	20,232	19,769	18,851
Wholesale Class	1,943	1,412	128	101	119	108	90	114	121	98
Irrigation Class	3,345	3,445	3,866	4,080	4,200	5,398	3,604	4,216	4,198	3,364
Total Water	55,108	55,320	59,133	52,578	55,295	58,828	49,511	57,724	55,005	49,367
Wastewater Sales:										
Residential Class	27,617	26,572	27,371	26,746	29,825	28,148	27,383	28,859	25,293	25,421
General Class	20,100	20,066	20,134	20,002	20,338	20,352	19,634	21,967	22,262	21,800
Wholesale Class	2,359	2,417	2,413	1,404	1,824	1,847	2,200	2,444	1,732	2,371
Total Wastewater	50,076	49,055	49,918	48,152	51,987	50,347	49,217	53,270	49,287	49,592
Conservation - Residential Class [b]	2,520	3,026	4,106	2,935	3,469	3,948	2,432	4,276	3,613	2,634
Recycled Water Sales	18,359	18,129	18,990	14,968	16,321	16,559	14,148	14,836	14,048	13,626

[1] Unaudited.
[a] Water Supply and EAA fees are billed based on the gallons billed for water sales.
[b] Gallons billed for conservation are included in the gallons billed for water sales.
Source: SAWS.

SAWS System

SAWS 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, chilled water, and steam (collectively, the "waterworks system"), collection and treatment of wastewater (the "wastewater system"), and treatment and recycle of wastewater (the "recycle water system") (the waterworks system, the wastewater system, and the recycle water system, collectively, the "System"). The System does not include any "Special Projects", which are declared by the City, upon the recommendation of the SAWS Board, not to be part of the System and are financed with obligations payable from sources other than ad valorem taxes, certain specified revenues, or any water or water-related properties and facilities owned by the City as part of its electric and gas system.

In addition to the water-related utilities that the SAWS Board has under its control, on May 13, 1993, the City Council approved an ordinance establishing initial responsibilities over the stormwater quality program with the SAWS Board and adopted a schedule of rates to be charged for stormwater drainage services and programs. As of the date hereof, the stormwater program is not deemed to be a part of the System.

SAWS' operating revenues are provided by its four core businesses: Water Delivery, Water Supply, Wastewater, and Chilled Water and Steam. The SAWS rate structure is designed to provide a balance between residential and business rates and strengthen conservation pricing for all water users. For detailed information on the current rates charged by SAWS, see www.saws.org/service/rates.

Waterworks System. The City originally acquired its waterworks system in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. Since such time and until the creation of SAWS in 1992, management and operation of the waterworks system was under the control of the City Water Board. The SAWS' waterworks system currently extends over approximately 642 square miles, making it the largest water purveyor in Bexar County. SAWS serves more than 80% of the water utility customers in Bexar County. As of December 31, 2013, SAWS provided potable water service to approximately 367,000 customer connections, which includes residential, commercial, multifamily, industrial, and wholesale accounts. To service its customers, the waterworks system utilizes 26 elevated storage tanks and 38 ground storage reservoirs, of which 12 act as both, with combined storage capacities of 209 million gallons. As of December 31, 2013, the waterworks system had in place 5,072 miles of distribution mains, ranging in size from four to 61 inches in diameter (the majority being between six and 12 inches), and 28,323 fire hydrants distributed evenly throughout the SAWS service area.

Wastewater System. The City Council created the City Wastewater System in 1894. A major sewer system expansion program began in 1960 with bond proceeds that provided for new treatment facilities and an enlargement of the wastewater system. In 1970, the City became the Regional Agent of the Texas Commission on Environmental Quality ("TCEQ") (formerly known as the Texas Water Commission and the Texas Water Quality Board). In 1992, the wastewater system was consolidated with the City's waterworks and recycle water system to form the System.

SAWS serves a substantial portion of the residents of the City, 12 governmental entities, and other customers outside the corporate limits of the City. As Regional Agent, SAWS has certain prescribed boundaries that currently cover an area of approximately 630 square miles. SAWS also coordinates with the City for wastewater planning for the City's total planning area, extraterritorial jurisdiction ("ETJ"), of approximately 1,107 square miles. The population for this planning area is approximately 1.7 million people. As of December 31, 2013, SAWS provided wastewater services to approximately 417,000 customers.

In addition to the treatment facilities owned by SAWS, there are six privately owned and operated sewage and treatment plants within the City's ETJ.

The wastewater system is composed of approximately 5,200 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 wastewater discharge permits, issued by the TCEQ for 187 million gallons per day ("MGD") in treatment capacity and 46 MGD in reserve permit capacity. The permitted

flows from the wastewater system's three regional treatment plants represent approximately 98% of the municipal discharge within the City's ETJ.

The System has applied to the TCEQ to expand its Certificates of Convenience and Necessity ("CCN") or service areas for water and sewer from the existing boundaries initially to the ETJ boundary of the City. When the TCEQ grants a CCN to a water or sewer purveyor, it provides that purveyor with a monopoly for retail service. By expanding the CCN to the ETJ, developments needing retail water and sewer service within the ETJ must apply to SAWS. Service can then be provided according to System standards, avoiding small, undersized systems servicing new development. Since 2006, the System has submitted 21 separate applications to the TCEQ to expand its CCN or service areas, for water and sewer service, to the ETJ boundary of the City. These applications have added 28,309 acres to the water service area and 276,849 acres to the sewer service area. The expansion of the CCN to the ETJ supports development regulations for the City. Within the ETJ, the City has certain standards for the development that ensure areas developed in the ETJ and then annexed by the City will already have some City development regulations in place.

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (the "EPA") of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows. The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for enforcement action. Since 2007, SAWS has engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. On June 4, 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas to resolve this enforcement action. SAWS signed the Consent Decree on June 5, 2013, and the Consent Decree was subsequently executed by the United States of America and the State of Texas. On September 13, 2013, after consideration of the comments received, the United States of America filed its Motion for entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013. During the ten to twelve year term of the Consent Decree, SAWS estimates the cost to perform the operating and maintenance requirements of the Consent Decree will be approximately $250 million. Additionally, SAWS estimates that capital investments of approximately $850 million will be required over the Consent Decree term. As with any estimates, the actual amounts incurred could differ materially.

Recycling Water System. SAWS is authorized to provide Type I (higher quality) recycled water from its wastewater treatment plants and has been doing so since 2000. The water recycling program is designed to provide up to 35,000 acre-feet per year of recycled water to commercial and industrial businesses in San Antonio. This system was originally 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. Currently, approximately 130 miles of pipeline deliver highly treated effluent to over 60 customers consisting of golf courses, universities, parks, and commercial and industrial customers throughout the City. The system was also designed to provide baseflows 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. SAWS owns, operates, and maintains five thermal energy facilities providing chilled water and steam services to governmental and private entities. Two of the facilities, located in the City's downtown area, provide chilled water and/or steam service to 21 customers. Various City facilities, that include the Henry B. Gonzalez Convention Center and Alamodome, constitute a large percentage of the downtown system's chilled water and steam annual production requirements. In addition to these City facilities, the two central plants also provide chilled water and/or steam service to a number of major hotels in the downtown area including the Grand Hyatt, Marriott, and Hilton Palacio Del Rio. The other three central thermal energy facilities, owned and operated by SAWS, are located at the Port and provide chilled water and steam services to large industrial customers that include Lockheed Martin and Boeing Aerospace. SAWS' chilled water-producing capacity places it as one of the largest producers of chilled water in the immediate south Texas area.

Stormwater System. In September 1997, the City created its Municipal Drainage Utility and established its Municipal Drainage Utility Fund to capture revenues and expenditures for services related to the management of the municipal drainage activity in response to EPA-mandated stormwater runoff and treatment requirements under the 40 CFR 122.26 Storm Water Discharge. The City, along with SAWS, has the responsibility, pursuant to the permit from the TCEQ, for water-quality monitoring and maintenance. The City and SAWS have entered into an interlocal

agreement to set forth the specific responsibilities of each regarding the implementation of the requirements under the permit. The approved annual budget for the SAWS share of program responsibilities for SAWS FY 2014 is approximately $4.4 million, for which SAWS anticipated being reimbursed in full from the stormwater utility fee imposed by the City.

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

Much of the Edwards Aquifer region consists of agricultural land, but it also includes areas of population ranging from communities with only a few hundred residents to the City, which serves as a home for well over one million residents. In 2013, the Edwards Aquifer supplied approximately 82% of the potable water for municipal, domestic, industrial, and commercial needs for the SAWS service area. Naturally occurring artesian springs, such as the Comal Springs and the San Marcos Springs, are fed by Edwards Aquifer water and are utilized for commercial, municipal, agricultural, and recreational purposes, while at the same time supporting ecological systems containing rare and unique aquatic life.

In August 2005, the SAWS Board unanimously approved the Water Resource Plan 2005 Update (the "2005 Update"). The 2005 Update represented a comprehensive review of the assumptions governing population and per capita consumption projections in Bexar County through 2050. The 2005 Update included an analysis of each water supply alternative available for meeting future needs and demonstrated the System's commitment to obtain additional water supplies. The projected capital cost of the water supply projects approved in the 2005 Update totaled more than $2 billion. As a result of continuing concerns relative to the cost of the projects indentified, potential changes in projects, and changes in SAWS personnel, a new Water Supply Task Force was assembled in June 2008 to review, evaluate, and update the System's Water Resource plan. This task force, completed its review in early 2009. After a comprehensive public outreach period, the SAWS Board and the City Council approved the 2009 Water Management Plan. The 2009 Water Management Plan Update was subsequently updated in 2012 to incorporate the results of the 2010 Census, the integration of the Bexar Metropolitan Water District with the System, changes in water resource projects, the results of the Edwards Aquifer Habitat Conservation Plan, and additional information on supply and demand during drought. This effort resulted in the 2012 Water Management Plan, which was approved by the SAWS Board on December 4, 2012.

Bexar Metropolitan Water District

Except for information specifically pertaining to SAWS or the City, the information in this section has been made publically available by the Bexar Metropolitan Water District ("BexarMet") before it was dissolved as described below. Neither SAWS nor the City has verified the accuracy or completeness of information relating to BexarMet operations or the financial results hereinafter described or referenced that were the sole responsibility of BexarMet prior to its assumption by the City.

History. BexarMet was created by the 49th Texas Legislature in 1945, to serve anticipated growth in Bexar County. From an initial account base of 4,765 primarily residential accounts, it grew to more than 92,000 residential and commercial accounts served in 2011. Over several years, repeated customer complaints about inadequate service, alleged mismanagement, and excessive rates resulted in legislative intervention in 2007, through the enactment of House Bill 1565, by the 80th Texas Legislature mandating various operational and financial audits of BexarMet along with the creation of the Joint Committee on Oversight of the Bexar Metropolitan Water District (the "Oversight Committee") to monitor operations, management, and governance of BexarMet. Attempts to implement legislative remedies concerning BexarMet operations during the 81st Texas Legislative Session were unsuccessful and monitoring by the Oversight Committee continued through the start of the 82nd Texas Legislative Session in January 2011. During that time, BexarMet dismissed its General Manager for failing to disclose an indictment for conduct alleged to have occurred at his prior place of employment and unrelated to BexarMet operations (a charge to which he pled guilty in 2012). Additionally, allegations were made that BexarMet was misstating certain revenues recognized in its 2010 interim preliminary unaudited financial statements. To remove any appearance of

impropriety, the governing body of BexarMet (the "BexarMet Board") hired an external forensic auditor to review the claims. The revenue entries at issue were reversed during the completion of the final audit, and BexarMet received an unqualified opinion in its final annual audit. As disclosed in its preliminary financial statements and in the final 2010 audit, due to abnormally high rainfall during the 2010 fiscal year, BexarMet revenues were down approximately 10% which resulted in BexarMet failing to maintain its debt service coverage ratio as required by its authorizing orders for its debt obligations. In anticipation of the potential debt service coverage ratio shortfall, the BexarMet Board, with the assistance of an outside rate consultant, expedited its review of its existing rates and rate structure, and diligently worked to formulate a new rate structure to provide sufficient revenues to meet its covenanted rate coverage requirements and maintain its capital improvement plan, while balancing the impact on its ratepayers. The new rate structure was adopted with implementation of a 7% increase on September 1, 2010. BexarMet anticipated that additional budget cutting measures coupled with the new rates and additional revenues generated thereby, would restore its fiscal health. In addition to the foregoing, and during this time, BexarMet continued to report to the Oversight Committee and worked diligently to improve its operations and financial position. For fiscal year ended April 30, 2011, according to the records released by BexarMet, BexarMet realized a record amount of gross revenues, ended the fiscal year with a debt service coverage ratio of 1.57; and received an unqualified opinion on its 2011 audited financial statements.

Dissolution and Assumption by the City. At the beginning of the 82nd Texas Legislative Session, the Oversight Committee recommended that two bills be passed. In May 2011, the 82nd Texas Legislature enacted Senate Bill 341 ("Senate Bill 341" or "SB 341"). SB 341 established several key measures including the immediate monitoring and review of BexarMet operations by the TCEQ. The primary component of SB 341, however, required the conduct of an election (the "Election") by BexarMet ratepayers to vote on the dissolution of BexarMet and consolidation with SAWS, which Election was held on November 8, 2011. At this Election, BexarMet ratepayers voted in favor of dissolution (9,047 votes for versus 3,172 votes against).

These results were canvassed by the BexarMet Board and certified to the Texas Secretary of State on November 18, 2011. The last prerequisite to the assumption of operational control and management of BexarMet by SAWS was preclearance of the Election results by the DOJ, which was received on January 27, 2012. The City commenced assumption procedures on January 28, 2012. SAWS, acting by and through the City, took action to accommodate the assumption of BexarMet in accordance with the requirements and specifications of SB 341. On October 20, 2011, the City Council adopted an ordinance creating a "Special Project", as authorized by SB 341 and pursuant to City ordinances authorizing then-outstanding Senior Lien Obligations, where the assumed BexarMet will reside as a segregated component unit of SAWS until full integration into the SAWS system occurs within the timeframe specified by SB 341. The City received judicial validation of this position pursuant to declaratory judgment action filed under Chapter 1205, as amended, Texas Government Code (In re the City of San Antonio and Certain Public Securities, Cause No. D-1-GV-12-000115, 410th Judicial District Court of Travis County, Texas).

Pursuant to SB 341: (a) the term of each Director of BexarMet expired on the date the Election results were certified to the Secretary of State of the State of Texas; (b) SAWS assumed control of the operation and management of BexarMet on the date the Election results were certified to the Secretary of State of the State of Texas; (c) not later than the 90th day after the date the Election results were certified to the Secretary of State of the State of Texas, the TCEQ, in consultation with the Oversight Committee, was required to transfer or assign to the SAWS all: (1) rights and duties of BexarMet, including existing contracts, duties, assets, and obligations of BexarMet, (2) files, records, and accounts of BexarMet, including those that pertained to the control, finances, management, and operation of BexarMet, and (3) permits, approvals, and certificates necessary to provide water services; (d) to the extent that a transfer of an item required the approval of a state agency, the state agency was required to grant approval without additional notice or hearing; and (e) after the TCEQ transferred the property, assets, and liabilities as prescribed by this section, the TCEQ was required to enter an order dissolving BexarMet. On May 30, 2012, the TCEQ entered an order finally dissolving BexarMet in accordance with the provisions of SB 341. Information filings for the former BexarMet made prior to these dates remain available on the MAC (defined herein) website under the City's listings as its "Water System Special Project".

SB 341 stated that its intent was not to enhance or harm the position of a party that had contracted with BexarMet and no law or charter provision may be construed to limit the SAWS performance of an obligation under a contract transferred or assigned to SAWS as a result of the dissolution of BexarMet, if revenue from the contract was pledged wholly or partly to pay debt service on revenue bonds approved by the Texas Attorney General.

In the five years prior to dissolution, BexarMet made, in addition to its requisite annual filings, periodic material event notice filings with EMMA concerning the following matters: enactment of SB 341; covenant default under a direct-pay letter of credit with Wells Fargo Bank, National Association supporting its then-existing commercial paper program; covenant defaults under its bond documentation, including failure to meet debt service coverage requirements; material litigation; and termination of an existing interest rate hedging agreement. In addition, BexarMet timely made its annual disclosure filings during this period, with the exception of its requisite filing for the fiscal year ending April 30, 2011 (filed late in two parts on November 14, 2011 and November 17, 2011, respectively). BexarMet filed notice with EMMA of this late filing on November 29, 2011.

BexarMet's most recent financial statements for the fiscal year ending April 30, 2011 and their most recent official statement are available on EMMA and through the MAC as described above.

DSP Waterworks System. The waterworks system assumed by SAWS through the District Special Project (the "District Special Project" or the "DSP") that belonged to the former BexarMet (the "DSP Waterworks System") provides water service to an area of approximately 276 square miles in Bexar, Atascosa, and Medina counties. The service area is a non-contiguous area that consists of portions of the south side of San Antonio, portions of south and west Bexar County, northern Atascosa County and eastern Medina County. The service area also includes the cities of Somerset, Castle Hills, Hill Country Village, and Hollywood Park, the Stone Oak and Timberwood Park subdivisions in northern Bexar County, and a portion of northeast San Antonio. Within the service area, there are approximately 97,500 water connections. There are approximately 88 water wells that provide water to approximately 91 ground storage facilities which have a capacity totaling approximately 37 million gallons of storage, and 21 elevated storage facilities totaling approximately 27 million gallons of storage. In addition, there are approximately 1,380 miles of transmission and distribution water lines and over 7,500 fire hydrants.

The DSP assumed ownership and operational responsibilities of the DSP Waterworks System on January 28, 2012. The former BexarMet was dissolved by order of the TCEQ on May 30, 2012. All references to the former BexarMet, including with respect to references to actions preceding these dates, are replaced with references to the DSP as a result of the foregoing. The DSP is not currently a part of the SAWS System, but SB 341 requires that the waterworks system maintained by the DSP be merged into the SAWS System, creating one consolidated system, not later than 2017. SAWS anticipates compliance with this legislative deadline.

Water Transmission and Purchase Agreement for Carrizo and Simsboro Aquifer Water

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

The Agreement is separated into three distinct phases. The "development" phase will commence upon the complete execution and delivery of the Agreement, anticipated to occur in early November, and is scheduled to last between 18 and 30 months. The "development" phase concludes when Abengoa VR obtains construction financing for the Project. This event is referred to as "financial closure" and its occurrence results in the conclusion of the "development" phase and commencement of the "construction" phase of the Project by Abengoa VR. During the "construction" phase of the Project, SAWS will also begin construction of improvements to the SAWS system necessary to accept and integrate the Project Water, at an anticipated capital cost to SAWS of approximately $100 million. This "construction" phase is scheduled to last 42 months and its conclusion will result in the commencement of the aforementioned 30-year "operational" phase, during which period SAWS is obligated to pay for Project Water made available to it by Abengoa VR at the Connection Point.

During the "development" phase, SAWS has retained the right to terminate the Agreement for its convenience, subject to its payment of a termination fee to Abengoa VR (determined based on the costs incurred by Abengoa VR pursuant to the Agreement from commencement of the "development" phase to the date of termination, such termination fee being capped at $40.1 million). After "financial closure", SAWS has also retained the right to terminate the Agreement by purchasing the Project for the aggregate amount of the outstanding Project debt, contract breakage costs and return of and on equity contributions by Abengoa VR's principals (no cap is imposed upon such amount as exists if the Agreement is terminated during the "development" phase). At the end of the "operational" phase, ownership of the Project will be transferred to SAWS at no cost.

Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as a maintenance and operating expense of the SAWS system, only for Project Water made available at the Connection Point (which payment will include the costs of operating and maintaining the Project). SAWS anticipates that Project Water (the cost of which is paid directly to Abengoa VR), together with Project operations and maintenance (as a direct pass through under the Agreement) and Project electricity (paid directly by SAWS to the utility providers), will initially cost approximately $2,200 per acre foot, resulting in an annual charge to the SAWS system of approximately $110 million (which amount does not take into account potential revenue increases resultant from Project Water being available to SAWS for sale). The SAWS Board and the City Council have committed to account for the anticipated payment obligation of the SAWS system under the Agreement for purposes of rate making and setting not later than the date of "financial closure". SAWS projects that, absent any increase in SAWS system revenues attributable to the availability of Project Water for sale, its payment obligation under the Agreement will result in a rate increase of approximately 16% to the average monthly SAWS residential bill by 2020 (which increase does not include other projected rate increases anticipated to occur by such time).

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

Abengoa VR is led by Abengoa (NASDAQ: ABGB), an international company with more than 70 years of experience in sustainable and innovative technology solutions and project financing in the water, energy and environmental sectors. Abengoa has successfully completed more than 100 infrastructure projects worldwide using private financing, with a total investment in excess of $21 billion.

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SAWS Summary of Pledged Revenues for Debt Coverage (Dollars in Thousands) [1]

				Revenue Bond Debt Service[a]				Maximum Annual Debt Service Requirements			
Year	Gross Revenues[b]	Operating Expenses[c]	Net Revenue Available	Principal	Interest[d]	Total	Coverage	Total Debt[e]	Coverage	Senior Lien Debt[e]	Coverage[f]
2013	$460,776	$244,348	$216,428	$47,315	$86,058	$133,373	1.62	$152,496	1.42	$117,126	1.85
2012	437,253	237,576	199,677	44,780	80,320	125,100	1.60	138,420	1.44	122,816	1.63
2011	417,077	209,058	208,019	39,730	79,534	119,264	1.74	132,226	1.57	112,715	1.85
2010	367,847	226,489	141,358	38,590	77,098	115,688	1.22	127,264	1.11	108,947	1.30
2009	366,753	215,812	150,941	34,900	71,824	106,724	1.41	121,367	1.24	101,917	1.48
2008	384,228	205,486	178,742	27,630	67,810	95,440	1.87	98,840	1.81	86,140	2.08
2007	344,772	185,561	159,211	24,880	69,693	94,573	1.68	102,880	1.55	86,138	1.85
2006	372,193	177,265	194,928	22,415	63,432	85,847	2.27	91,175	2.14	78,373	2.49
2005	331,032	171,853	159,179	16,505	55,542	72,047	2.21	94,992	1.68	78,373	2.03
2004	263,367	152,445	110,922	7,735	52,732	60,467	1.83	84,941	1.31	67,203	1.65

[1] Unaudited.

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

[b] Gross Revenues are defined as operating revenues plus nonoperating revenues less revenues from the City Public Service contract, interest on Project Funds, and federal subsidy on Build America Bonds. 2009 and prior years have been restated to reclass the provision for uncollectible accounts from operating expenses to operating revenues.

[c] Operating Expenses reflect operating expenses before depreciation as shown on the Statement of Revenues, Expenses, and Changes in Equity.

[d] Interest reported net of the U.S. federal interest subsidy on the Series 2009A & 2010B revenue bonds.

[e] Debt service requirements consist of principal and interest payments net of the U.S federal interest subsidy on the Series 2009B & 2010B revenue bonds.

[f] SAWS bond ordinance requires the maintenance of a debt coverage ratio of at least 1.25x the maximum annual debt service on outstanding senior lien debt in order to issue additional bonds.

Source: SAWS.

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The Airport System

General

The San Antonio International Airport (the "Airport" or "SAT"), located on a 2,600-acre site that is adjacent to Loop 410 freeway and U.S. Highway 281, is eight miles north of the City's downtown business district. The Airport consists of three runways with the main runway measuring 8,502 feet and able to accommodate up to and including Group V passenger aircraft. Its two terminal buildings contain 24 second-level gates. Presently, the following domestic air carriers provide scheduled service to San Antonio: AirTran (a wholly-owned subsidiary of Southwest Airlines), American Airlines, Delta Air Lines, Southwest Airlines, United Airlines, and US Airways, as well as associated affiliates of certain of the aforementioned air carriers. AeroMexico, AirTran, Interjet, Volaris, and associated affiliates, are Mexican air carriers that provide passenger service to Mexico. Volaris, the newest entrant carrier, started non-stop service to Guadalajara, Mexico in December 2013.

The Airport is classified as a medium hub facility by the FAA. A "medium hub facility" is defined as a facility that enplanes between 0.25% and 0.50% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States. According to Airports Council International – North America ("ACI-NA"), an airport industry group, the Airport ranked 43rd based on preliminary total U.S. airport's passenger traffic for calendar year 2013. For the calendar year ended December 31, 2013, the Airport enplaned approximately 4.1 million passengers. Airport management has determined that approximately 90% of the Airport's domestic passenger traffic is origination and destination in nature, which is important because it demonstrates strong travel to and from the City independent from any one airline's hubbing strategies. A variety of services is available to the traveling public from approximately 245 commercial businesses, which lease facilities at the Airport and Stinson Municipal Airport ("Stinson" and, together with the Airport, the "Airport System").

The City updated the Master Plan ("Vision 2050") for the Airport, which was approved by City Council on March 31, 2011 and provides direction for the development of the Airport for five, ten, and 20 years into the future. For the five-year plan, the Vision 2050 update recommends modest improvements to complement the Capital Improvement Plan (defined below). Among the recommended improvements to be financed and constructed by the City are renovating and renewing Terminal A, land acquisition, and constructing a taxiway connector, Airport maintenance facility, and an administrative center. Additionally, recommended improvements included in Vision 2050 to be financed and constructed by non-City sources such as customer facility charges and third party and/or tenant financing include an expansion of the Airport fuel farm, a consolidated rental car center, and the expansion of tenant ground service equipment maintenance and storage facilities.

Stinson, located on 300 acres approximately 5.2 miles southeast of the City's downtown business district, was established in 1915, and is one of the country's first municipally owned airports. It is the second oldest continuously operating airport in the U.S. and is the FAA's designated general aviation reliever airport to the Airport. The Airport Master Plan for Stinson was updated in May 2013 to establish a long range development strategy or "blueprint" for the sustained, and fiscally responsible, growth of the Airport through 2031. The Airport Master Plan for Stinson seeks to balance airport growth against the need to minimize impacts on the surrounding environment. In doing so, the study focused on optimizing operations at the airport, providing flexible options for growth, while identifying possible areas suitable for new facilities.

The City entered into an Airport Project Participation Agreement with TxDOT for a Federally Assisted Airport Development Grant on April 11, 2013 for engineering/design services for: evaluation of FAA Advisory Circular 1050/5300-13A on Runway 14/32 and Taxiway A; overlay and mark Runway 14-32; overlay Taxiway A, B, and C; replace medium intensity lights on Taxiway A, B, and C; replace medium intensity runway lights on Runway 14/32; upgrade airfield guidance signs on Runway 14/32 and Taxiway A, B, and C. A second agreement with TxDOT was made on April 18, 2013 for engineering/design services to relocate the air traffic control tower.

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Capital Improvement Plan

The proposed six-year (FY 2014 – FY 2019) Capital Improvement Plan (the "CIP") totals approximately $396 million, which is comprised of certain projects including the design and construction of a consolidated rental car facility, airfield improvements, land acquisition, residential acoustical treatment, road improvements, aircraft apron expansion, and cargo improvements.

The CIP consists of the following:

Terminal Facilities

- Terminal A Renovation and Renewal. This project is to renovate and renew Terminal A through the redevelopment of building infrastructure, interior updates, and wayfinding devices.
- TSA-Advanced Surveillance Program. This project provides greater surveillance of the various Terminal locations to enhance security, aid in the speedy resolution of claims, and assist in the resolution of law enforcement issues.
- Terminal A Security Checkpoint Expansion. This project designs and constructs the expansion of Terminal A Security Checkpoint for additional security lines and provides a connector between Terminals A and B to improve checkpoint congestion.

Airfield Improvements

- Runway 12R Reconstruction. This project reconstructs primary Runway 12R, including new shoulders and updated lighting. This project will also provide an extension to allow the decoupling of the runway from Runway 4/22 to improve aircraft operational safety.
- Taxiway G Reconstruction. Phased to minimize construction impacts on airport operations. Package I provides the reconstruction of the southeastern section of Taxiway G, from Runway 4/22 to Taxiway A. Package II provides a reconstruction of Taxiway G at intersections of Taxiway N and L, along with the South Inner Taxilane parallel to Terminal A.
- Perimeter Road Reconstruction. This project provides for the design and phased reconstruction of critical areas of the perimeter road.

Acoustical Treatment Program

- Acoustical Program. Continuation of the Residential Acoustical Treatment Program.

Other Projects

- Consolidated Rental Car Facility. This project provides a consolidated rental car facility, which centralizes Airport rental car operators into a single facility.
- General Aviation Federal Inspection Station ("FIS") Facility. This project will design and construct an FIS Facility for general aviation at the Airport. This facility will be utilized by U.S. Customs.
- Support Service Building. Provides for the construction of an administrative office facility to house the Airport System staff.
- Outside Plant Campus IT Ring. This project will complete the Outside Plant Communication Ring around the campus.
- Other Capital Projects. Miscellaneous projects at the Airport and at Stinson.

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

Funding Sources	Projected Funding ($)
Federal Grants	
Entitlements	13,307,500
Discretionary	51,319,123
General Discretionary	
Noise Discretionary	39,360,000
TxDOT Grant	4,845,000
Passenger Facility Charges ("PFCs")	
Pay-As-You-Go	700,083
PFC-Secured Bonds	57,799,143
Other Funding	
Airport Funds	60,513,510
Airport Revenue Bonds	45,609,265
Third Party	6,367,985
Customer Facility Charge Bonds	115,745,000
Total	**395,566,609**

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

Improvement	Amount ($)
Airport	
Terminal Facilities	52,699,985
Airfield Improvements	81,195,164
Acoustical Treatment Program	48,000,000
Consolidated Rental Car Facility	115,745,000
Other Projects	84,849,160
Stinson	13,077,300
Total	**395,566,609**

PFC Projects. Public agencies wishing to impose PFCs are required to apply to the FAA for such authority and must meet certain requirements specified in the PFC Act and the implementing regulations issued by the FAA.

The FAA issued a "Record of Decision" on August 29, 2001 approving the City's initial PFC application. The City, as the owner and operator of the Airport, received authority to impose a $3.00 PFC and to collect, in the aggregate, approximately $102,500,000 in PFC Revenues. On February 15, 2005, the FAA approved an application amendment increasing the PFC funding by a net amount of $13,893,537. On February 22, 2005, the FAA approved the City's application for an additional $50,682,244 in PFC collections to be used for 11 new projects. On June 26, 2007, the FAA approved two amendments to approved applications increasing the PFC funding by a net amount of $121,611,491 for two projects and $67,621,461 for four projects. Additionally, the FAA approved the increased collection rate from $3.00 to $4.50, effective October 1, 2007. In May 2010, the FAA approved amendments to the City's PFC collection authorization to increase the scope of the PFC funding for certain PFC projects and permitted the addition of several elements. The May 28, 2010 FAA approvals increased the PFC funding amount from $380,958,549 to $574,569,629.

On October 1, 2007, the City began collecting a $4.50 PFC (less a $0.11 air carrier collection charge) per qualifying enplaned passenger. The City has received PFC "impose and use" authority, meaning that it may impose the PFC and use the resultant PFC Revenues for all projects, contemplated to be completed using proceeds of the Parity PFC Bonds. As of August 31, 2014, the City has collected $164,213,106 in PFC Revenues since authority to impose and collect the PFC was received. The estimated PFC collection expiration date is June 1, 2028.

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

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

CFC Projects. On March 8, 2012, the City Council authorized the Airport to impose the collection of a $4.50 per transaction day Customer Facility Charge ("CFC") for rental car customers to pay for all costs and expenses associated with the planning, financing, and construction and certain other costs for a Consolidated Rental Car Facility (the "ConRAC") to open in three to five years. The CFC is being collected on all car rentals at the Airport as of April 1, 2012. The ConRAC project cost is estimated at $128 million. CFC will initially be applied on a Pay-As-You-Go basis for interim wayfinding to rental car locations, conceptual design and validation, negotiation of business terms, and design up to the construction of the ConRAC. Bonds supported by the CFC are expected to be issued once the construction bids have been received and will be used to finance the construction and other costs associated with the ConRAC. As of August 31, 2014, the City has received $21,289,590 in CFC Revenues since authority to impose and collect the CFC was received.

Airport Operations

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

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

Frank R. Miller, Director of Aviation, has overall responsibility for the management, administration and planning of the Airport System. Mr. Miller has an experienced staff to aid him in carrying out the responsibilities of his position. The principal members of the Department's staff include the Director, the Assistant Aviation Director – Operations, the Assistant Aviation Director – Finance and Administration, and the Assistant Aviation Director – Planning and Development, Construction, and Facilities Maintenance.

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

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

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

As of October 1, 2014, the Airport System has 458 authorized positions:

Planning, Development & Maintenance	159	Finance & Administration	31
Police	58	Fire Rescue	32
Aviation Director	28	Stinson Airport	8
Airport Operations	142		

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

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

	Fiscal Year Ended September 30				
	2009	2010	2011	2012	2013
Gross Revenues [1]	$62,180,333	$64,045,889	$83,288,806	$90,163,733	$89,323,659
Airline Rental Credit	4,165,260	4,178,122	0	0	0
Adjusted Gross Revenues	$66,345,593	$68,224,011	$83,288,806	$90,163,733	$89,323,659
Expenses	(39,743,093)	(39,873,764)	(44,480,164)	(47,048,746)	(50,987,401)
Net Income	$26,602,500	$28,350,247	$38,808,642	$43,114,987	$38,336,258

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

Total Domestic and International Enplaned Passengers - San Antonio Airport

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

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2004	3,498,972	248,231	7.64
2005	3,713,792	214,820	6.14
2006	4,002,903	289,111	7.78
2007	4,030,571	27,668	0.69
2008	4,167,440	136,869	3.40
2009	3,905,439	(262,001)	(6.29)
2010	4,022,070	116,631	2.99
2011	4,071,781	49,711	1.24
2012	4,103,364	31,583	0.78
2013	4,119,039	15,675	0.38

Source: City of San Antonio, Department of Aviation.

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Total Enplaned and Deplaned International Passengers - San Antonio Airport

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

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2004	191,254	31,678	19.85
2005	185,992	(5,262)	(2.75)
2006	199,138	13,146	7.07
2007	197,585	(1,553)	(0.78)
2008	177,219	(20,366)	(10.31)
2009	139,286	(37,933)	(21.40)
2010	136,970	(2,316)	(1.66)
2011	182,031	45,061	32.90
2012 [1]	421,718	239,687	131.67
2013	471,447	49,729	11.79

[1] The increase in total enplaned and deplaned international passengers from 2011 to 2012 is attributable to 3 new airlines operating in 2012. These airlines are AirTran, InterJet, and Viva AeroBus.
Source: City of San Antonio, Department of Aviation.

Air Carrier Landed Weight - San Antonio Airport

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

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2004	5,416,555	25,254	0.47
2005	5,650,228	233,673	4.31
2006	5,946,232	296,004	5.24
2007	6,098,276	152,044	2.56
2008	6,209,192	110,916	1.82
2009	5,487,537	(721,655)	(11.62)
2010	5,632,203	144,666	2.64
2011	5,707,294	75,091	1.33
2012	5,812,227	104,933	1.84
2013	5,783,771	(28,456)	(0.49)

Source: City of San Antonio, Department of Aviation.

* * *

APPENDIX B

Form of Opinion of Co-Bond Counsel

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Bracewell & Giuliani LLP
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San Antonio, Texas 78205-3723

210.299.3400 Office
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LM Tatum, PLLC
111 Soledad Street, Suite 902
San Antonio, Texas 78205

210.249.2981 Office
888.522.7139 Fax

[Closing Date]

$51,955,000
CITY OF SAN ANTONIO, TEXAS
GENERAL IMPROVEMENT REFUNDING BONDS,
SERIES 2014

WE HAVE represented the City of San Antonio, Texas (the "Issuer"), as its co-bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF SAN ANTONIO, TEXAS, GENERAL IMPROVEMENT REFUNDING BONDS, SERIES 2014, dated December 1, 2014
>
> The Bonds mature, bear interest, are not subject to redemption and may be transferred and exchanged as set forth in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance and a pricing certificate executed pursuant to such ordinance (collectively, the "Ordinance").

WE HAVE represented the Issuer as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, which contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and Wilmington Trust, National Association, as escrow agent (the "Escrow Agent"); a report (the "Report") of Causey Demgen & Moore P.C., a nationally recognized accounting firm (the "Verification Agent"), regarding the mathematical accuracy of certain computations and verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded (the "Refunded Obligations"); customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also

examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. T-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;

(B) A continuing ad valorem tax upon all taxable property within the City of San Antonio, Texas, necessary to pay the interest on and principal of the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Escrow Agreement, and therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) The Bonds are not "private activity bonds" within the meaning of the Code, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's Financial Advisors and the underwriter of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisors and the underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations and verifying the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Obligations. If such representations or the Report are determined to

be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service, rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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APPENDIX C

Selected Portions of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013

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CITY OF SAN ANTONIO

February 19, 2014

To the Honorable Mayor, City Council and City Manager:

It is my pleasure to present the City of San Antonio's (City) Comprehensive Annual Financial Report (CAFR) and Other Reports for the fiscal year-ended September 30, 2013. These financial statements were prepared by the City's Finance Department and audited by the public accounting firm of Padgett Stratemann & Co., LLP. As reflected in the Independent Auditor's Report, the City's financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States (GAAP). Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City.

Management's Discussion and Analysis (MD&A), beginning on page 1, provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter complements the MD&A and should be read in conjunction with it.

CITY PROFILE

The City provides a vast array of municipal services. The full range of services provided to its constituents includes ongoing programs to provide health, welfare, art, cultural, and recreational services; maintenance and construction of streets and drainage; public safety through police and fire protection; and urban redevelopment and housing. The City also considers the promotion of convention and tourism and participation in economic development programs as high priorities. The funding sources from which these services are provided include ad valorem, sales and use, and hotel occupancy tax receipts; revenue payments from the City's municipally-owned utilities; grants; user fees; bond proceeds; tax increment financing; and other sources.

The City has twenty-six legally separate entities that are considered part of the City's operations and, therefore, included in its annual financial statements. Nineteen of these entities are blended component units of the City, while the other seven entities are discretely presented. Based on the size and significance of four component units (City Public Service Energy, San Antonio Water Systems, Fire and Police Pension Fund, and Fire and Police Retiree Healthcare Fund), the City has additionally included excerpts of these entities' footnotes within the CAFR. For additional details on each of these twenty-six entities and the basis for their respective presentation in our financial report, please refer to the Financial Section, entitled, Summary of Significant Accounting Policies.

The City is a home rule city that was incorporated in 1837 and chartered in 1951. The City Charter provides for a Council-Manager form of government, subject only to the limitations imposed by the Texas Constitution and the City Charter. All powers of the City are vested in an elective Council (the "City Council"), which enacts legislation, adopts budgets, and determines policy. The City Council is comprised of 11 members, with ten members elected from single-member districts, and the Mayor elected at-large. The term of the office of the Mayor or a member of the City Council is four full two-year terms. The City Council also appoints a City Manager who executes the laws and administers the government of the City and serves as the City's Chief Administrative Officer.

FINANCE DEPARTMENT
PO BOX 839966 • SAN ANTONIO, TX 78283-3966 • TEL: 210-207-5734

CITY PROFILE (continued)

The Mayor and City Council set policy direction, and the City Manager implements those policies in an efficient and effective manner. The City Manager serves at the pleasure of the City Council.

The City is located in South Central Texas, approximately 75 miles south of the state capital of Austin, and serves as the county seat for Bexar County. San Antonians enjoy first-rate medical services, a convenient and efficient airport, an excellent highway system, mild weather, and superb recreation choices, including: championship golf courses, 45 miles of linear greenway trails, theme parks, historical attractions, museums, professional sporting attractions, and a lively performing arts environment. As of September 30, 2013, the City's geographic area was approximately 467 square miles. The United States Census Bureau cites the City as the second most populated city in the State of Texas with 1,383,194 citizens and is ranked as the seventh most populated city in the country.

Major employers in and around the San Antonio area include the Department of Defense through Joint Base San Antonio (Lackland, Fort Sam & Randolph), United Services Automobile Association, H.E.B. Food Stores, City of San Antonio, Northside, North East and San Antonio Independent School Districts, Methodist Health Care System, Baptist Health Systems, and University of Texas Health Science.

ECONOMIC CONDITIONS AND OUTLOOK

As a community, San Antonio has positioned itself for long-term growth and prosperity by successfully following a strategy to diversify its economy and improve quality of life for all citizens. The economic strategy resulting from SA2020 emerges as the City's roadmap to become a leader in job creation by maintaining growth in traditional industry sectors while specifically targeting job growth in the following sectors: Healthcare and Biosciences, Information Technology and Information Security, Aerospace, and the New Energy economy. The City's SA2020 goals will be pursued through the next decade by utilizing San Antonio's unique assets, including its historical and cultural heritage, formidable local institutions (e.g. military bases, universities, medical center), and natural resources such as the Eagle Ford Shale formation in South Texas.

In addition to charting our course for continued economic prosperity, SA2020 also focuses on ongoing infrastructure improvements, neighborhood revitalization and workforce development initiatives, as well as downtown development. In February 2010, the City passed the Inner-City Reinvestment Infill Policy (ICRIP) to further support balanced and sustainable development throughout San Antonio's inner-city and southern sectors, which include Port San Antonio and Brooks City-Base. Both government and citizens are actively committed to increasing the caliber of educational and economic opportunities, expanding arts and leisure choices, revitalizing older neighborhoods, and planning for overall growth in the City. The City's cultural and geographic proximity to Mexico provides favorable conditions for international business relations. Also enhancing San Antonio's business appeal is the high quality of life the City offers and a cost-of-living that is below the national average. In addition to the favorable economic climate, excellent weather conditions year round help encourage and enhance the operation of many of San Antonio's most important industries.

The City of San Antonio continues to foster economic growth and development with a business climate that received accolades from Forbes and Bloomberg for its ability to encourage job creation, business expansion, and attract new investments. The City has been recognized with an A+ rating for small businesses by the Kauffman Foundation, has been named one of the Top 10 Cities for Global Trade by Global Trade Magazine, and has an unemployment rate that continues to stay below the national and state averages. San Antonio's business-friendly climate welcomes new company relocations, expansions and start up ventures.

ECONOMIC CONDITIONS AND OUTLOOK (continued)

Economic indicators tell the story of a resilient 2013 for San Antonio exemplifying the comparative stability of the local economy as it outperformed comparable cities impacted by the national recession. The Brookings Metropolitan Policy Program issues the quarterly series, *MetroMonitor*, which provides an understanding of how the current economic recession has "affected America's metropolitan economies." According to the quarterly research performed by the Brookings Institution, San Antonio is ranked 36 out of 100 largest metropolitan areas in its overall recovery performance since the Great Recession of 2008.

San Antonio's seasonally adjusted unemployment rate for the 2nd quarter of 2013 was 6.3% compared to the national rate of 7.6%. Many metros experienced a rise in unemployment rate through the onset of the recession; however, San Antonio's unemployment rate continues to remain lower than the national rate since the Great Recession.

San Antonio's housing market remained very strong in 2013. According to the August 2013 Multiple Listing Service report by the San Antonio Board of REALTORS® (SABOR), the average price of a single-family residential home in August 2013 rose to $209,672 and the median price increased to $174,500, a 8.8% and 8.9% increase compared to 2012, respectively. San Antonio's home sales have increased 19.0% compared to last year and are selling at 97.0% of list price.

San Antonio's resilient economy was fueled by several targeted industry projects in fiscal year 2013. The City utilized a combination of tax abatements, grant agreements, equity investments, impact fee waivers, and nominations for State project designations that assisted in enticing businesses to move to or remain in San Antonio. In 2013, the City, in partnership with the San Antonio Economic Development Foundation (SAEDF), worked with 23 companies to create 3,632 new and/or retain jobs in San Antonio and Bexar County. In an effort to revitalize downtown and central city neighborhoods and support economic development opportunities across the City, $4 million was provided in economic development incentive funds to retain, expand, and attract job creating businesses in fiscal year 2013. The City additionally budgeted $3 million to support economic development projects and stimulate development targeted towards neighborhoods in the downtown area.

MAJOR INITIATIVES

Through the City's SA2020 goals, the City Council established the San Antonio Early Childhood Education Municipal Development Corporation dba Pre-K 4 SA to utilize revenue generated by an increased 1/8th cent sales tax approved by local voters in November 2012, and state and federal dollars, for the purpose of early childhood development and education services to be implemented through full-day pre-kindergarten (Pre-K) classes for eligible four-year-olds in San Antonio. The sales tax went into effect on April 1, 2013.

The program aims to improve the educational trajectory of 22,400 four-year-old children over eight years while benefitting thousands more by training area school teachers, teacher's aides, community Pre-K providers, and education leaders.

The goals of Pre-K 4 SA include improving quality and quantity of Pre-K childhood education for four-year-olds Citywide by reducing achievement gaps at least 25% in Language, 33% in Math, and 90% in Literacy when compared to kindergarten students who did not attend Pre-K. By 3rd grade, students participating in the program should have closed the achievement gap by at least 10% on the State of Texas Assessments of Academic Readiness (STAAR) reading and math assessments and a 20% to 40% reduction in special education placement and grade retention should be identified. In addition, the program aims to provide robust professional development for Pre-K through third-grade educators.

MAJOR INITIATIVES (continued)

There are two Education Excellence Centers (Centers) currently operating with two additional centers slated to open in August 2014. These Centers are strategically located in easily accessible locations in San Antonio. Each Center will initially serve 350 students annually and build up to full annual enrollment of 500 children while maintaining a student to teacher ratio of two teaching professionals per twenty children, far lower than what is commonly found in most Pre-K classrooms throughout the City. Children in the Centers will benefit from master teachers and a curriculum to be developed on established best practices in early childhood education.

In addition to directly educating 2,000 four-year-old children per year, the Centers also will provide professional development and training to teachers, teacher's aides, community Pre-K providers and education leaders throughout San Antonio. This professional development will include both summer in-service training and the opportunity to shadow master teachers in the Center classrooms during the school year. These programming opportunities are intended to increase the quality of Pre-K education throughout the City and to maintain the expected gains the children achieve by supporting teachers and educators from Pre-K through third grade.

Workshops are offered to provide parents and community providers training and advice on how to best help the children in their care. Additionally, the Centers will schedule fairs and other events to make available existing social service programs.

Café Commerce, promoting small and new business growth in San Antonio, was established in 2013 to provide entrepreneurship education and mentoring, as well as to serve as a resource and referral clearinghouse for business information. The future home of Café Commerce will be the first floor of the San Antonio Central Library.

During the May 2012 election, citizens of San Antonio voted for and approved a $596 million General Obligation Bond Program. The 2012 General Obligation Bond Program, a five year program, is the City's largest bond program in history. There are 41 projects set for streets, bridges, and sidewalks; 17 projects set for drainage and flood control; 68 projects set for parks and recreation; 11 projects set for library, museum, and cultural arts facilities; and three projects set for public safety facilities. Of the $596 million approved, $198 million has been issued.

In September 2012, the City Council approved a $304 million contract to design and build an expansion to the Henry B. Gonzalez Convention Center, the largest single city construction project in history. The expansion will take the City's Convention Center from the 23rd largest to the eighth largest in the country and is scheduled to be completed by 2016.

October 2012 marked the start of the $30 million renovation project for San Antonio International Airport Terminal A. This project is scheduled for completion in May 2014. The project updates the finishes and furniture and provides for all new restroom facilities throughout the concourse, ticket lobby and baggage claim area. The project which is funded by Airport Revenue Bonds, Tax Notes and Airport Improvement and Contingency funds, modernizes the 378,000 square-foot building, with six new food and beverage concessions. The renovation will completely enhance the airport experience for over eight million annual passengers.

Currently under design at the San Antonio International Airport is a Master Plan-Approved Consolidated Rental Car (CONRAC) facility that is intended to improve the rental car experience for millions of City's visitors. Construction of the facilities is funded by a customer facility charge included on all airport car rental transactions.

MAJOR INITIATIVES (continued)

In January 2013, City Council authorized the submission of six project proposals by Metro Health through the Regional Healthcare Partnership Anchor entity, University Health System (UHS), for consideration and funding through the Texas Medicaid 1115 Waiver program. Metro Health was notified that all six projects, totaling $43 million, were fully approved for funding by the Centers for Medicare and Medicaid Services. The projects are in alignment with Metro Health's strategic plan and many community goals set forth by SA2020 and have the overall goal of improving health outcomes. The six projects include: diabetes prevention; children's oral health services; HIV and syphilis prevention; breastfeeding promotion; teen pregnancy prevention; and neighborhood health promotion.

The Mayor appointed a Task Force during fiscal year 2013 to perform an advisory review of health benefits for active employees, pension, and other benefits for uniform, civilian, and retirees. The Task Force will provide its 42 recommendations to the Mayor, City Council, and City Manager based on seven healthcare categories: adequacy of benefits (healthcare plan design), healthcare contributions, wellness, negotiate uniform healthcare plan design and healthcare premiums as part of Collective Bargaining Agreement, stop loss, dependent audits, and miscellaneous.

On January 9, 2014, the City was selected as one of the first five Promise Zones under President Barack Obama's Promise Zone Initiative, which aims to revitalize distressed communities by partnering with local communities and businesses to create jobs, increase economic security, reduce poverty, expand educational opportunities, increase access to quality, affordable housing and improve public safety. The City's EastPoint Promise Zone (EPZ) will be in partnership with United Way of San Antonio and Bexar County, the San Antonio Housing Authority, San Antonio Growth on the Eastside (SAGE) and SA2020. Support partners include San Antonio Independent School District, Judson Independent School District, St. Philip's College and private sector businesses, employers, and investors. Due to this designation, the City and its partners who invest in the EPZ will be eligible for specialized technical assistance on federal grant applications to cut red tape from the grant application process, five preference points on subsequent federal grant applications, and employer tax incentives/credits for hiring and creating jobs in the zone (pending Congressional approval).

FINANCIAL INFORMATION

The management of the City is responsible for establishing a system of internal controls that are designed to provide reasonable assurance that assets are protected from loss, theft, or misuse. The City's accounting system supports the internal controls and procedures, which provide reliable financial records for preparing financial statements in conformity with GAAP. The internal control structure provides reasonable assurance that the City's assets are safeguarded as well as the reliability of financial records for preparing financial statements. The concept of reasonable assurance first recognizes that the cost of a control should not exceed the benefits likely to be derived. Secondarily, the evaluation of costs and benefits require estimates and judgments by management.

Budgetary compliance is a significant tool for managing and controlling governmental activities, as well as ensuring conformance with the City's budgetary limits and specifications. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Levels of budgetary control, that is the levels at which expenditures cannot legally exceed appropriated amounts, are established by department within individual funds. The City utilizes an encumbrance system of accounting as one mechanism to accomplish effective budgetary control. Encumbered amounts lapse at year end and are generally appropriated as part of the following year's budget.

FINANCIAL INFORMATION (continued)

Another budgetary control is the monthly revenue and expenditure report detailing budget and actual balances with variances that are generated and reviewed by the Office of Management and Budget, Finance and the City Manager's Office. Each quarter, the Office of Management and Budget and Finance meet with department representatives to assess departments' expenditures based on actual to date and projected expenditures for the remainder of the fiscal year. These projected expenditures are compared against the legally adopted budget for analysis and recommendations to the City Manager's Office and presented to City Council. During the mid-year budget assessments, an additional step is added to the review process related to formal adjustment recommendations to Council for adoption to modify the original budget. At fiscal year-end, as part of the annual review and close-out process, Council will be provided information and recommendations to again approve desired budget adjustments and carryforwards for the next fiscal year.

The City further implemented available budget controls within its system of record for capital projects and grants. The system warns when cumulative expenditures are within 75.0% of total budget and will not allow the processing of non-payroll transactions in excess of the budget.

Each year the City prepares a five-year financial forecast (Forecast) prior to the adoption of the annual operating budget. The Forecast is a financial and budgetary planning tool that provides a current and long-range assessment of financial conditions and costs for City services. The Forecast includes the identification of service delivery policy issues that will be encountered in the next five years and that will have a fiscal impact upon the City's program of services. The Forecast also examines the local and national economic conditions that have an impact on the City's economy and, ultimately, its budget. The Forecast serves as a foundation for development of the proposed budget by projecting revenues and anticipated expenditures under a defined set of assumptions. The Forecast enables the Council and staff to identify financial issues in sufficient time to develop a proactive strategy in order to address emerging strategic issues.

After obtaining the priorities of Council, residents, and conducting reviews of each City department, the proposed City budget is presented to Council. The proposed budget represents the City staff's professional recommendation to utilize revenues and expenditures in order to achieve a balanced budget, while optimizing City service deliveries. Part of the recommendations presented to City Council for fiscal year 2013 included results from efficiency initiatives. The Office of Management and Budget Innovation and Reform team completed major City-wide efficiency initiatives in fiscal year 2012 that were incorporated into fiscal year 2013's budget. The initiatives focused on operational and technology improvements. The Innovation and Reform team worked with Municipal Court to streamline its processes and take advantage of recent technology investments. This initiative reduced customer time in the courthouse by 30.0% and provided savings of $1 million. The Innovation and Reform team also assisted in the transition of Link Center services to the department responsible for the services. This initiative resulted in over $500 thousand in savings. Since 2007, the City has implemented approximately $88 million in budget reductions and reduced 1,633 civilian positions, while adding 307 police officers and 170 firefighters. The City continues its commitment to efficient and prioritized service delivery by leveraging operational improvements and investments in technology and will continue to utilize the Innovation and Reform team to perform efficiency initiatives across the City to assist in finding new areas of improvements to leverage.

The annual budget serves as the foundation for the City's financial planning and control. The development of the City's annual budget begins in May, when all departments of the City are required to submit potential reductions and additional appropriation requests to the Office of Management and Budget. During this period, the Office of Management and Budget reviews department's base budgets, potential reductions and additional appropriation requests with each department and Executive Leadership Team member to develop budget recommendations for the City Manager's consideration. After obtaining the priorities of the community and City Council and conducting reviews of department budgets with the City Manager, the City Manager presents the proposed budget to the City Council for review in early August.

FINANCIAL INFORMATION (continued)

During City Council review, several budget work sessions are held to review the proposed service program details included in the proposed budget. Additionally, the City is required to hold at least one public hearing on the proposed budget during the period of its consideration. City Council must adopt a final budget each year no later than September 27. The appropriated budget is prepared by fund (e.g., General Fund) and department (e.g., Fire Department).

The legal level of budgetary control is approved by City Council at the individual fund and departmental level. Expenditures by department and major category (personnel, non-personnel, and capital outlay) are further defined in the budget document. The City Manager or designee may revise the approved department expenditure allotments during the fiscal year, but in no event shall the aggregate departmental expenditure allotment exceed the appropriation available to the department unless approved by City Council. The City Council may at any time transfer any unencumbered appropriation balance or any portion thereof within a department office or agency to another upon written recommendation by the City Manager.

As a means of managing the City's financial standing, the City established and maintains a budgeted financial reserve within the General Fund. The financial reserve provides budgetary flexibility for unexpected events, financial emergencies, and the usual fluctuation in revenue-expenditure patterns. Over the course of the past ten years, the City has increased its financial reserves from 3.4% of total appropriations to 9.0% of total appropriations. The City has achieved and maintained financial reserves of 9.0% of General Fund appropriations since fiscal year 2009, with 2013 financial reserves totaling $89 million.

The City continues to evaluate the financial reserve policy as a means of fiscal prudence in consideration with City operations, implications of debt standing, and City Council priorities in order to maintain a strong and solid financial position coupled with flexibility to adapt to changing economic conditions. Last summer, as part of the fiscal year 2014 budget development process, City Council requested a briefing on the City's financial policies and practices before development of the fiscal year 2015 budget process. As such, City staff will present recommended updates to our financial policies, which are meant to help improve the City's financial position and help maintain our 'AAA' general obligation bond ratings.

The City utilizes a comprehensive debt management financial planning program, which is updated annually and is a major component of the City's financial planning. The model projects financing needs, measuring and assessing the cost and timing of each debt issuance. It involves comprehensive financial analysis, which utilizes computer modeling, and incorporates variables such as interest rate sensitivity, assessed value changes, annexations and current ad valorem tax collection rates. Use of this financial management tool has assisted the City in meeting its financing needs by facilitating timely and thorough planning, thus allowing the City to capitalize on market opportunities.

GRANT FUNDS

The City actively seeks and applies for Federal and State grants that are in line with the City's core operations or initiatives, as an additional tool in providing services to the citizens of San Antonio. In 2013, the City was awarded $133.8 million in Federal assistance and $15.4 million in State assistance for a total of $149.2 million. The City would have been unable to undertake the construction of public improvements and the operation of programs without the support of these grants.

AWARDS

In 2013, San Antonio was named an All-American City by the National Civic League, which recognizes exemplarily grassroots community problem solving and awards communities that collaboratively tackle challenges and achieve results.

AWARDS (continued)

The City of San Antonio maintains a strong financial position with a 'AAA' general obligation bond rating for the fourth year in a row from all three major rating agencies. This rating was maintained despite stricter grading requirements implemented by some rating agencies.

The Comptroller of Public Accounts has awarded the City with a "Gold" Circle Award for the City's transparency efforts in the Texas Comptroller Leadership Circle program. The Gold level highlights those entities that set the bar with their transparency. This is the fourth year the City has received this award.

The Office of Management and Budget received the Annual Distinguished Budget Award from the Government Finance Officers Association, recognizing outstanding achievement in preparation of the 2013 Operating and Capital Budget for the 30th consecutive year.

The Office of Management and Budget additionally received a Performance Measurement Certificate of Excellence Award and was recognized for superior performance management efforts with a Certificate of Excellence from the International City/County Management Association (ICMA). San Antonio is one of 28 jurisdictions receiving this highest level of recognition this year. According to the ICMA, "Jurisdictions meeting the qualifications have demonstrated leadership in continuous improvement and community engagement, and they serve as examples for other governments to follow."

The Finance Department received the Achievement of Excellence in Procurement (AEP) award for the 16th consecutive year in recognition of organizational excellence in public procurement.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year-ended September 30, 2012. This was the 37th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

INDEPENDENT AUDITS

State statutes and the City's Charter require that an annual audit by an independent certified public accountant be conducted. The City selected the accounting firm Padgett Stratemann & Co., LLP. In addition to meeting the requirements set forth in State statutes and the City's Charter, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audit of State and Local Government and Nonprofit Organizations* and *State of Texas Single Audit Circular*. The Independent Auditor's Report on the basic financial statements, Management's Discussion and Analysis, required supplementary information, required disclosures and schedules are included in the Financial Section of this CAFR.

INDEPENDENT AUDITS (continued)

The Federal Single Audit Report has been prepared in accordance with OMB Circular A-133 promulgated to implement the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the AICPA Audit Guide "Government Auditing Standards and Circular A-133 Audits." The State Single Audit Report has been prepared in accordance with the State of Texas Single Audit Circular. The reports are comprised of the Schedules of Expenditures of Federal and State Awards, respectively, Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133, Independent Auditor's Report on Compliance for each Major State Program and on Internal Control Over Compliance as Required by the State of Texas Single Audit Circular, the Schedule of Findings and Questioned Costs, and the Summary Status of Prior Year Findings for both the Federal and State Single Audits.

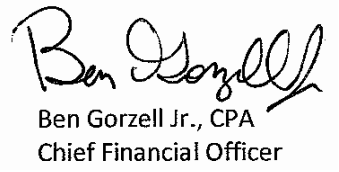
ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the dedicated services of the entire staff of the Controller's Office in the Finance Department. Although much time and effort in preparation of this report lies in the Controller's Office, support was given from the Office of Management and Budget, Financial Management, and other financial staff throughout the City. I would like to express my appreciation to all who assisted in this effort.

We acknowledge the thorough, professional, and timely manner in which our independent auditor, Padgett Stratemann & Co., LLP conducted the audit.

In closing, please accept my sincere gratitude to the Mayor and City Council, City Manager, Deputy City Managers, Assistant City Managers, and their staff for their continued support.

Respectfully submitted,



Ben Gorzell Jr., CPA
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Antonio

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

City of San Antonio Mayor and City Council

Julián Castro
Mayor

Ron Nirenberg
District 8

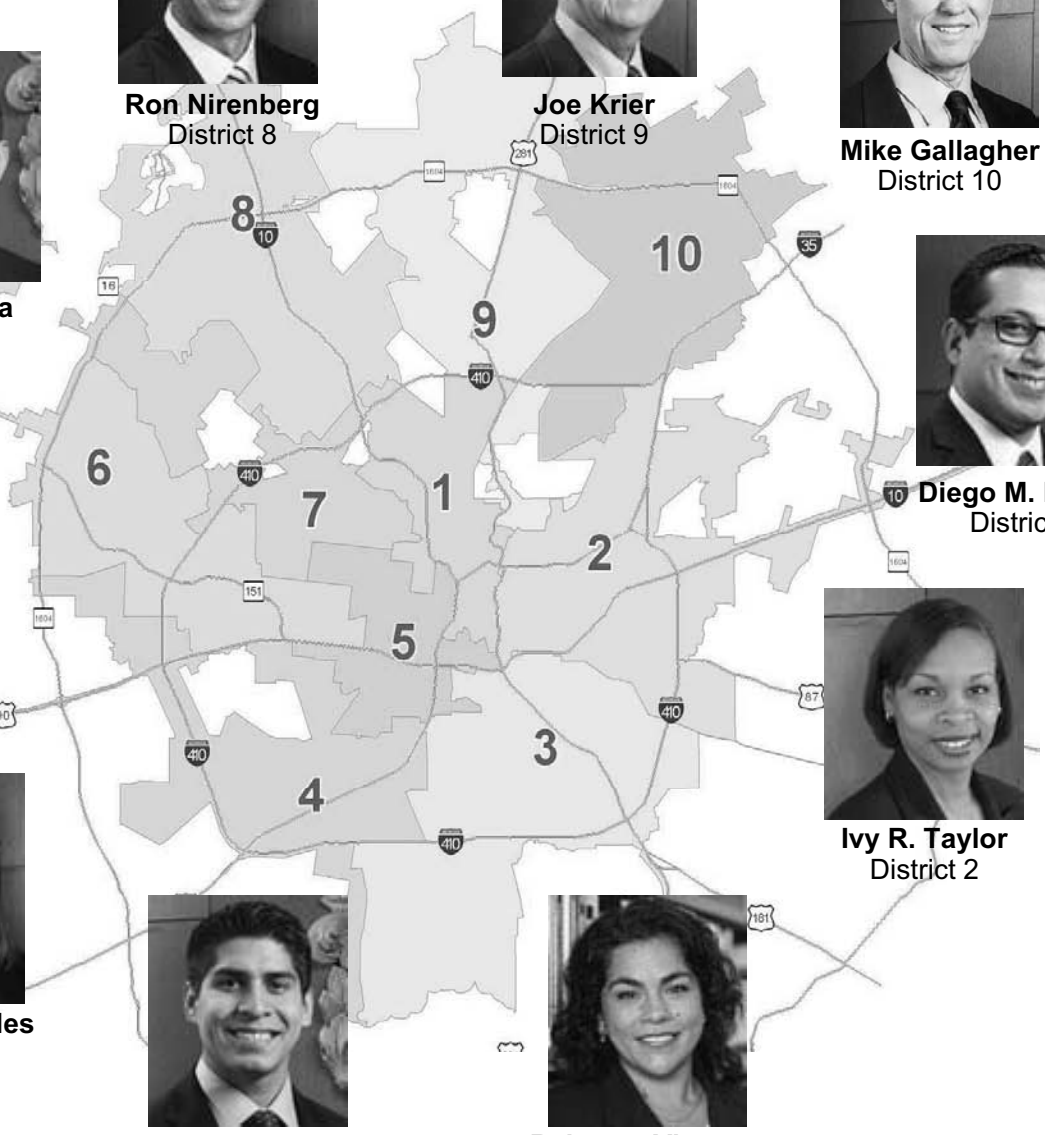
Joe Krier
District 9

Mike Gallagher
District 10

Cris Medina
District 7

Ray Lopez
District 6

Diego M. Bernal
District 1

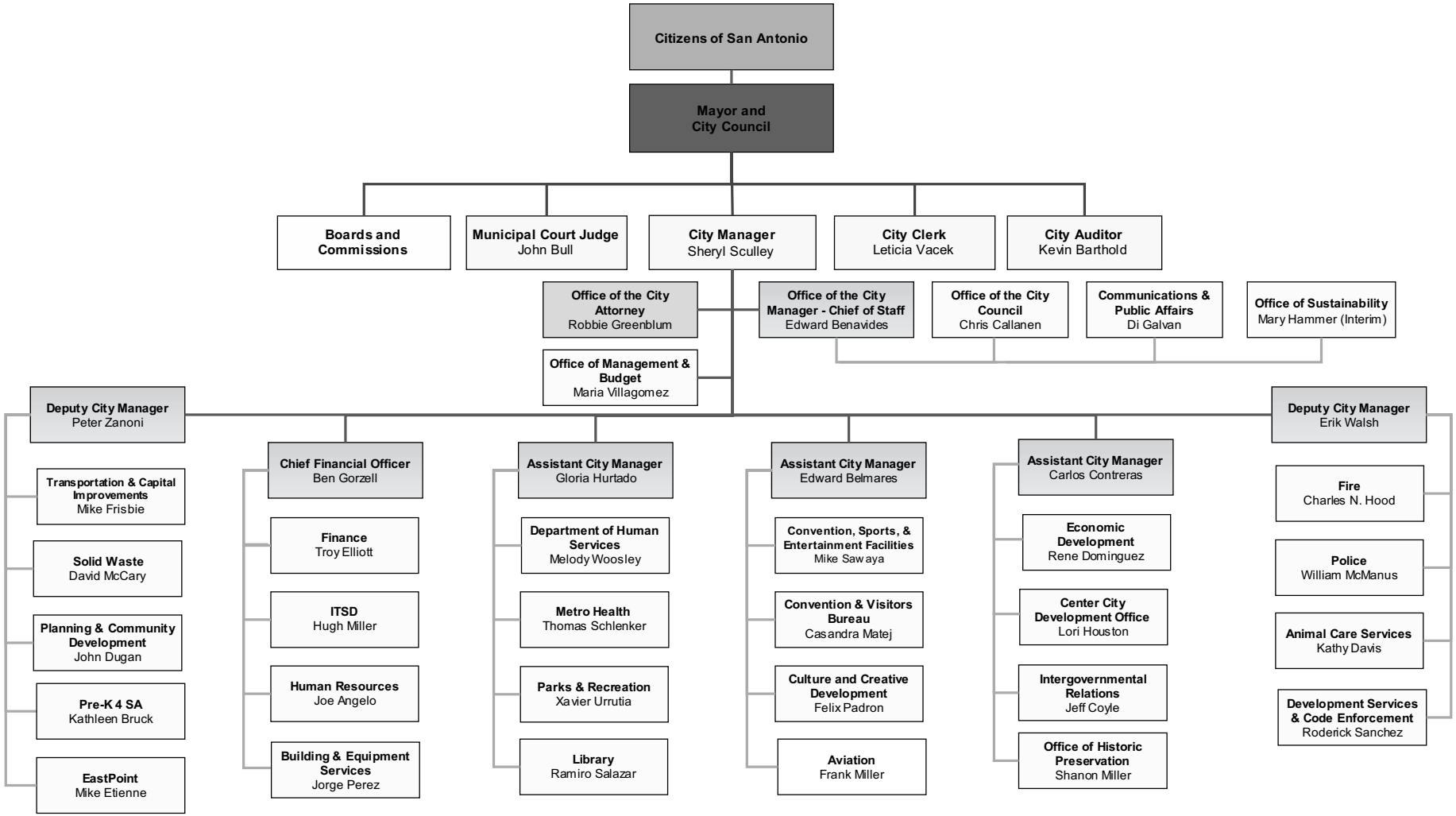


Ivy R. Taylor
District 2

Shirley Gonzales
District 5

Rey Saldaña
District 4

Rebecca Viagran
District 3


Citizens of San Antonio
Mayor and City Council
Boards and Commissions
Municipal Court Judge John Bull
City Manager Sheryl Sculley
City Clerk Leticia Vacek
City Auditor Kevin Barthold
Office of the City Attorney Robbie Greenblum
Office of the City Manager - Chief of Staff Edward Benavides
Office of the City Council Chris Callanen
Communications & Public Affairs Di Galvan
Office of Sustainability Mary Hammer (Interim)
Office of Management & Budget Maria Villagomez
Deputy City Manager Peter Zanoni
Transportation & Capital Improvements Mike Frisbie
Solid Waste David McCary
Planning & Community Development John Dugan
Pre-K 4 SA Kathleen Bruck
EastPoint Mike Etienne
Chief Financial Officer Ben Gorzell
Finance Troy Elliott
ITSD Hugh Miller
Human Resources Joe Angelo
Building & Equipment Services Jorge Perez
Assistant City Manager Gloria Hurtado
Department of Human Services Melody Woosley
Metro Health Thomas Schlenker
Parks & Recreation Xavier Urrutia
Library Ramiro Salazar
Assistant City Manager Edward Belmares
Convention, Sports, & Entertainment Facilities Mike Sawaya
Convention & Visitors Bureau Casandra Matej
Culture and Creative Development Felix Padron
Aviation Frank Miller
Assistant City Manager Carlos Contreras
Economic Development Rene Dominguez
Center City Development Office Lori Houston
Intergovernmental Relations Jeff Coyle
Office of Historic Preservation Shanon Miller
Deputy City Manager Erik Walsh
Fire Charles N. Hood
Police William McManus
Animal Care Services Kathy Davis
Development Services & Code Enforcement Roderick Sanchez

Financial Section

Independent Auditor's Report

PS&Co.

Padgett Stratemann

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Antonio, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of HemisFair Park Area Redevelopment Corporation; San Antonio Economic Development Corporation; San Antonio Fire and Police Pension Fund; San Antonio Fire and Police Retiree Health Care Fund; San Antonio Housing Trust Finance Corporation; San Antonio Housing Trust Foundation, Inc.; or the San Antonio Housing Trust Public Facility Corporation, blended component units, which represent 78%, 84%, and 29%, respectively, of the assets and deferred outflows, net position/fund balances, and revenues/additions of the aggregate remaining fund information. We also did not audit CPS Energy or SA Energy Acquisition Public Facility Corporation, discretely presented component units, which represent 68%, 60%, and 78%, respectively, of the assets and deferred outflows, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the

Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Brooks Development Authority, CPS Energy, SA Energy Acquisition Public Facility Corporation, San Antonio Economic Development Corporation, San Antonio Housing Trust Finance Corporation, San Antonio Housing Trust Public Facility Corporation, and San Antonio Water System – District Special Project, audited separately by other auditors, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the City restated beginning net position/fund balance related to the changes in the City's component units based on the required implementation of Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus* ("GASB Statement No. 61").

As described in Note 1 to the financial statements, effective October 1, 2012, the City implemented GASB Statement No. 61, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Pre-K 4 SA, and Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Supplementary Budget and Actual Schedules for Legally Adopted Funds and other information, such as the Introductory Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Budget and Actual Schedules for Legally Adopted Funds are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Budget and Actual Schedules for Legally Adopted Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Padgett, Stratemann + Co., L.L.P.

Certified Public Accountants
San Antonio, Texas
February 19, 2014

Management's Discussion and Analysis
(Unaudited)

Management's Discussion and Analysis

The City of San Antonio (City) presents the following discussion and analysis of the City's financial performance during the fiscal year-ended September 30, 2013. This discussion and analysis is intended to assist readers in focusing on significant financial issues and changes in the City's financial position, and identifying any significant variances from the adopted budget. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements provided in this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities by $2,851,939 (net position). Of this amount, $91,021 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,210,523, an increase of $272,722 compared to the fiscal year 2012 restated fund balance. Of this amount, $11,181 is nonspendable and $1,199,342 is spendable. Of the total spendable fund balance, $946,907 is restricted in use, $124,663 has been committed, $23,096 is assigned and $104,676 is unassigned, which is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $135,375 or 14.7% of the total General Fund expenditures.
- General Obligation Projects Fund had a negative unassigned fund balance of $17,731 as of the end of the current fiscal year primarily as a result of timing between capital improvements and financing. For more information see Note 16 Deficits in Fund Balances/Net Position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as the introduction to the City of San Antonio's basic financial statements, which have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business financial presentation.

The *statement of net position* is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between assets, deferred outflows, liabilities and deferred inflows as net position. Over time, increases or decreases in net position may help determine whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. Changes in net position are recorded when the underlying event giving rise to the change occurs regardless of the timing of the cash flows. Therefore, revenues and expenses reported in this statement for some items will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities).

Governmental activities include general government, education, public safety, public works, sanitation, health services, culture and recreation, convention and tourism, urban redevelopment and housing, welfare, and economic development and opportunity. The business-type activities of the City include the Airport System, Development Services, Market Square, Parking System, and Solid Waste Management.

In addition, the basic financial statements provide information regarding the City's legally separate discretely presented component units. Discretely presented component unit financial information is reported separately from the primary government in the government-wide financial statements.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although nonmajor funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three categories: governmental, proprietary, and fiduciary. Fund financial statements allow the City to present information regarding fiduciary funds, since they are not reported in the government-wide financial statements.

Governmental Funds – Governmental funds are used for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

As the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Home Program, San Antonio Early Childhood Education Municipal Development Corporation (Pre-K 4 SA), Texas Public Facilities Corporation (TPFC), 2007 General Obligation Bonds, 2012 General Obligation Bonds, and General Obligation Project Funds, all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled "Nonmajor Governmental Funds." Individual fund data for each nonmajor governmental fund is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City maintains two types of proprietary funds. *Enterprise Funds* are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Airport System, Development Services, Market Square, Parking System, and Solid Waste Management. *Internal Service Funds* are used to accumulate and allocate costs internally among the City's various functions, including, self-insurance programs, information services, other internal services, and capital improvements management services. The services provided by these funds predominantly support the governmental rather than the business-type functions. They have been included within the governmental activities in the government-wide financial statements and are reported alongside the enterprise funds in the fund financial statements. Information is presented separately in the proprietary funds' statement of net position and in the proprietary funds' statement of

revenues, expenses, and changes in fund net position for the Airport System, which is considered to be a major fund. The Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Data from the other enterprise funds are combined into a single, aggregated presentation labeled "Nonmajor Enterprise Funds." Individual fund data for each nonmajor enterprise fund and each internal service fund is provided in the form of respective combining statements elsewhere in this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are not reflected in the government-wide financial statements as the resources of those funds are not available to support the City's programs and operations. With the exception of agency funds, the accounting for fiduciary funds is much like that used for the proprietary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and the accompanying notes, this report also presents the required supplementary information of (a) the City's General Fund budgetary comparison schedule that demonstrates compliance with its budget, and (b) schedules of funding progress related to pension and postemployment plans. The Debt Service Fund, various Special Revenue Funds and specific Permanent Fund budgets, which are legally adopted on an annual basis, are also included in the CAFR as supplementary schedules within the Combining Financial Statements and Schedules. Additionally, the report presents the Financial and Compliance Report on Federal and State Grants, or Single Audit report, in this document.

Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year-ended September 30, 2013.

Net Position
Year-Ended September 30, 2013
(With Comparative Totals for September 30, 2012)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012 (Restated)*	2013	2012	2013	2012 (Restated)*
Current and Other Assets	$ 1,609,235	$ 1,345,472	$ 222,015	$ 239,858	$ 1,831,250	$ 1,585,330
Capital Assets	3,961,679	3,899,983	651,064	634,961	4,612,743	4,534,944
Total Assets	5,570,914	5,245,455	873,079	874,819	6,443,993	6,120,274
Current and Other Liabilities	527,536	500,525	57,202	56,314	584,738	556,839
Long-term Liabilities	2,593,223	2,235,655	414,093	433,164	3,007,316	2,668,819
Total Liabilities	3,120,759	2,736,180	471,295	489,478	3,592,054	3,225,658
Net Position:						
Net Investment in Capital Assets	2,304,579	2,326,230	292,278	270,500	2,596,857	2,596,730
Restricted	72,643	104,937	91,418	104,990	164,061	209,927
Unrestricted	72,933	78,108	18,088	9,851	91,021	87,959
Total Net Position	$ 2,450,155	$ 2,509,275	$ 401,784	$ 385,341	$ 2,851,939	$ 2,894,616

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

For the year-ended September 30, 2013, total assets exceeded liabilities by $2,851,939. The largest portion of the City's net position, $2,596,857 (91.1%) represents its net investment in capital assets used to acquire those assets that are still outstanding, and includes assets such as land, infrastructure, improvements, buildings, machinery and equipment, and intangibles.

Capital assets are used to provide services to the citizens of San Antonio and are not available for further spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate liabilities.

Of the total net position, $164,061 (5.7%) represents resources that are subject to external restrictions on how they may be used. The remaining $91,021 (3.2%) represents unrestricted net position, which can be used to meet the government's ongoing obligations to citizens and vendors.

The following schedule provides a detail of the changes to the City's net position:

Changes in Net Position
Year-Ended September 30, 2013
(With Comparative Totals for September 30, 2012)

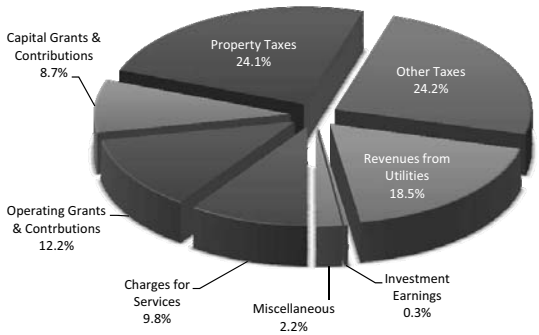
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012 (Restated)*	2013	2012	2013	2012 (Restated)*
Revenues:						
Program Revenues:						
Charges for Services	$ 163,039	$ 159,778	$ 209,450	$ 212,066	$ 372,489	$ 371,844
Operating Grants and Contributions	202,932	211,290			202,932	211,290
Capital Grants and Contributions	145,199	149,931	39,580	34,765	184,779	184,696
General Revenues:						
Property Taxes	402,619	395,944			402,619	395,944
Other Taxes	403,560	370,243			403,560	370,243
Revenues from Utilities	307,687	299,693			307,687	299,693
Investment Earnings	5,192	5,063	1,026	827	6,218	5,890
Miscellaneous	35,501	54,183	621	1,585	36,122	55,768
Total Revenues	1,665,729	1,646,125	250,677	249,243	1,916,406	1,895,368
Expenses:						
Primary Government:						
Governmental Activities:						
General Government	127,697	140,761			127,697	140,761
Public Safety	684,547	613,975			684,547	613,975
Public Works	257,395	252,804			257,395	252,804
Sanitation	13,250	14,382			13,250	14,382
Health Services	38,250	101,293			38,250	101,293
Culture and Recreation	161,280	161,311			161,280	161,311
Convention and Tourism	29,674	31,892			29,674	31,892
Urban Redevelopment and Housing	9,111	13,987			9,111	13,987
Welfare	162,015	157,678			162,015	157,678
Education	6,381				6,381	
Economic Development and Opportunity	117,362	115,674			117,362	115,674
Interest on Long-Term Debt, Net	115,016	85,073			115,016	85,073
Business-Type Activities:						
Airport System			102,041	118,560	102,041	118,560
Development Services			24,437	23,327	24,437	23,327
Market Square			2,135	2,297	2,135	2,297
Parking System			8,214	8,117	8,214	8,117
Solid Waste Management			93,056	89,405	93,056	89,405
Total Expenses	1,721,978	1,688,830	229,883	241,706	1,951,861	1,930,536
Change in Net Position						
Before Transfers	(56,249)	(42,705)	20,794	7,537	(35,455)	(35,168)
Transfers	(2,871)	1,156	(4,351)	(1,156)	(7,222)	
Net Change in Net Position	(59,120)	(41,549)	16,443	6,381	(42,677)	(35,168)
Beginning, Net Position (Restated)	2,509,275	2,550,824	385,341	378,960	2,894,616	2,929,784
Ending, Net Position	$ 2,450,155	$ 2,509,275	$ 401,784	$ 385,341	$ 2,851,939	$ 2,894,616

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

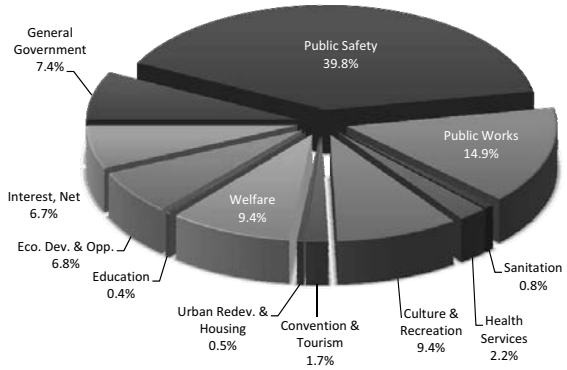
The City's total revenues were $1,916,406 for fiscal year-ended September 30, 2013. Revenues from governmental activities totaled $1,665,729 and revenues from business-type activities totaled $250,677. General revenues represented 60.3% of the City's total revenue, while program revenues provided 39.7% of revenue received in fiscal year 2013. Expenses for the City totaled $1,951,861. Governmental activity expenses totaled $1,721,978, or 88.2% of total expenses and business-type expenses totaled $229,883 or 11.8%.

Governmental Activities

Governmental Activities
Program Revenues



Governmental Activities
Program Expenses

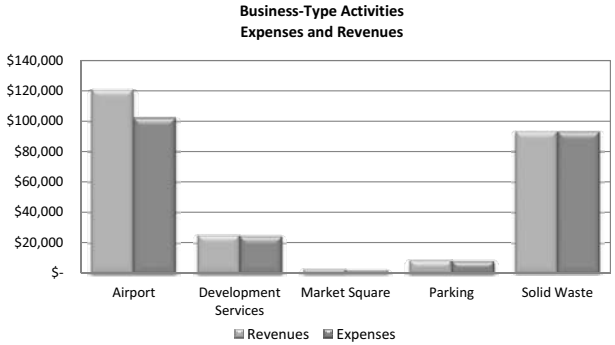


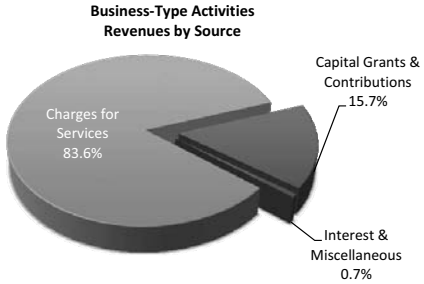
Governmental Activities decreased the City's net position by $59,120. The reason for the change is as follows:

- Charges for Services revenues increased by $3,261 due in large part to an increase in revenues from new events and concerts at the Alamodome and Convention Center.
- Operating Grants and Contributions decreased by a total of $8,358 in fiscal year 2013. $11,502 of this decrease was attributed to the conclusion of the City's ARRA grants. The decrease was mitigated by an increase of $3,891 in contributions from the State Comptroller's Office for the State Reimbursement Program.
- There was a decrease in Capital Grant and Contribution revenues of $4,732, which is mainly attributed to a one-time land donation for the Parman Library in fiscal year 2012.
- Property Tax Revenues increased by $6,675 due to the increase in the net taxable property value of San Antonio.
- Other Taxes Revenues increased by $33,317 mainly due to a continuous improvement in the local economy resulting in $11,322 more in General Sales and Use Tax, an uptick in tourism and convention business increasing Hotel Occupancy Taxes by $4,806 from the prior year, and the approved 2013 sales tax rate increase of 1/8th cent for Pre-K 4 SA, providing the City an additional $14,498 in revenue.
- Revenues from Utilities increased by $7,994 due to an adjustment to fuel revenues and a 7.0% increase in SAWS rate.
- Miscellaneous Revenues decreased by $18,682 due to a reduction in capital leases entered into by the City of $4,477 in FY 2013. In addition revenues for capital assets decreased by $6,087 from fiscal year 2012 due to a decrease in donated assets. Lastly the City will no longer receive CIED revenue for overhead conversion projects.
- General Government expenses decreased by $13,064 due to a decrease in depreciation expenses, General Fund Indirect Cost Allocation, and Debt Service letter of credit fees.
- The change in Public Safety expenses of $70,572 is primarily driven by the increase in personnel expenses for Fire and Police as required by the Collective Bargaining Agreement of $21,606. EMS moved from Health Services to Public Safety in fiscal year 2013 increasing Public Safety expenses $60,461.
- The increase of $4,591 in Public Works is due primarily to Categorical Grant-In-Aid receiving grants for intersection improvements, radar vehicle sensors, and improvements to the Stinson Air Field.
- Health Services expenses decreased $63,043 due to EMS moving from Health Services expenses to Public Safety expenses.
- Welfare expenses increased $4,337 due to increases in Contributions to Outside Agencies and the Department of Human Services as a result of increased efficiency and timeliness of processing invoices.

Business-Type Activities

Program revenues for the City's Business-Type Activities totaled $249,030, which is $2,199 higher than the previous fiscal year. The remaining revenues were a result of investment earnings and other miscellaneous items. Expenses for Business-Type Activities were $229,883 compared to prior year's expenses of $241,706.





Business-Type Activities increased the City's net position by $16,443 primarily because of the following:

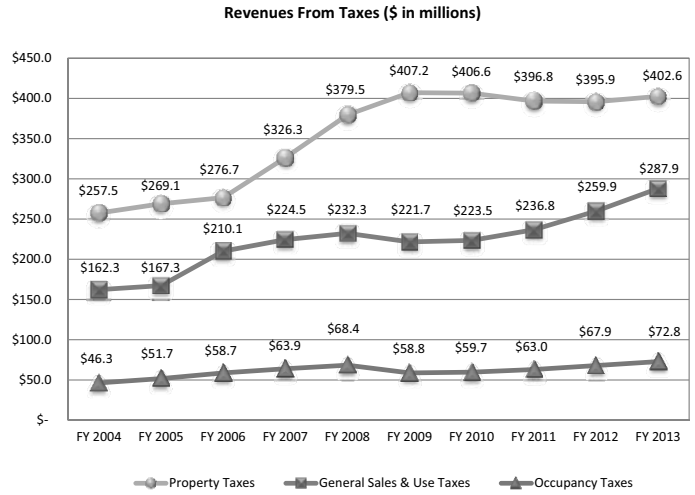
- Charges for Services decreased by $2,616 primarily due to a reduction in Airport System revenues of $3,760 as Terminal 2 was closed for part of the 2013 fiscal year due to construction. The reduction in Airport System revenues was offset by an increase in Development Services revenues of $1,421, due to an increase in general fees and an 11.5% increase in residential permit values.
- Capital Grants and Contributions increased $4,815 due to a full year of customer facility charges, which increased Airport System revenues by $4,615.
- Airport System expenses decreased by $16,519 due to a one time impairment of construction in progress associated with Terminal C and Aviation Master Plans in fiscal year 2012.
- An increase in Solid Waste expenses of $3,651 is due to further implement the Organics Recycling Program and the hiring of 12 additional employees in fiscal year 2013 to handle providing services to 10,500 residents that had previously received contractual waste collection services.

Financial Analysis of Governmental Funds

Activities of the Primary Government's General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are considered general government functions. The General Fund is the City's primary operating fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Debt Service Fund is used to

account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations. The Capital Projects Funds are used to account for financial activity related to the City indebtedness for Capital Projects, other agency contributions and the operating activities of those projects.

Revenues from taxes increased by $39,992, which is primarily attributable to: (1) a $28,017 increase in sales and use tax revenues mainly in the General Fund ($11,322) and Early Education Development Fund ($14,498), (2) a $6,675 increase in property tax revenues in the General Fund ($2,819), the Debt Service Funds ($2,411), and in the Community Services Funds ($2,402), and (3) a $4,833 increase in occupancy taxes in the Community and Visitors' Facilities and Hotel/Motel 2% Revenue Funds. The increase in sales and use taxes and occupancy taxes are results of an upswing in the economy, increased activity associated with tourism and convention business, and the approval of an increase in sales tax rate for Pre-K 4 SA.



The total fund balance of the General Fund at year-end was $185,164, a decrease of $31,349 from the total fund balance of $216,513 in fiscal year 2012. The total spendable General Fund balance for fiscal year 2013 is $178,926, which represents $718 in restricted, $39,603 in committed, $3,230 in assigned and $135,375 in unassigned fund balances. The unassigned fund balance represents financial reserve amounts held by the City as well as amounts available for additional appropriations at the end of the fiscal year.

The total fund balance of the Debt Service Fund at year-end was $53,980, a decrease of $32,380 from the total fund balance of $86,360 in fiscal year 2012. The entire fund balance is restricted for payment of debt service.

The Home Program Fund has a fund balance of $0 for both fiscal year 2013 and 2012. A core part of the Home Program Funds operations is the issuance, management, and repayment of loans to San Antonio citizens.

The City added two new funds in fiscal year 2013, both of which were major funds. Pre-K 4 SA and TPFC, both blended component units, had ending fund balances of $6,475 and $298,879, respectively. Pre-K 4 SA's fund balance is restricted for education. TPFC's fund balance is restricted for capital project expenditures.

The total fund balance of the 2007 General Obligation Bonds at year-end was $147,578, a decrease of $58,433 from the total fund balance of $206,011 in fiscal year 2012. This stems from continued capital expenditures associated with the $550,000 bond program approved by voters in fiscal year 2007.

The total fund balance of the 2012 General Obligation Bonds at year-end was $173,134, an increase of $101,288 from the total fund balance of $71,846 in fiscal year 2012. The increase is from the sale of General Obligation Bonds issue to support capital expenditures associated with the $596,000 bond program approved by voters in fiscal year 2012.

The General Obligation Project Fund had a negative fund balance of $17,731 at year-end. This was a reduction of $1,695 from the negative fund balance of $19,426 at the end of fiscal year 2012 as subsequent debt funding was received to assist in covering ongoing capital expenditures.

General Fund Budgetary Highlights

Variances in Budget Appropriations (Budgetary Basis) General Fund

	Original Budget	Final Budget	Actual Results
General Government	$ 103,306	$ 95,333	$ 93,374
Public Safety	633,263	640,483	642,221
Public Works	38,694	43,097	40,899
Sanitation	5,786	5,786	5,860
Health Services	16,233	16,630	16,422
Culture and Recreation	82,208	83,111	82,677
Welfare	44,691	47,228	46,052
Economic Development and Opportunity	9,233	10,190	15,406
Transfers to Other Funds	52,787	62,654	60,382
Total	$ 986,201	$ 1,004,512	$ 1,003,293

Changes in original budget appropriations to the final amended budget appropriations resulted in a net $18,311 increase in appropriations. This increase can be summarized by the following:

- General Government's appropriations were reduced $11,661 as a result of indirect cost reimbursements. This decrease was mitigated by a net $3,688 increase in appropriations for budget carryforwards for commitments not spent and budget adjustments moving from Non-Departmental to Public Safety for retiree payout and motor fuel.
- Public Safety contributed $7,220 to the overall increase, which was comprised of an increase of $1,810 in prior year budget carryforwards and $5,410 in budget adjustment increases primarily for retiree payout and motor fuel moved from Non-departmental and a transfer out reclass to expenditures for the Public Safety Answering Point (PSAP).
- The entire increase of $4,403 in Public Works was consisted of budget carryforwards.
- Of the $2,537 increase in Welfare, $2,265 came from budget carryforwards while the remaining $272 was reclassed from transfers out for contributing to the development of the Westside.
- The $9,867 increase in Transfers to Other Funds consisted of a $15,022 increase from budget carryforwards, a $1,154 increase in ordinance and other budget adjustments, and a $6,309 reduction from reclasses and intrafund transfer eliminations.

Final budgeted appropriations for the General Fund were $1,004,512, while actual expenditures on a budgetary basis were $1,003,293, creating an unfavorable variance of $1,219. Significant variances are as follows:

- General Government had a favorable variance of $1,959. The savings are primarily realized in One Time Projects with savings of $1,200 in the Incentive for Inner City Improvements (Merchants Ice House) and other projects due to approval delays. Municipal Elections had savings of $400 as a result of lower than expected number of run-off election races. The City Auditor's Office had $230 in savings due to two vacant positions throughout the year and unused funds reserved for special audit requests.
- Public Safety had an unfavorable variance of $1,738 primarily due to salary expenses comprised of higher than expected retirements, overtime, and sworn leave buy back.
- Public Works reported a favorable variance to budget of $2,198. The savings were seen in construction costs and capital outlay costs of $2,030 and were primarily due to operational savings in the pavement rating survey and in material for street repairs.
- Economic Development and Opportunity saw an unfavorable variance of $5,216 caused by the Economic Development Initiative Fund (EDIF), expending more for incentive projects than expected. EDIF is set up to provide cash incentives to businesses who move into San Antonio and is based on the number of new jobs the company creates, as well as the amount of investment into the community, such as infrastructure or equipment.
- Transfers reflected savings of $2,272 most of which were reported in fiscal year 2013 Street Maintenance Projects and Senior and Child Nutrition grant matches.

Financial Analysis of Proprietary Funds

Activities of the Primary Government's Airport System, Development Services, Market Square, Parking System, and Solid Waste Management Funds are considered proprietary funds. The Airport System handles operations at both the San Antonio International Airport and Stinson Municipal Airport. Development Services supports the activities related to the regulation of City development. Market Square accounts for all revenues and expenses associated with the management and operation of the Farmers' Market, El Mercado, the Market Square parking lot and Alameda. The Parking System handles operations of the City's parking garages and lots. Solid Waste Management handles trash collection operations, recycling, organics, and the activities of the City's landfills. Financial analysis for the proprietary funds is on the same basis as the business-type activities. See further analysis on the funds' operations on page 7.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013 amounts to $4,612,743 (net of accumulated depreciation). This investment in capital assets includes land, other non-depreciable assets, buildings, improvements, infrastructure, machinery and equipment, intangible assets and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was $77,798, which comprises a $61,695 increase in governmental activities and a $16,103 increase in business-type activities.

Capital Assets Year-Ended September 30, 2013 (With Comparative Totals for September 30, 2012)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012 (Restated)*	2013	2012	2013	2012 (Restated)*
Land	$ 1,404,873	$ 1,380,515	$ 14,599	$ 14,599	$ 1,419,472	$ 1,395,114
Construction in Progress	308,352	286,687	64,212	31,489	372,564	318,176
Non-Depreciable Intangible Assets	97,847	82,740			97,847	82,740
Other Non-Depreciable Assets	2,548	2,548			2,548	2,548
Depreciable Intangible Assets	2,233	2,802			2,233	2,802
Buildings	518,365	528,678	279,056	281,116	797,421	809,794
Improvements	482,426	451,331	271,581	283,226	754,007	734,557
Infrastructure	962,595	960,212			962,595	960,212
Machinery and Equipment	182,440	204,471	21,616	24,531	204,056	229,002
Total	$ 3,961,679	$ 3,899,984	$ 651,064	$ 634,961	$ 4,612,743	$ 4,534,945

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

During fiscal year 2013, the City transferred $156,298 of construction in progress to non-depreciable and depreciable asset classes for completed capital projects which were mainly comprised of city-wide streets and drainage projects, terminal improvements at the San Antonio International Airport, improvements to the City's convention and sports facilities, two new Bulky Waste Collection Centers, and improvements to the City's information technology systems. The City additionally expensed $68,237 of construction in progress as a result of impairments, construction costs for Discretely Presented Component Units, and construction that didn't meet the City's capital threshold.

The following schedule provides a summary of the City's capital assets:

Change in Capital Assets Year-Ended September 30, 2013	Governmental Activities	Business-Type Activities	Total
Beginning Balance (restated)*	$ 3,899,984	$ 634,961	$ 4,534,945
Additions	295,300	49,622	344,922
Deletions	(80,281)	(1,639)	(81,920)
Accumulated Depreciation	(153,324)	(31,880)	(185,204)
Ending Balance	$ 3,961,679	$ 651,064	$ 4,612,743

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

Additional information on the City's capital assets can be found in Note 4 Capital Assets.

Debt Administration

Long-Term Debt

At the end of the current fiscal year, the City had a total of $2,666,091 in bonds, certificates, and notes outstanding, an increase of 13.5% over last year. Additional information on the City's long-term debt, including descriptions of the new issues, can be found in Note 6 Long-Term Debt.

Outstanding Debt Year-Ended September 30, 2013 (With Comparative Totals for September 30, 2012)	Governmental Activities	
	2013	2012
Bonds Payable:		
Tax-Exempt General Obligation Bonds	$ 850,645	$ 810,275
Taxable General Obligation Bonds	191,550	191,550
Tax-Exempt Certificates of Obligation	328,140	332,685
Tax Notes	19,190	32,015
Revenue Bonds	878,564	564,371
Revenue Notes	18,460	
Capital Appreciation Bonds (CAB)	1,332	20,923
Total	$ 2,287,881	$ 1,951,819
	Business-Type Activities	
	2013	2012
Bonds Payable:		
Tax-Exempt General Obligation Bonds	$ 1,230	$ 1,270
Taxable General Obligation Bonds	13,600	14,900
Tax-Exempt Certificates of Obligation	1,830	1,935
Revenue Bonds	361,550	379,665
Total	$ 378,210	$ 397,770

Governmental Activities

In October 2012, the Texas Public Facilities Corporation issued $550,374 in Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012 to refund all outstanding City indebtedness issued to finance or refinance the existing Convention Center, finance the acquisition, construction, and equipping of the Convention Center Expansion Project, pay capitalized interest on the Current Interest Bonds, and to pay the costs of issuing the Bonds.

In April 2013, the City issued $70,685 in Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013 to refund certain outstanding Municipal Drainage obligations of the City and to pay the costs of issuing the Bonds.

In June 2013, the Starbright Industrial Development Corporation issued $20,890 in Starbright Industrial Development Corporation Contract Revenue Refunding Bonds, Series 2013 to refund certain outstanding Starbright obligations and to pay costs of issuing the Bonds.

In July 2013, the City issued $18,460 in Revenues Notes, Taxable Series 2013 to provide funds for fire station improvements, finance various infrastructure improvements in City Council districts, and to fund facilities developed pursuant to and in support of the Pre-K 4 SA program.

In July 2013, the City issued $114,435 in General Improvement Bonds, Series 2013 and $15,145 in Combination Tax and Revenue Certificates of Obligation, Series 2013. The General Obligation Bonds, Series 2013 were issued to finance improvements to streets, bridges, and sidewalks; drainage and flood control; parks, recreation, and open space; library, museum, and cultural arts facilities; and public safety facilities outlined in the 2012 Bond Program. The Combination Tax and Revenue Certificates of Obligation, Series 2013 were issued to provide funds for payments of contractual obligations incurred for making permanent, public improvements and for other public purposes. These issuances further paid for their costs of issuance.

Standard & Poor's, Moody's, and Fitch's underlying rating for City obligations during fiscal year 2013 were as follows:

Bond Ratings Year-Ended September 30, 2013			
	Standard & Poor's	Moody's	Fitch
General Obligation/Certificates of Obligation/Tax Notes	AAA	Aaa	AAA
Airport System	A+	A1	A+
Aiport PFC	A-	A2	A
Municipal Drainage Utility System Revenue Bonds	AA+	Aa2	AA

The Constitution of the State of Texas and the City Charter limit the amount of debt the City may incur. For more information related to these limits see Note 6 Long-Term Debt. The total gross assessed valuation for the fiscal year-ended 2013 was $83,494,323, which provides a debt ceiling of $8,349,432.

Currently Known Facts

For more information on other currently known facts, please see Note 19 Subsequent Events.

Requests for Information

This financial report is designed to provide a general overview of the City's position for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 839966, San Antonio, TX 78283-3966.

Basic Financial Statements

Statement of Net Position
As of September 30, 2013
(In Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 41,590	$ 5,657	$ 47,247	$ 456,058
Securities Lending Collateral	7,946	1,330	9,276	
Investments	301,970	50,423	352,393	80,460
Receivables, Net	110,940	10,103	121,043	308,678
Materials and Supplies, at Cost	8,193	852	9,045	191,648
Internal Balances	9,668	(8,699)	969	
Due From Other Governmental Agencies	5,216	76	5,292	2,016
Deposits	138		138	
Prepaid Expenses	925	24	949	107,888
Other Assets				691
Restricted Assets:				
Cash and Cash Equivalents	423,601	21,040	444,641	237,808
Securities Lending Collateral	13,246	2,965	16,211	11,209
Investments	553,166	130,433	683,599	1,057,475
Receivables, Net	105,770	1,690	107,460	56,717
Materials and Supplies, at Cost	1,107		1,107	
Deferred Charges				3,249
Deposits	1		1	
Prepaid Expenses	41		41	5,967
Due From Other Governmental Agencies	9,991		9,991	
Total Current Assets	1,593,509	215,894	1,809,403	2,519,864
Noncurrent Assets:				
Capital Assets:				
Non Depreciable	1,813,620	78,811	1,892,431	1,700,154
Depreciable, Net	2,148,059	572,253	2,720,312	10,382,496
Assets Held for Resale				5,009
Receivables, Net	4,144		4,144	11,821
Prepaid Expenses				817,735
Net OPEB Asset and Pension Asset				14,364
Other Noncurrent Assets				188,901
Unamortized Bond Issuance Costs	11,581	6,121	17,702	17,528
Total Noncurrent Assets	3,977,404	657,185	4,634,589	13,138,008
Total Assets	5,570,913	873,079	6,443,992	15,657,872
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives				37,130
Derivative Instrument				2,594
Total Deferred Outflows of Resources:				39,724
Liabilities:				
Current Liabilities:				
Accounts Payable and Current Liabilities	106,060	7,056	113,116	359,062
Accrued Interest	14	79	93	
Securities Lending Obligation	7,946	1,330	9,276	
Unearned Revenue	7,225		7,225	6,945
Due To Other Governmental Agencies	164	2	166	5
Restricted Liabilities:				
Accounts Payable and Current Liabilities	58,727	12,474	71,201	44,544
Accrued Interest	15,275	4,525	19,800	30,248
Securities Lending Obligation	13,246	2,965	16,211	11,209
Unearned Revenue	98,734		98,734	
Due To Other Governmental Agencies	4,625		4,625	
Current Portion of Long-term Obligations	219,893	28,771	248,664	358,498
Total Current Liabilities	531,909	57,202	589,111	810,511
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Obligations	2,588,850	414,093	3,002,943	9,330,751
Total Noncurrent Liabilities	2,588,850	414,093	3,002,943	9,330,751
Total Liabilities	3,120,759	471,295	3,592,054	10,141,262
Net Position:				
Net Investment in Capital Assets	2,304,579	292,278	2,596,857	4,306,216
Restricted for:				
Debt Service	48,177	24,426	72,603	45,229
Capital Projects	19,948	66,992	86,940	484,070
Operating and Other Reserves				98,255
Perpetual Care: Expendable	2		2	
Perpetual Care: Nonexpendable	4,516		4,516	
Unrestricted	72,932	18,088	91,020	622,564
Total Net Position	$ 2,450,154	$ 401,784	$ 2,851,938	$ 5,556,334

The accompanying notes are an integral part of these basic financial statements.

Amounts are expressed in thousands

Statement of Activities

Year-Ended September 30, 2013

(In Thousands)

FUNCTION/PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
Primary Government:								
Governmental Activities:								
General Government	$ 127,697	$ 27,951	$ 7,621	$ 221	$ (91,904)	$ -	$ (91,904)	
Public Safety	684,547	12,278	12,120	1,304	(658,845)		(658,845)	
Public Works	257,395	44,706	20,522	31,647	(160,520)		(160,520)	
Sanitation	13,250	365	7,064		(5,821)		(5,821)	
Health Services	38,250	30,356	18,703	18	10,827		10,827	
Culture and Recreation	161,280	46,707	3,724	2,446	(108,403)		(108,403)	
Convention and Tourism	29,674		10,836	776	(18,062)		(18,062)	
Urban Redevelopment and Housing	9,111	584	6,755		(1,772)		(1,772)	
Welfare	162,015	2	109,844		(52,169)		(52,169)	
Education	6,381				(6,381)		(6,381)	
Economic Development and Opportunity	117,362	90	5,743	108,787	(2,742)		(2,742)	
Amortization of Bond Related Costs	4,558				(4,558)		(4,558)	
Interest on Long-Term Debt	110,458				(110,458)		(110,458)	
Total Governmental Activities	1,721,978	163,039	202,932	145,199	(1,210,808)		(1,210,808)	
Business-Type Activities:								
Airport System	102,041	80,635		39,218		17,812	17,812	
Development Services	24,437	24,813				376	376	
Market Square	2,135	2,477		362		704	704	
Parking System	8,214	8,654				440	440	
Solid Waste Management	93,056	92,871				(185)	(185)	
Total Business-Type Activities	229,883	209,450		39,580		19,147	19,147	
Total Primary Government	$ 1,951,861	$ 372,489	$ 202,932	$ 184,779	(1,210,808)	19,147	(1,191,661)	
Discretely Presented Component Units:								
CPS Energy	$ 2,292,701	$ 2,213,486	$ -	$ 32,777				$ (46,438)
San Antonio Water System	431,392	438,528		81,785				88,921
Brooks Development Authority	35,680	7,531	133					(28,016)
Port Authority of San Antonio	41,268	42,554						1,286
SA Energy Acquisition Corporation	54,170	53,223						(947)
SA Water System District Special Project	66,705	66,618		4,389				4,302
Total Component Units	$ 2,921,916	$ 2,821,940	$ 133	$ 118,951				19,108
General Revenues:								
Taxes:								
Property					402,619		402,619	
General Sales and Use					287,944		287,944	
Selective Sales and Use					5,799		5,799	
Gross Receipts Business					33,745		33,745	
Occupancy					72,770		72,770	
Penalties and Interest on Delinquent Taxes					3,302		3,302	
Revenues from Utilities					307,687		307,687	
Investment Earnings					5,192	1,026	6,218	78,822
Miscellaneous					35,500	621	36,121	6,100
Special Items								(7,132)
Adjustment for STP Pension Cost								(14,164)
Transfers, net					(2,871)	(4,351)	(7,222)	
Total General Revenues, Special Items, and Transfers					1,151,687	(2,704)	1,148,983	63,626
Change in Net Position					(59,121)	16,443	(42,678)	82,734
Net Position - Beginning of Fiscal Year (restated)					2,509,275	385,341	2,894,616	5,473,600
Net Position - End of Fiscal Year					$ 2,450,154	$ 401,784	$ 2,851,938	$ 5,556,334

The accompanying notes are an integral part of these basic financial statements.

Amounts are expressed in thousands

Balance Sheet
Governmental Funds
As of September 30, 2013

(In Thousands)

	MAJOR FUNDS									
	GENERAL	DEBT SERVICE	HOME PROGRAM	PRE-K 4 SA	TEXAS PUBLIC FACILITIES CORP.	2007 GENERAL OBLIGATION BONDS	2012 GENERAL OBLIGATION BONDS	GENERAL OBLIGATION PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:										
Cash and Cash Equivalents	$ 9,209	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,300	$ 28,509
Securities Lending Collateral	2,289								2,576	4,865
Investments	87,507								97,673	185,180
Receivables, Net	104,452								5,966	110,418
Materials and Supplies, at Cost	6,190								144	6,334
Prepaid Expenditures	48									48
Due from:										
Other Funds	27,123								353	27,476
Other Governmental Agencies, Net	3,677								415	4,092
Restricted Assets:										
Cash and Cash Equivalents	152	14,256	431	1,690	304,060	14,890	17,553	10,684	59,885	423,601
Securities Lending Collateral	29		95			3,495	4,098		5,529	13,246
Investments	1,085	40,163	3,598			132,504	155,405		220,411	553,166
Receivables, Net	2	6,555	40,647		3	226	176		58,161	105,770
Materials and Supplies, at Cost									1,107	1,107
Deposits									1	1
Prepaid Expenditures									41	41
Due from:										
Other Funds		349		5,056		3			11,353	16,761
Other Governmental Agencies, Net								8,614	1,377	9,991
Total Assets	$ 241,763	$ 61,323	$ 44,771	$ 6,746	$ 304,063	$ 151,118	$ 177,232	$ 19,298	$ 484,292	$ 1,490,606
Liabilities and Fund Balances:										
Liabilities:										
Vouchers Payable	$ 10,730	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,427	$ 13,157
Accounts Payable - Other	5,008								4,982	9,990
Accrued Payroll	7,472								549	8,021
Accrued Leave Payable	8,745								15	8,760
Deferred Revenue	18,443									18,443
Securities Lending Obligation	2,289								2,576	4,865
Due To:										
Other Funds	3,719								706	4,425
Other Governmental Agencies	164									164
Restricted Liabilities:										
Vouchers Payable			58	13				11,173	15,048	26,292
Accounts Payable - Other			32	69				9,579	19,493	29,173
Accrued Payroll			7	11					815	833
Deferred Revenue		5,883	44,579					16,277	32,664	99,403
Securities Lending Obligation	29		95			3,495	4,098		5,529	13,246
Amounts Held in Trust									2,429	2,429
Due to:										
Other Funds		1,460		178	5,184	45			29,390	36,257
Other Governmental Agencies									4,625	4,625
Total Liabilities	56,599	7,343	44,771	271	5,184	3,540	4,098	37,029	121,248	280,083
Fund Balances:										
Nonspendable	6,238								4,943	11,181
Restricted	718	53,980		6,475	298,879	147,578	173,134		266,143	946,907
Committed	39,603								85,060	124,663
Assigned	3,230								19,866	23,096
Unassigned	135,375							(17,731)	(12,968)	104,676
Total Fund Balances	185,164	53,980	-	6,475	298,879	147,578	173,134	(17,731)	363,044	1,210,523
Total Liabilities and Fund Balances	$ 241,763	$ 61,323	$ 44,771	$ 6,746	$ 304,063	$ 151,118	$ 177,232	$ 19,298	$ 484,292	$ 1,490,606

The accompanying notes are an integral part of these basic financial statements.

Amounts are expressed in thousands

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
As of September 30, 2013
(In Thousands)

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances - Total Governmental Funds		$ 1,210,523
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental Capital Assets:		
Land	1,404,873	
Other Non-Depreciable Assets	2,548	
Construction In Progress	308,352	
Non-Depreciable Intangible Assets	97,847	
Depreciable Intangible Assets	3,833	
Buildings	856,880	
Improvements	667,531	
Infrastructure	2,715,313	
Machinery and Equipment	295,334	
Less: Accumulated Depreciation	(2,460,255)	
Total Governmental Capital Assets		3,892,256
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore, are not reported in the governmental funds as revenues, but as deferred revenues.		
Revenues previously recorded as deferred in the fund financial statements	24,388	
Unearned revenues previously recorded as income in the fund financial statements	(12,494)	
Net revenues recognized		11,894
Long-term receivables applicable in governmental activities are not anticipated to be received in the current year and, therefore, are not reported in the governmental funds.		4,349
Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.		107,018
Long-term liabilities are not due and payable in the current year, neither are associated unamortized assets' available financial resources and, therefore, are not reported in the governmental funds.		
Governmental Bonds Payable	(2,287,881)	
Unamortized Discount/(Premium) on Bonds, Net	(102,110)	
Deferred Amount on Refunding	23,018	
Capital Lease Liability	(11,561)	
Notes Payable	(43,671)	
Unamortized Bond Issuance Costs	11,581	
Net OPEB Obligation	(149,073)	
Accrued Interest Payable	(15,275)	
Pollution Remediation Payable	(1,518)	
Accrued Leave Payable	(198,962)	
Other Payable	(434)	
		(2,775,886)
Net Position of Governmental Activities		$ 2,450,154

The accompanying notes are an integral part of these basic financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year-Ended September 30, 2013

(In Thousands)

	MAJOR FUNDS									
	GENERAL	DEBT SERVICE	HOME PROGRAM	PRE-K 4 SA	TEXAS PUBLIC FACILITIES CORP.	2007 GENERAL OBLIGATION BONDS	2012 GENERAL OBLIGATION BONDS	GENERAL OBLIGATION PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:										
Taxes:										
Property	$ 247,046	$ 147,498	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,081	$ 404,625
General Sales and Use	230,971								56,973	287,944
Selective Sales and Use	5,799									5,799
Gross Receipts Business	30,840								2,905	33,745
Occupancy									72,770	72,770
Penalties and Interest on Delinquent Taxes	2,033	1,214							55	3,302
Licenses and Permits	8,343									8,343
Intergovernmental	6,892		3,926					22,482	197,056	230,356
Revenues from Utilities	307,300									307,300
Charges for Services	50,094								81,126	131,220
Fines and Forfeits	13,508								417	13,925
Miscellaneous	13,911	3,749	905					41	16,702	35,308
Investment Earnings	785	77	21	1	30	886	475		1,957	4,232
Contributions				135	776			517	126,584	128,012
Total Revenues	917,522	152,538	4,852	136	806	886	475	23,040	566,626	1,666,881
Expenditures:										
Current:										
General Government	85,324	739	4			195	85	1	8,625	94,973
Public Safety	641,991								17,958	659,949
Public Works	37,283								55,215	92,498
Health Services	16,352								20,273	36,625
Sanitation	5,827								7,363	13,190
Welfare	44,383								115,145	159,528
Culture and Recreation	81,385								64,885	146,270
Convention and Tourism									18,939	18,939
Urban Redevelopment and Housing			4,857						4,357	9,214
Education				923					2,577	3,500
Economic Development and Opportunity	10,998								105,840	116,838
Capital Outlay								117,302	173,736	291,038
Debt Service:										
Principal Retirement		109,780							7,815	117,595
Interest		67,065			18,557				17,343	102,965
Issuance Costs		677			4,384		863		541	6,465
Total Expenditures	923,543	178,261	4,861	923	22,941	195	948	117,303	620,612	1,869,587
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,021)	(25,723)	(9)	(787)	(22,135)	691	(473)	(94,263)	(53,986)	(202,706)
Other Financing Sources (Uses):										
Issuance of Long-Term Debt		70,685			550,374		114,435		58,177	793,671
Payments to Refunded Bond Escrow Agent		(335,132)							(21,837)	(356,969)
Premium/(Discount) on Long-Term Debt		12,350			17,308		12,022		1,566	43,246
Transfers In	17,341	245,598	17	7,262	8,502	14		96,034	319,691	694,459
Transfers Out	(42,669)	(158)	(8)		(255,170)	(59,138)	(24,696)	(76)	(317,064)	(698,979)
Total Other Financing Sources (Uses)	(25,328)	(6,657)	9	7,262	321,014	(59,124)	101,761	95,958	40,533	475,428
Net Change in Fund Balances	(31,349)	(32,380)		6,475	298,879	(58,433)	101,288	1,695	(13,453)	272,722
Fund Balances, October 1 (restated)	216,513	86,360				206,011	71,846	(19,426)	376,497	937,801
Fund Balances, September 30	$ 185,164	$ 53,980	$ -	$ 6,475	$ 298,879	$ 147,578	$ 173,134	$ (17,731)	$ 363,044	$ 1,210,523

The accompanying notes are an integral part of these basic financial statements.

Amounts are expressed in thousands

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year-Ended September 30, 2013

(In Thousands)

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in Fund Balances - Total Governmental Funds		$ 272,722
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current year.		
Expenditures for Capital Assets	276,786	
Pollution Remediation Capitalization	1,037	
Donated Capital Assets	1,608	
Less: Current Year Depreciation	(143,677)	
Less: Current Year Deletions	(69,168)	
		66,586
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(4,456)
The issuance of long-term debt (e.g. bonds, notes and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond, Note and Loan Amounts Issued	(793,671)	
(Premium)/Discount on Long-term Debt	(43,246)	
Bond Issuance Costs	6,465	
Payments to Escrow Agent	356,969	
Amortization of Bond Premiums/Discounts, Deferred Charges, and Cost of Issuance, Net	(4,558)	
Principal Payments	117,595	
		(360,446)
The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Interest Expense	(7,493)	
Accrued Leave Payable	(6,950)	
Net OPEB Obligation	(19,860)	
Pollution Remediation	(130)	
Principal Amounts on Leases and Notes	1,033	
Other Expenses	(434)	
		(33,834)
Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The change in net position remaining after allocation of business-type activities of the Internal Service Funds is reported with governmental activities.		307
Change in Net Position of Governmental Activities		$ (59,121)

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Position
Proprietary Funds

As of September 30, 2013

(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Assets:				
Current Assets:				
Unrestricted Assets:				
Cash and Cash Equivalents	$ 3,045	$ 2,612	$ 5,657	$ 13,081
Securities Lending Collateral	717	613	1,330	3,081
Investments	27,173	23,250	50,423	116,790
Receivables, Net	2,173	7,930	10,103	317
Materials and Supplies, at Cost	798	54	852	1,859
Deposits				138
Prepaid Expenses	3	21	24	877
Due From:				
Other Funds	37	252	289	1,212
Other Governmental Agencies, Net	76		76	1,124
Total Unrestricted Assets	34,022	34,732	68,754	138,479
Restricted Assets:				
Debt Service Accounts:				
Cash and Cash Equivalents	6,006	854	6,860	
Securities Lending Collateral		126	126	
Investments	17,121	5,674	22,795	
Receivables, Net		8	8	
Construction Accounts:				
Cash and Cash Equivalents	5,897	476	6,373	
Securities Lending Collateral	797	70	867	
Investments	30,212	2,657	32,869	
Receivables, Net	56	6	62	
Improvement and Contingency Accounts:				
Cash and Cash Equivalents	6,656	1,150	7,806	
Securities Lending Collateral	1,702	270	1,972	
Investments	64,535	10,234	74,769	
Receivables, Net	1,604	16	1,620	
Due From:				
Other Funds	1,732		1,732	
Other Restricted Assets:				
Cash and Cash Equivalents	1		1	
Total Restricted Assets	136,319	21,541	157,860	
Total Current Assets	170,341	56,273	226,614	138,479
Noncurrent Assets:				
Capital Assets:				
Land	5,322	9,277	14,599	
Buildings	365,201	30,428	395,629	179
Improvements	399,430	22,341	421,771	244
Machinery and Equipment	17,054	38,865	55,919	199,335
Depreciable Intangible				250
Construction in Progress	62,523	1,689	64,212	
Total Capital Assets	849,530	102,600	952,130	200,008
Less: Accumulated Depreciation	261,543	39,523	301,066	130,585
Net Capital Assets	587,987	63,077	651,064	69,423
Unamortized Bond Issuance Costs	5,908	213	6,121	
Total Noncurrent Assets	593,895	63,290	657,185	69,423
Total Assets	$ 764,236	$ 119,563	$ 883,799	$ 207,902

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Position
Proprietary Funds
As of September 30, 2013
(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Liabilities:				
Current Liabilities:				
Payable from Current Unrestricted Assets:				
Vouchers Payable	$ 1,310	$ 1,165	$ 2,475	$ 4,832
Accounts Payable-Other	853	2,144	2,997	2,604
Claims Payable				25,718
Accrued Payroll	542	1,042	1,584	1,133
Accrued Interest	17	62	79	14
Current Portion of Accrued Leave Payable	1,680	2,212	3,892	2,730
Securities Lending Obligation	717	613	1,330	3,081
Unearned Revenue				7
Current Portion of Capital Lease Liability	176	3,927	4,103	1,270
Current Portion of Accrued Landfill Postclosure Costs		142	142	
Due To Other Funds	1,739	3,420	5,159	627
Due To Other Governmental Agencies		2	2	
Total Payable from Current Unrestricted Assets	7,034	14,729	21,763	42,016
Payable from Restricted Assets:				
Vouchers Payable	12,329	145	12,474	
Accrued Interest	4,371	154	4,525	
Securities Lending Obligation	2,499	466	2,965	
Current Portion of Bonds and Certificates (net of premium/discount)	19,661	1,647	21,308	
Due to Other Funds		33	33	
Current Portion of Deferred Amount on Refunding	(494)	(180)	(674)	
Total Payable from Restricted Assets	38,366	2,265	40,631	
Total Current Liabilities	45,400	16,994	62,394	42,016
Noncurrent Liabilities:				
Bonds and Certificates (net of current portion & premium/discount)	354,384	15,191	369,575	
Deferred Amount on Refunding (net of current portion)	(2,787)	(1,192)	(3,979)	
Claims Payable				40,605
Accrued Leave Payable (net of current portion)	590	343	933	333
Capital Lease Liability (net of current portion)	2,742	9,260	12,002	2,454
Net OPEB and Pension Obligation	10,849	21,928	32,777	20,968
Pollution Remediation	1,040		1,040	36
Accrued Landfill Postclosure Costs (net of current portion)		1,745	1,745	
Total Noncurrent Liabilities	366,818	47,275	414,093	64,396
Total Liabilities	412,218	64,269	476,487	106,412
Net Position:				
Net Investment in Capital Assets	250,414	41,864	292,278	65,699
Restricted:				
Debt Service	18,053	6,373	24,426	
Capital Projects	63,037	3,955	66,992	
Unrestricted	20,514	3,102	23,616	35,791
Total Net Position	$ 352,018	$ 55,294	$ 407,312	$ 101,490
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(5,528)	
	Net position of business-type activities		$ 401,784	

The accompanying notes are an integral part of these basic financial statements.

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year-Ended September 30, 2013
(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:				
Charges for Services	$ 80,635	$ 128,815	$ 209,450	$ 275,555
Total Operating Revenues	80,635	128,815	209,450	275,555
Operating Expenses:				
Personal Services	29,918	57,479	87,397	63,402
Contractual Services	9,415	29,225	38,640	40,043
Commodities	2,387	7,348	9,735	2,856
Materials				26,464
Claims				107,595
Other	7,773	26,251	34,024	21,867
Depreciation	25,911	6,237	32,148	18,903
Total Operating Expenses	75,404	126,540	201,944	281,130
Operating Income (Loss)	5,231	2,275	7,506	(5,575)
Nonoperating Revenues (Expenses):				
Investment Earnings	774	252	1,026	913
Other Nonoperating Revenue	25,441	621	26,062	2,025
Gain (Loss) on Sale of Capital Assets	(327)	(13)	(340)	1,527
Interest and Debt Expense	(18,127)	(1,381)	(19,508)	(54)
Other Nonoperating Expense	(8,229)	(253)	(8,482)	(114)
Total Nonoperating Revenues (Expenses)	(468)	(774)	(1,242)	4,297
Change in Net Position Before Contributions and Transfers	4,763	1,501	6,264	(1,278)
Capital Contributions	14,104	362	14,466	
Transfers In (Out):				
Transfers In	1	5,570	5,571	4,010
Transfers Out	(165)	(9,757)	(9,922)	(2,361)
Total Transfers In (Out)	(164)	(4,187)	(4,351)	1,649
Change In Net Position	18,703	(2,324)	16,379	371
Net Position - October 1	333,315	57,618		101,119
Net Position - September 30	$ 352,018	$ 55,294		$ 101,490
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			64	
		Change in Net Position of Business-Type Activities	$ 16,443	

The accompanying notes are an integral part of these basic financial statements.

Statement of Cash Flows
Proprietary Funds
Year-Ended September 30, 2013
(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	NONMAJOR ENTERPRISE FUNDS	TOTALS	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 83,317	$ 128,495	$ 211,812	$ 275,226
Cash Payments to Suppliers for Goods and Services	(19,492)	(62,798)	(82,290)	(200,944)
Cash Payments to Employees for Service	(28,281)	(52,848)	(81,129)	(58,696)
Net Cash Provided by Operating Activities	35,544	12,849	48,393	15,586
Cash Flows from Noncapital Financing Activities:				
Transfers In from Other Funds	1	5,570	5,571	4,010
Transfers Out to Other Funds	(165)	(9,757)	(9,922)	(2,361)
Due to Other Funds	7	3,141	3,148	(4,196)
Due from Other Funds	580	(60)	520	7,776
Cash Received from Other Nonoperating Revenues	25,441	621	26,062	2,025
Net Cash Provided by (Used for) Noncapital Financing Activities	25,864	(485)	25,379	7,254
Cash Flows from Capital and Related Financing Activities:				
Contributed Capital	13,272	362	13,634	
Acquisitions and Construction of Capital Assets	(44,561)	(4,027)	(48,588)	(16,006)
Principal Payments on Long-Term Debt	(18,115)	(1,445)	(19,560)	
Interest and Fees Paid on Long-Term Debt	(19,435)	(1,417)	(20,852)	
Interest Paid on Notes and Leases				(5)
Principal Payments on Notes and Leases	(170)	(5,037)	(5,207)	(1,269)
Proceeds from Sale of Assets				3,520
Net Cash (Used for) Capital and Related Financing Activities	(69,009)	(11,564)	(80,573)	(13,760)
Cash Flows from Investing Activities:				
Purchases of Investment Securities	(186,975)	(45,143)	(232,118)	(119,248)
Maturity of Investment Securities	183,666	42,085	225,751	112,017
Purchases of Investments for Securities Lending	(2,267)	(560)	(2,827)	(2,533)
Proceeds from Cash Collected for Securities Lending Cash Collateral	2,267	560	2,827	2,533
Investments Earnings	558	248	806	724
Net Cash (Used for) Investing Activities	(2,751)	(2,810)	(5,561)	(6,507)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,352)	(2,010)	(12,362)	2,573
Cash and Cash Equivalents, October 1	31,957	7,102	39,059	10,508
Cash and Cash Equivalents, September 30	$ 21,605	$ 5,092	$ 26,697	$ 13,081
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ 5,231	$ 2,275	$ 7,506	$ (5,575)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	25,911	6,237	32,148	18,903
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2,884	(247)	2,637	164
(Increase) in Due from Other Governmental Agencies		(2)	(2)	(491)
(Increase) Decrease in Materials and Supplies	(31)	2	(29)	(140)
Decrease in Prepaid Expenses	3		3	264
Increase in Vouchers Payable	166	175	341	110
(Decrease) in Claims Payable				(1,926)
Increase (Decrease) in Accounts Payable - Other	(55)	7	(48)	(427)
Increase in Accrued Payroll	73	265	338	249
Increase (Decrease) in Accrued Leave Payable	(157)	71	(86)	181
(Decrease) in Landfill Postclosure Liability		(157)	(157)	
Increase in Net OPEB and Pension Obligation	1,721	4,296	6,017	4,275
(Decrease) in Unearned Revenue	(202)	(73)	(275)	(1)
Net Cash Provided by Operating Activities	$ 35,544	$ 12,849	$ 48,393	$ 15,586
Noncash Investing, Capital and Financing Activities				
Contributed Capital	$ 832			

The accompanying notes are an integral part of these basic financial statements.

Statement of Fiduciary Net Position/Balance Sheet
Fiduciary Funds
As of September 30, 2013
(In Thousands)

	FIRE AND POLICE PENSION AND HEALTH CARE FUNDS	PRIVATE PURPOSE TRUST FUND - SAN ANTONIO LITERACY PROGRAM	AGENCY FUNDS
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 63,366	$ 24	$ 9,938
Security Lending Collateral	121,119		67
Investments:			
Common Stock	1,082,804		
U.S. Government Securities	70,968		2,541
Corporate Bonds	384,892		
Mutual Funds	67,164		
Hedge Funds	377,810		
Real Estate	302,952		
Alternative	395,879		
Receivables:			
Accounts	12,665		207
Accrued Interest	5,110		4
Prepaid Expense	93		
Total Current Assets	2,884,822	24	12,757
Capital Assets:			
Machinery and Equipment	379		
Buildings	701		
Total Capital Assets	1,080		
Less: Accumulated Depreciation	261		
Net Capital Assets	819		
Total Assets	$ 2,885,641	$ 24	$ 12,757
Liabilities:			
Vouchers Payable	$ 4,146	$ -	$ -
Accounts Payable - Other	22,652		12,690
Claims Payable	2,725		
Accrued Payroll	248		
Securities Lending Obligation	121,119		67
Total Liabilities	150,890		$ 12,757
Net Position:			
Net Position Held in Trust for Pension, OPEB Benefits and Other Purposes	$ 2,734,751	$ 24	

The accompanying notes are an integral part of these basic financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year-Ended September 30, 2013
(In Thousands)

	FIRE AND POLICE PENSION AND HEALTH CARE FUNDS	PRIVATE PURPOSE TRUST FUND - SAN ANTONIO LITERACY PROGRAM
Additions:		
Contributions:		
Employer	$ 98,537	$ -
Employee	49,268	
Other Contributions	1,078	
Total Contributions	148,883	
Investment Earnings:		
Net Increase in Fair Value of Investments	218,745	
Real Estate Income, Net	11,157	
Interest and Dividends	50,418	
Securities Lending	433	
Other Income	265	
Total Investment Earnings	281,018	
Less: Investment Expenses		
Investment Management Fees and Custodian Fees	(13,189)	
Less: Securities Lending Expenses		
Borrower Rebates and Lending Fees	(58)	
Net Investment Earnings	267,771	
Total Additions	416,654	
Deductions:		
Benefits	140,859	
Refunds of Contributions	254	
Administrative Expense	4,725	
Total Deductions	145,838	
Change in Net Position	270,816	
Net Position - October 1	2,463,935	24
Net Position - September 30	$ 2,734,751	$ 24

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Position
Discretely Presented Component Units
As of September 30, 2013
(In Thousands)

	CPS ENERGY	SAN ANTONIO WATER SYSTEM	NONMAJOR COMPONENT UNITS	TOTAL
Assets:				
Current Assets:				
Unrestricted Assets:				
Cash and Cash Equivalents	$ 271,895	$ 132,273	$ 51,890	$ 456,058
Investments	28,766	51,694		80,460
Receivables, Net	231,440	55,963	21,275	308,678
Materials and Supplies, at Cost	185,647	5,956	45	191,648
Due from Other Governmental Agencies			2,016	2,016
Prepaid Expenses	70,242	2,337	35,309	107,888
Other Assets			691	691
Total Unrestricted Assets	787,990	248,223	111,226	1,147,439
Restricted Assets:				
Debt Service Accounts:				
Cash and Cash Equivalents	1,231	2	20,523	21,756
Investments		47,913	11,341	59,254
Receivables - Accrued Interest			97	97
Capital Projects Accounts:				
Cash and Cash Equivalents	89,086	43,351		132,437
Investments		114,145		114,145
Ordinance Accounts:				
Cash and Cash Equivalents	56,554			56,554
Investments	316,149			316,149
Other Restricted Accounts:				
Cash and Cash Equivalents	23,188	578	3,295	27,061
Securities Lending Collateral	11,209			11,209
Investments	440,007	127,920		567,927
Receivables			56,620	56,620
Deferred Charges			3,249	3,249
Prepaid Expenses	5,967			5,967
Total Restricted Assets	943,391	333,909	95,125	1,372,425
Total Current Assets	1,731,381	582,132	206,351	2,519,864
Noncurrent Assets:				
Capital Assets:				
Land	148,867	94,971	50,272	294,110
Depreciable Intangible Assets	234,304	1,347		235,651
Infrastructure			60,875	60,875
Buildings			232,603	232,603
Utility Plant in Service	11,242,861	4,076,528	370,343	15,689,732
Machinery and Equipment		183,131	16,938	200,069
Construction in Progress	591,725	571,547	29,183	1,192,455
Water Rights and Other Non-Depreciable Intangible Assets		213,589		213,589
Nuclear Fuel	746,297			746,297
Total Capital Assets	12,964,054	5,141,113	760,214	18,865,381
Less: Accumulated Depreciation	5,168,014	1,369,885	244,832	6,782,731
Assets Held for Resale			5,009	5,009
Net Capital Assets	7,796,040	3,771,228	520,391	12,087,659
Other Noncurrent Assets:				
Receivables		6,985	4,836	11,821
Prepaid Expenses	357,864		459,871	817,735
Net OPEB and Pension Asset	14,364			14,364
Other Noncurrent Assets	166,616		22,285	188,901
Unamortized Bond Issuance Costs		17,528		17,528
Total Noncurrent Assets	8,334,884	3,795,741	1,007,383	13,138,008
Total Assets	$ 10,066,265	$ 4,377,873	$ 1,213,734	$ 15,657,872
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 17,384	$ 19,746	$ -	$ 37,130
Derivative Instrument			2,594	2,594
Total Deferred Outflows of Resources	$ 17,384	$ 19,746	$ 2,594	$ 39,724

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Position
Discretely Presented Component Units
As of September 30, 2013
(In Thousands)

	CPS ENERGY	SAN ANTONIO WATER SYSTEM	NONMAJOR COMPONENT UNITS	TOTAL
Liabilities:				
Current Liabilities:				
Payable from Current Unrestricted Assets:				
Accounts Payable and Other Current Liabilities	$ 300,832	$ 43,602	$ 14,628	$ 359,062
Unearned Revenue			6,945	6,945
Due to Other Governmental Agencies			5	5
Current Portion of Long-term Lease/Notes Payable			5,151	5,151
Current Portion of Deferred Lease/Leaseback	22,560			22,560
Current Portion of Other Payables	28,827	9,956	160	38,943
Total Payable from Current Unrestricted Assets	352,219	53,558	26,889	432,666
Payable from Restricted Assets:				
Accounts Payable and Other Current Liabilities		44,544		44,544
Securities Lending Obligation	11,209			11,209
Accrued Bond and Certificate Interest		13,661	16,587	30,248
Current Portion of Bonds and Certificates	208,810	47,315	31,705	287,830
Current Portion of Commercial Paper		2,970		2,970
Other Payables			1,044	1,044
Total Payable from Restricted Assets	220,019	108,490	49,336	377,845
Total Current Liabilities	572,238	162,048	76,225	810,511
Noncurrent Liabilities:				
Bonds and Certificates (Net of Current Portion)	4,756,925	1,940,495	805,671	7,503,091
Commercial Paper (Net of Current Portion)	296,500	167,775		464,275
Unamortized Premium/(Discount) on Bonds and Certificates	222,427	95,735	(97)	318,065
Deferred Amount on Refunding	(94,561)	(36,995)		(131,556)
Long-Term Lease/Notes Payable (Net of Current Portion)			49,984	49,984
Deferred Lease/Leaseback (Net of Current Portion)	407,970			407,970
Net Pension and OPEB Obligation		82,910		82,910
Other Payables (Net of Current Portion)	600,706	27,711	7,595	636,012
Total Noncurrent Liabilities	6,189,967	2,277,631	863,153	9,330,751
Total Liabilities	6,762,205	2,439,679	939,378	10,141,262
Net Position:				
Net Investment in Capital Assets	2,406,930	1,692,909	206,377	4,306,216
Restricted for:				
Debt Service	725	34,254	10,250	45,229
Capital Projects	470,928		13,142	484,070
Operating and Other Reserves		97,070	1,185	98,255
Unrestricted	442,861	133,707	45,996	622,564
Total Net Position	$ 3,321,444	$ 1,957,940	$ 276,950	$ 5,556,334

The accompanying notes are an integral part of these basic financial statements.

Amounts are expressed in thousands

Statement of Activities
Discretely Presented Component Units
Year-Ended September 30, 2013
(In Thousands)

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	CPS ENERGY	SAN ANTONIO WATER SYSTEM	NONMAJOR COMPONENT UNITS	TOTALS
CPS Energy	$ 2,292,701	$ 2,213,486	$ -	$ 32,777	$ (46,438)	$ -	$ -	$ (46,438)
San Antonio Water System	431,392	438,528		81,785		88,921		88,921
Nonmajor Component Units	197,823	169,926	133	4,389			(23,375)	(23,375)
Total	$ 2,921,916	$ 2,821,940	$ 133	$ 118,951	(46,438)	88,921	(23,375)	19,108
General Revenues:								
Investment Earnings					69,963	6,149	2,710	78,822
Miscellaneous						430	5,670	6,100
Special Items					(7,132)			(7,132)
Adjustment for STP Pension Cost					(14,164)			(14,164)
Total General Revenues and Special Items					48,667	6,579	8,380	63,626
Change in Net Position					2,229	95,500	(14,995)	82,734
Net Position - Beginning of Fiscal Year					3,319,215	1,862,440	291,945	5,473,600
Net Position - End of Fiscal Year					$ 3,321,444	$ 1,957,940	$ 276,950	$ 5,556,334

The accompanying notes are an integral part of these basic financial statements.

Amounts are expressed in thousands

Comprehensive Annual Financial Report
Table of Notes to Financial Statements
Year-Ended September 30, 2013

Note 1	Summary of Significant Accounting Policies	28
Note 2	Property Taxes	57
Note 3	Cash and Cash Equivalents, Securities Lending and Investments	58
Note 4	Capital Assets	83
Note 5	Receivables and Payables	90
Note 6	Long-Term Debt	93
Note 7	Commercial Paper Programs	117
Note 8	Pension and Retirement Plans	119
Note 9	Post-employment Retirement Benefits	134
Note 10	CPS Energy South Texas Project (STP)	145
Note 11	Commitments and Contingencies	154
Note 12	Pollution Remediation Obligation	169
Note 13	Risk Financing	171
Note 14	Interfund Transfers	181
Note 15	Fund Balance Classifications	184
Note 16	Deficits in Fund Balances / Net Position	186
Note 17	Other Disclosures	187
Note 18	Prior Period Restatement	189
Note 19	Subsequent Events	191

Note 1 Summary of Significant Accounting Policies

The financial statements of the City of San Antonio (the City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards. The following is a summary of significant accounting policies of the City.

Reporting Entity

In the evaluation of how to define the City for financial reporting purposes, management considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. The underlying concept of the financial reporting entity is improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

The financial reporting entity consists of: (a) the primary government (in these financial statements the primary government is the City), (b) component units, which are legally separate organizations for which the City is financially accountable or the services rendered by the component unit are provided entirely or almost entirely to the City (blended), and (c) component units, the nature and significance of their relationship with the City is such that exclusion from the reporting entity's financial statements would be misleading or incomplete (discretely presented).

Using the criteria of GASB Statement No. 61 outlined below, potential component units were evaluated for inclusion in or exclusion from the reporting entity, whether the organizations were financially accountable or not, and were further evaluated for financial statement presentation. Based on their individual relationships with the City, some component unit financial statements were blended as though they are part of the City and others were discretely presented.

The following criteria (as set forth in GASB Statement No. 61) were used in the evaluation of potential component units of the City:

1) Legally separate
2) Financial accountability
   a) Appointment of a voting majority
   b) Imposition of will
   c) Financial benefit to or burden on the City
   d) Fiscal dependency with financial benefit to or burden on the City
3) The relationship with the City is such that exclusion would cause these financial statements to be misleading or incomplete
4) Service rendered by the potential component unit is provided entirely or almost entirely to the City
5) The City or its component units, are entitled to, or have the ability to access the majority of the resources received or held by the separate organization.

Note 1 Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

The criteria outlined on the previous page were excerpted from GASB Statement No. 39 and 61. For a more detailed explanation of the criteria established by the Statements, the reader is referred to the *Codification of Governmental Accounting and Financial Reporting Standards*, as of June 30, 2013, published by GASB, Section-2600. GASB Statement No. 39 further clarifies that a "not for profit" may not be financially accountable to the City, but may be considered a component unit based on the nature and significance of its relationship with the City. Predicated upon the application of the criteria outlined above, the following is a brief overview of component units included in the reporting entity.

Blended Component Units

The relationships among the following component units and the City meet the criteria, as set forth in GASB Statement No. 61, for inclusion in the reporting entity and are such that the financial statements are blended with those of the City.

As set forth in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the City excludes fiduciary funds and component units that are fiduciary in nature from the government-wide financial statements. The City's component units that are fiduciary in nature are the San Antonio Fire and Police Pension Fund and the San Antonio Fire and Police Retiree Health Care Fund. These component units are presented in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. Following is a brief description of the City's blended component units:

City South Management Authority c/o City of San Antonio 1400 S. Flores San Antonio, TX 78204 Contact: Nina Nixon-Mendez Telephone No. (210) 207-2744	City South Management Authority (CSMA) is a political subdivision of the State of Texas established at the request of the City for the purposes of supporting economic development, creating sustainable communities, and promoting the unique historical, cultural and environmental assets of the City's southern edge. CSMA was established by the City in fiscal year 2005, with a fifteen-member board; six appointed by the City, six by Bexar County, and three appointed collectively by Southwest, East Central, and Southside Independent School Districts. The issuance of bonds or notes must be approved by the City Council of San Antonio. CSMA provides services entirely to the City and has met the financial benefit/burden criteria.
Convention Center Hotel Finance Corporation P.O. Box 839966 San Antonio, TX 78283-3966 Contact: Margaret Villegas Telephone No. (210) 207-5734	The Convention Center Hotel Finance Corporation (CCHFC) was established in fiscal year 2005 in accordance with state laws for the purposes of, and to act on behalf of the City in local economic development to stimulate business and commercial activity in the City. The CCHFC is governed by a board of directors, which is comprised of the City Council of San Antonio. CCHFC's governing board is substantially the same as the City's governing board and met the financial benefit/burden criteria.

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

HemisFair Park Area Redevelopment Corporation
c/o City of San Antonio
434 S. Alamo Street
San Antonio, TX 78205
Contact: Omar Gonzalez
Telephone No. (210) 560-5733

The HemisFair Park Area Redevelopment Corporation (HPARC) was established in fiscal year 2009 in accordance with state laws for the purposes of, and to act on behalf of the City in, assisting with acquiring property, planning, developing, constructing, managing and financing projects within HemisFair Park and its surrounding area in order to promote economic development, employment, and to stimulate business, housing, tourism, and commercial activity within the City. The HPARC is governed by eleven members appointed by the City Council of San Antonio and it provides services entirely to the City. The City has the ability to impose its will.

Municipal Golf Association – San Antonio
2315 Avenue B
San Antonio, TX 78215
Contact: James E. Roschek
Telephone No. (210) 268-5110

Municipal Golf Association – San Antonio (MGA-SA) was established in fiscal year 2007 in accordance with state laws for the purposes of, and to act on behalf of the City in, operating and promoting the City's municipal golf facilities. MGA-SA is governed by a fifteen member board of directors, which is comprised of seven members selected by MGA-SA according to the approved process contained in its by-laws; two ex-officio member positions from City staff who are appointed by the City Manager; and six members appointed by the City Council of San Antonio. MGA-SA provides services entirely to the City and met the fiscal dependency and financial benefit/burden criteria.

San Antonio Early Childhood Education Municipal Development Corporation dba Pre-K 4 SA
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Kathleen Bruck
Telephone No. (210) 206-2752

The San Antonio Early Childhood Education Municipal Development Corporation dba Pre-K 4 SA was established in fiscal year 2012 in accordance with state laws for the purpose of, and to act on behalf of the City to develop and run authorized programs for early childhood education services. Pre-K 4 SA is governed by a board of trustees appointed by the City Council of San Antonio. Pre-K 4 SA's debt, including leases, is expected to be repaid almost entirely with the resources of the City, the 1/8 cent sales tax increase approved by San Antonio residents. The City has the ability to impose its will.

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Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

San Antonio Economic Development Corporation
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Economic Development Corporation (EDC) was established in fiscal year 2010 as a nonprofit corporation to promote, assist, and enhance economic development activities for the City. EDC was organized for the purposes of undertaking any statute-authorized projects to benefit and accomplish the public purpose of promoting economic development in the City. The affairs of EDC are managed by a board of directors appointed by the City Council of San Antonio. The City Council may remove a director at any time without cause. EDC's budget is not effective until approved by the City Council. EDC provides services entirely to the City.

San Antonio Education Facilities Corporation
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Education Facilities Corporation (EFC), formerly the City of San Antonio Higher Education Authority was established in 1984, in accordance with state laws for the purpose of aiding nonprofit institutions of higher education in providing educational, housing, and other related facilities in accordance with, and subject to the provisions of Section 53.35 (b) Texas Education Code (the Code), all to be done on behalf of the City and its duly constituted authority and instrumentality. The Code authorizes EFC to issue revenue bonds, for which the City is not obligated in any manner to finance qualified projects that meet the purpose of the Code. The EFC is governed by a board of directors, which is comprised of the City Council of San Antonio. The City has the ability to impose its will and EFC also meets the financial benefit/burden and operational responsibility criteria

San Antonio Fire and Police Pension Fund
11603 W. Coker Loop, Ste 201
San Antonio, TX 78216
Contact: Warren Schott
Telephone No. (210) 534-3262

The San Antonio Fire and Police Pension Fund (Pension Fund) is a single employer defined benefit plan established in accordance with state law. The Pension Fund is administered by a nine-member board of trustees, including two members of the City Council of San Antonio, and the Mayor or his appointee. The City and Pension Fund participants are obligated to make all contributions to the Pension Fund in accordance with rates established by state laws. Benefit levels are also set by state laws. Services rendered by the Pension Fund are exclusively for the benefit of eligible firefighters and police officers, upon retirement. The Pension Fund provides services entirely to the City.

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Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

San Antonio Fire and Police Retiree Health Care Fund
11603 W. Coker Loop, Ste 130
San Antonio, TX 78216
Contact: James Bounds
Telephone No. (210) 494-6500

The City of San Antonio Firefighters' and Police Officers' Retiree Prefunded Group Health Plan was created in October 1989, in accordance with the provisions of the City's contracts with the local fire and police unions, respectively, to provide post-employment health care benefits to uniformed employees who retired on or after October 1, 1989. Pursuant to the passage of Senate Bill 1568 in 1997, a separate and distinct statutory trust, the San Antonio Fire and Police Retiree Health Care Fund (Health Fund), was created to provide these post-employment health care benefits for eligible uniformed employees of the City. The Health Fund is administered by a nine-member board of trustees, including two members of the City Council of San Antonio and the Mayor or his appointee. The City, active employees and retirees on behalf of their dependents are obligated to make all contributions to the Health Fund in accordance with rates established by state laws. Benefits are established pursuant to legislation enacted by the State with the Health Fund Board's ability to modify those benefits within certain parameters. The Health Care Fund provides services entirely to the City.

San Antonio Health Facilities Development Corporation
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Health Facilities Development Corporation (HFDC) was established by Ordinance No. 55400, dated June 3, 1982, in accordance with state laws for the purposes of, and to act on behalf of the City as, a corporation under the Texas Health Facilities Development Act of 1981. The HFDC is authorized to issue tax-exempt health facility revenue bonds, for which the City is not obligated in any manner, to finance health related projects in support of the promotion, expansion, and improvement of health facilities. The City Council comprises the board of directors that govern HFDC. The City has the ability to impose its will and HFDC also meets the financial benefit/burden and operational responsibility criteria.

San Antonio Housing Trust Finance Corporation
P.O. Box 15915
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

The San Antonio Housing Trust Finance Corporation (HTFC) was established in fiscal year 1997 under the Texas Housing Finance Corporations Act (the Act), in accordance with state laws for the purposes of, and to act on behalf of the City in, carrying out the purposes of the Act, including the issuance of single family and multi-family revenue bonds. HTFC's board of directors is appointed by the City Council of San Antonio, and consists of five City Council members. HTFC's governing board is substantially the same as the City's governing board and the City has the ability to impose its will. HTFC also meets the financial benefit/burden criteria.

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

San Antonio Housing Trust Foundation, Inc.
2515 Blanco Rd.
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

San Antonio Housing Trust Foundation, Inc. (HTF) is a nonprofit entity incorporated in 1990 under the laws of the State of Texas. HTF was organized for the purposes of supporting charitable, educational, and scientific undertakings, and specifically for providing housing for low- and middle-income families, promoting public health, safety, convenience, and welfare, revitalizing neighborhoods and the downtown area through appropriate housing activities, and to provide administrative and other support for the operations of the City of San Antonio Housing Trust Fund, a Permanent Fund of the City. HTF is governed by an eleven-member board of directors appointed by the City Council of San Antonio. HTF administers the HTFC. The City has the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the HTF as it authorizes a contract for the administration and management of the operations on an annual basis, therefore the City has the ability to impose its will. HTF provides services almost entirely to the City.

San Antonio Housing Trust Public Facility Corporation
2515 Blanco Rd.
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

San Antonio Housing Trust Public Facility Corporation (HTPFC) was established in fiscal year 2010 as a nonprofit corporation, organized for the purpose of assisting the City in financing, refinancing, or providing public facilities. HTPFC enables housing resources to be better coordinated and directed to accomplish the City's revitalization goals, and gives the City another tool to establish housing in downtown and other areas targeted for development. HTPFC's board of directors is appointed by the City Council, and consists of five City Council members. The City has the ability to impose its will and has also met the financial benefit/burden criteria.

San Antonio Industrial Development Authority
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Industrial Development Authority (IDA) was established by Resolution No. 79-48-100 dated October 11, 1979, in accordance with state laws for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of the City as a corporation under the Development Corporation Act of 1979. The IDA is authorized to issue tax-exempt industrial revenue bonds, for which the City is not obligated in any manner, to finance qualified projects, which may further the promotion and development of commercial, industrial, and manufacturing enterprises to advance and encourage employment and public welfare. The IDA is governed by a board of directors, which is comprised of the City Council of San Antonio. The City has the ability to impose its will and IDA also meets the financial benefit/burden and operational responsibility criteria

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

San Antonio Texas Municipal Facilities Corporation
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Margaret Villegas
Telephone No. (210) 207-5734

The San Antonio Texas Municipal Facilities Corporation (TMFC) was established in fiscal year 2001 in accordance with state laws for the purposes of, and to act on behalf of the City in acquiring, constructing, equipping, financing, operating, and maintaining land and other municipal facilities for the City. The TMFC is governed by a board of directors, which is comprised of the City Council of San Antonio. The City can impose its will and TMFC also meets the operational responsibility criteria.

Starbright Industrial Development Corporation
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Margaret Villegas
Telephone No. (210) 207-5734

The Starbright Industrial Development Corporation (SIDC) was established in fiscal year 2003 in accordance with state laws for the purposes of, and to act on behalf of the City in the promotion and development of commercial, industrial, and manufacturing enterprises, to advance and encourage employment and public welfare, including but not limited to the acquisition of land. The SIDC is governed by a board of directors, which is comprised of the City Council of San Antonio. The City has the ability to impose its will and SIDC also meets the financial benefit/burden and the operational responsibility criteria.

Texas Public Facilities Corporation
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Margaret Villegas
Telephone No. (210) 207-5734

Texas Public Facilities Corporation (TPFC) was established in fiscal year 2012 in accordance with state laws for the purpose of, and to act on behalf of the City, to effectuate the buyout of the City's existing Hotel Revenue Bonds and funding for the expansion of the City's Convention Center through issuance of 2012 Lease Revenue Bonds. The TPFC is governed by a board of directors, which is comprised of the City Council of San Antonio. The City has the ability to impose its will. TPFC meets the operational responsibility criteria.

Urban Renewal Agency of the City of San Antonio dba Office of Urban Redevelopment of San Antonio
c/o City of San Antonio
1400 S. Flores
San Antonio, TX 78204
Contact: Lori Houston
Telephone No. (210) 207-6357

The Urban Renewal Agency of the City of San Antonio dba Office of Urban Redevelopment of San Antonio (OUR SA) was created under the provisions of the Urban Renewal Law of the State of Texas. OUR SA is responsible for implementing the City's Urban Renewal Program and may designate for urban renewal in such areas as it deems advisable, subject to approval by the City Council of San Antonio. OUR SA receives a majority of its operating funds from the sale of land owned by the entity. OUR SA is governed by a six-member board of commissioners appointed by the City Council of San Antonio. OUR SA provides services entirely to the City and has met the fiscal dependency and financial benefit/burden criteria.

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

Westside Development Corporation
2300 W. Commerce, Ste 207
San Antonio, TX 78207-3839
Contact: Laura Cabanilla-Cruz
Telephone No. (210) 207-3916

Westside Development Corporation (WDC) was established in fiscal year 2006 in accordance with state laws for the purposes of promoting economic development and redevelopment opportunities in the west side of San Antonio. WDC seeks to generate new capital investment, create higher paying jobs, and reduce the poverty level in the area. In addition, WDC functions as a land development corporation that has the power to buy, sell, and accept land as a nonprofit without the restrictions placed upon a municipality. WDC is governed by a board of directors nominated by a City Council committee and appointed by the City Council of San Antonio. The policy-setting oversight authority consists of 17 members, comprised of representatives of key stakeholders and Westside advocates. WDC provides services entirely to the City. The City has the ability to impose its will.

The blended component unit with a different fiscal year-end from the City is Pre-K 4 SA with a fiscal year-end of June 30th.

It is management's belief that to exclude essential disclosures from the City's financial statements as they pertain to the Pension Fund and Health Fund would be misleading. Therefore, relevant disclosures have been included in the City's financial statements.

The City notes that WDC did not complete audits of their fiscal year 2013 activities in time for the City to include in its financial statements. It is management's belief that the exclusion of this component unit's statements does not materially misrepresent the City's financial statements. WDC was not reported in fiscal year 2012 either so a restatement is not needed.

The financial data disclosed in the City's financial statements for OUR SA and EDC are as of fiscal year 2012, as the City has not received their fiscal year 2013 audited financial statements.

Discretely Presented Component Units

The relationship among the following component units and the City is such that they meet the criteria, as set forth in GASB Statement No. 61, for inclusion in the reporting entity as discretely presented component units.

Brooks Development Authority
3201 Sidney Brooks
Brooks City-Base, TX 78235-5355
Contact: Milo Nitschke
Telephone No. (210) 678-3306

The Brooks Development Authority (BDA) is a special district and political subdivision of the State of Texas. It was established on September 27, 2001, as a defense base development authority in accordance with state laws for the purposes of, and to act on behalf of the City in, improving mission effectiveness, reducing the cost of providing quality installation support through improved capital asset management, and promoting economic development for Brooks Air Force Base and in the surrounding community. An eleven-member board of directors appointed by the City Council of San Antonio governs the BDA for two-year terms and oversees the Brooks Technology and Business Park in support of the Brooks City-Base Project. The City's ability to impose its will on BDA is through the City Council having the power to remove board members.

Note 1 Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units (Continued)

CPS Energy
P.O. Box 1771
San Antonio, TX 78296-1771
Contact: Gary W. Gold
Telephone No. (210) 353-2523

CPS Energy, a municipally owned utility, provides electricity and natural gas to San Antonio and the surrounding areas. CPS Energy is governed by a board of trustees, which is comprised of four members appointed by the City Council of San Antonio and has the City's Mayor as an ex-officio member. The user rates for services and charges and the issuance of bonds are approved by the City Council.

SA Energy Acquisition Public Facility Corporation
P.O. Box 1771
San Antonio, TX 78296-1771
Contact: Gary W. Gold
Telephone No. (210) 353-2523

SA Energy Acquisition Public Facility Corporation (SAEAPFC) was established in 2007, in accordance with state laws for the purposes of, and to act on behalf of the City in, the financing and acquisition of electric energy and power, oil, gas, coal and other liquid, gaseous or solid hydrocarbon fuels for the electric and gas systems of the City. SAEAPFC is governed by a seven-member board of directors appointed by the City Council of San Antonio for two-year terms. Board members are subject to removal by the City Council for cause, or at will. The issuance of bonds is approved by the City Council.

Port Authority of San Antonio dba Port San Antonio
907 Billy Mitchell Blvd,
San Antonio, TX 78226-1802
Contact: Maria Booth
Telephone No. (210) 362-7800

The Port Authority of San Antonio dba Port San Antonio (the Port) is a special district and political subdivision of the State of Texas that was originally established in 1996 as a local development authority under the Development Corp Act of 1979 for the purpose of monitoring the proposed closing of Kelly; conducting comprehensive studies of all issues related to the closure, conversion, redevelopment, and future use of Kelly; reviewing all options relative to the most appropriate uses of Kelly and the surrounding area; formulating and adopting a comprehensive plan for the conversion and redevelopment of Kelly and submitting such plan to the appropriate agency or agencies of the federal government; and implementing such plan as it relates to Kelly and the surrounding area. The Port is governed by an eleven-member board of directors, appointed at will by the City Council of San Antonio. The Port is authorized to issue bonds which the City is not obligated in any manner, to finance projects as permitted by state laws.

San Antonio Water System
P.O. Box 2449
San Antonio, TX 78298-2449
Contact: Doug Evanson
Telephone No. (210) 233-3803

On May 19, 1992, the consolidation of water systems, agencies and activities into one institution through a refunding of the then outstanding water and sewer bonds of the former City Water Board, Alamo Water Conservation and Re-Use District, and the City's Sewer and Stormwater System, resulted in the creation of the San Antonio Water System (SAWS). The City Council of San Antonio determined that the interests of the citizens and the customers would best be served by placing authority for management and control of SAWS, as consolidated, with a board of trustees. This board of trustees includes the City's Mayor as an ex-officio member, along with six members appointed by the City Council for four-year staggered terms. The rates for user charges and bond issuance authorizations are approved by the City Council.

Note 1 Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units (Continued)

San Antonio Water System District Special Project
P.O. Box 2449
San Antonio, TX 78298-2449
Contact: Doug Evanson
Telephone No. (210) 233-3803

On November 8, 2011, voters in the Bexar Metropolitan Water District (BexarMet) voted to dissolve the utility and transfer responsibility to SAWS. As authorized by Senate Bill 341 by the Texas Legislature and approved by the City Council of San Antonio, the San Antonio Water System District Special Project (DSP) will operate as a component unit of the City during the transition of BexarMet's operations into SAWS for a period lasting up to five years. The board of trustees includes the City's Mayor as an ex-officio member, along with six members appointed by the City Council for four-year staggered terms. The rates for user charges and bond issuance authorizations are approved by the City Council.

San Antonio Housing Trust Reinvestment Corp.
2515 Blanco Rd
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

San Antonio Housing Trust Reinvestment Corporation (HTRC) was created to act as a duly constituted authority of the City and is authorized by the City Council of San Antonio to aid, assist, and act on behalf of the City to promote for the common good and general welfare of reinvestment zones. As HTRC had no activity through September 30, an audit is not deemed necessary in fiscal year 2013. The City appoints a majority of the board and can impose its will on HTRC's operations.

Discretely presented component units with different fiscal year-ends from the City are CPS Energy and SAEAPFC with fiscal year-ends of January 31, 2013 and SAWS and DSP with fiscal year-ends of December 31, 2012.

It is management's belief that to exclude essential disclosures from the City's financial statements as they pertain to CPS Energy and SAWS would be misleading. CPS Energy and SAWS have been identified as major discretely presented component units as they both relate to total component units and to the primary government. Therefore, relevant disclosures have been included in the City's financial statements.

Essential disclosures related to the above mentioned discretely presented and blended component units are included in the complete financial statements of each of the individual component units. These statements, where done, may be obtained at the respective entity's administrative office.

Related Organizations

The City Council of San Antonio appoints members to the board of commissioners for the Housing Authority of the City of San Antonio (SAHA) and a majority of the board of directors for Keep San Antonio Beautiful, Inc. However, the City's accountability for these entities does not extend beyond making appointments to their boards and the coordination and approval of strategic plans for SAHA.

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Note 1 Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - GASB Statement No. 34

Government-Wide and Fund Financial Statements – The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements report information on all nonfiduciary activities of the primary government and its component units. MD&A introduces the basic financial statements and provides an analytical overview of the City's financial activities. Additionally, the effect of interfund activity has been removed from the statements.

The Statement of Net Position – Reflects both short-term and long-term assets and liabilities, as well as deferred inflows and outflows. In the government-wide Statement of Net Position, governmental activities are reported separately from business-type activities. Governmental activities are supported by taxes and intergovernmental revenues, whereas business-type activities are normally supported by user fees and charges for services. Long-term assets, such as capital assets and unamortized bond issuance costs, long-term obligations, such as debt, and any deferred inflow and outflow, are now reported in the governmental activities. The components of Net Position are presented in three separate components: (1) net invested in capital assets, (2) restricted, and (3) unrestricted. Interfund receivables and payables within governmental and business-type activities have been eliminated in the government-wide Statement of Net Position, which minimizes the duplication within the governmental and business-type activities. The net amount of interfund transfers between governmental, proprietary and fiduciary funds is the balance reported in the Statement of Net Position. Discretely Presented Component units are also reported in the Statement of Net Position.

The Statement of Activities – Reflects both the gross and net cost format. The net cost (by function or business-type activity) is usually covered by general revenues (property tax, sales and use tax, revenues from utilities, etc.). Direct (gross) expenses of a given function or segment are offset by charges for services, operating and capital grants and contributions. Program revenues must be directly associated with the function of program activity. The presentation allows users to determine which functions are self-supporting and which rely on the tax base in order to complete their mission. Internal Service Fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown in the governmental and business-type activities of the Statement of Activities.

A reconciliation detailing the change in net position between the government-wide financial statements and the fund financial statements is presented separately for governmental funds. In order to achieve a break-even result in the Internal Service Fund activity, differences in the basis of accounting and reclassifications are allocated back to user departments. These allocations are reflected in the government-wide statements. Any residual amounts of the Internal Service Funds are reported in the governmental activity column.

The proprietary funds have a reconciliation presented in the proprietary funds' Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position related to the Internal Service Fund allocation.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled. The City has three types of funds: governmental, proprietary, and fiduciary. The fund financial statements provide more detailed information about the City's most significant funds, but not on the City as a whole. Major governmental and enterprise funds are reported separately in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and independently presented in the combining statements.

The criteria used to determine if a governmental or enterprise fund should be reported as a major fund are as follows: the total assets, liabilities, revenues or expenditures/expenses of that governmental or enterprise fund are at least 10.0% of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds), and the same element that met the 10.0% criterion above in the governmental or enterprise fund is at least 5.0% of the corresponding element total for all governmental and enterprise funds combined.

The following is a brief description of the major governmental funds that are separately presented in the fund financial statements:

- The General Fund is always presented as a major fund.
- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs, except those that are accounted for in enterprise funds.
- The HOME Program Fund, a special revenue fund, accounts for the receipt and disbursement of all federal grants, and manages the loan portfolio from previous disbursements, designated for HOME Investment Partnership Programs.
- The 2007 General Obligation Bonds Fund, a capital projects fund, accounts for the receipt and disbursement of $550,000 in bond sales for physical infrastructure development and improvement projects approved by a bond election held on May 12, 2007.
- The 2012 General Obligation Bonds Fund, a capital projects fund, accounts for the receipt and disbursement of $596,000 in bond sales for physical infrastructure development and improvement projects approved by a bond election held on May 13, 2012.
- The General Obligation Projects Fund, a capital projects fund, accounts for the acquisition or construction of major capital facilities such as streets, drainage, and library and park improvements, where funding is primarily derived from the sale of General Obligation Bonds.
- The Texas Public Facilities Corporation, accounts for the receipt and disbursement of $550,374 in revenue bonds issued to finance the acquisition, construction, and equipping of the Convention Center Expansion Project and refunding of the City's outstanding indebtedness related to the Convention Center.
- The City has designated Pre-K 4 SA as a major fund due to the high-profile nature and fiscal transparency for the program, which was funded by a voter-increased sales tax.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

The following is a brief description of the major enterprise fund that is separately presented in the fund financial statements:

- The Airport System accounts for the operation of the San Antonio International Airport and Stinson Municipal Airport. Financing for the Airport System's operations is provided by user fees, while financing for the Airport System's capital is primarily funded by City issued revenue bonds (repaid with user fees), grants and facility charges assessed to users.

Governmental Funds

General Fund is the primary operating fund for the City, which accounts for and reports all financial resources of the general government not accounted for and reported in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The specific revenue sources are the foundation for the fund's designation and are expected to continue to compromise a substantial portion of the inflows reported in the fund. If the fund no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources, the fund's remaining resources and activities are reported in the General Fund.

Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest as well as financial resources that are being accumulated for principal and interest maturing in future years.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, except those financed by enterprise funds and trust funds.

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry.

The governmental funds that have legally adopted budgets are the General Fund, Debt Service Fund, Special Revenue Funds (excluding HOME Program, Categorical Grant-In-Aid, HUD 108 Loan Program, Community Development Program, American Recovery and Reinvestment Act, Tax Increment Reinvestment Zone, and most Community Services Funds), City Cemeteries, and Pre-K 4 SA.

Proprietary Funds

Enterprise Funds are used to account for and report operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the expenses (including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Proprietary Funds (Continued)

Internal Service Funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City's self-insurance programs, data processing programs, other internal service programs, and Capital Improvements Management Services (CIMS) are accounted for in these funds.

Fiduciary Funds

Trust and Agency Funds are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. These include the Pension Fund and Health Fund, which account for resources for pension and retiree health care benefits for the City's firefighters and police officers. The Private Purpose Trust Fund includes reporting on funds restricted for the City's literacy programs. The Agency Funds account for the City's sales and use tax to be remitted to the State of Texas, various fees for other governmental entities, unclaimed property, and various deposits held. Pension Fund, Health Fund, and the Private Purpose Trust Fund are accounted for in essentially the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Measurement Focus and Basis of Accounting

Primary Government (City)

The government-wide financial statements present information about the City as a whole. Government-wide financial statements exclude both fiduciary funds and fiduciary component units. The Statement of Net Position and the Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The City recognizes revenue from property taxes in the period for which they were levied. Other taxes and fees are recognized as revenue in the year they are earned. Revenues from grants and similar items are recognized in the fiscal year the qualifying expenditures are made and all other eligibility requirements have been satisfied.

Program revenues are presented in the government-wide Statement of Activities. The City reports program revenues in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. They are presented separately as a reduction of the total expense to arrive at the net expense of each functional activity. Program revenues are revenues generated by transactions with outside parties who purchase, use, or directly benefit from a program. They also include amounts such as grants and contributions received from outside parties that restrict the use of those resources to specific programs.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Primary Government (City) (Continued)

1) Charges for services are revenues generated by those who purchase goods or services from the City. Examples of charges for services include airport landing fees, solid waste collection and disposal fees, vacant lot clean up, and food establishment licenses. Fines and forfeitures, license and permits and intergovernmental revenues as reported in the General Fund are also reported under charges for services.
2) Operating grants and contributions are those revenues that are restricted in the way they may be spent for operations of a particular program.
3) Capital grants and contributions are also restricted revenues whose resources may only be spent to purchase, build or use capital assets for specified programs.

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included in their balance sheets and revenues are recognized in the accounting period in which they become available and measurable. “Available” means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues from property taxes, sales and use taxes, occupancy taxes, gross receipts taxes, municipal court fines and fees, licenses, revenues from utilities, investment earnings, and charges for services are recorded on the modified accrual basis of accounting, and therefore, are considered susceptible to accrual. The City’s availability period is no more than 60 days beyond the end of the fiscal year. Grant revenues are recognized when reimbursable expenditures are made, all other eligibility requirements imposed by the provider have been met and the City receives reimbursement within 60 days of the fiscal year-end. Grant funds received in advance and delinquent property taxes are recorded as deferred revenue until earned and available.

Gross receipts and sales and use taxes are considered available when received by intermediary collecting governments, and are recognized at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are recognized in the accounting period in which the fund liability is incurred; however, accrued leave, debt service expenditures, claims and judgments, arbitrage rebates, post-employment obligations, and pollution remediation are recorded only when the liability is matured.

The reported fund balance (net current assets) for each fund is considered a measure of "current financial resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "current financial resources" during the period.

Special reporting treatments are applied to governmental fund materials and supplies, prepaid expenditures, and deposits to indicate that they do not represent "current financial resources," since they do not represent net current assets. Such amounts are generally offset by fund balance nonspendable accounts.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Primary Government (City) (Continued)

Proprietary, Pension, Private Purpose Trust, Health Funds, and governmental and business-type activities are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and accrued leave, are recognized when they are incurred. These funds are accounted for on a cost of services or "economic resources" measurement focus. Consequently, all assets and all liabilities (whether current or noncurrent), as well as deferred inflow and outflow associated with their activity, are included in their balance sheets. The reported proprietary fund net position is segregated into three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary funds report both operating and nonoperating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The City defines operating revenues as those receipts generated by a specified program offering either a good or service. For example, parking garage and street lot fees are operating revenues of the Parking System Fund. This definition is consistent with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. Operating expenses include personal services, contractual services, commodities, other expenses (such as insurance), and depreciation. Revenues and expenses not fitting the above definitions are considered nonoperating.

CPS Energy

CPS Energy’s operating revenue includes receipts from energy sales and miscellaneous revenue related to the operation of electric and gas systems.

CPS Energy revenues are recorded when earned. Customers’ meters are read and bills are prepared monthly based on billing cycles. Rate tariffs include adjustment clauses that permit recovery of electric and gas fuel costs. CPS Energy has used historical information from the relative prior fiscal years as partial bases to estimate and record earned revenue not yet billed. This process has involved an extrapolation of customer usage over the days since the last meter read through the last day of the monthly period. Also included in unbilled revenue are the over/under-recoveries of electric and gas fuel costs and regulatory assessments.

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Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

CPS Energy (Continued)

CPS Energy's electric fuel cost adjustment clause also permits recovery of regulatory assessments. Specifically, beginning in March 2000, CPS Energy began recovering assessments from the Public Utility Commission of Texas (PUCT) for transmission access charges, and from the Texas Independent System Operator, also known as the Electric Reliability Council of Texas (ERCOT), for its operating costs and other charges applicable to CPS Energy as a wholesale provider of power to other utilities.

Miscellaneous revenue includes late payment fees, rental income, jobbing and contract work, and ancillary services. Operating expenses are recorded as incurred and include those costs that result from the ongoing operations of the electric and gas systems.

Nonoperating revenue consists primarily of investment income, including fair market value adjustments, and grant programs. The amortization of net gains from the lease/leaseback of J.K. Spruce Unit 1 is also included. Certain miscellaneous income amounts from renting general property and providing various services are also recorded as nonoperating revenue when they are not directly identified with the electric or gas systems. These amounts for fiscal year 2013 were recorded net of expenses.

CPS Energy accounts for decommissioning by recognizing a liability and expense for a pro rata share of projected decommissioning costs as determined by the most recent cost study. A new cost study is performed every five years, and in years subsequent to the latest study, estimated annual decommissioning expense and an increase in the liability is calculated by applying the effects of inflation and the ratio of years of plant usage to total plant life.

Additionally, due to requirements under the Code of Federal Regulations governing nuclear decommissioning trust funds, guidance pertaining to regulated operations provided in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* has been followed. Under this guidance, the zero net position approach is applied in accounting for the Decommissioning Trusts. In accordance with GASB Statement No. 62, the cumulative effect of activity in the Trusts has been recorded as a regulatory liability reported on the Statements of Net Position as STP decommissioning net costs refundable since any excess funds are payable to customers. Going forward, prolonged unfavorable economic conditions could result in the assets of the Trusts being less than the estimated decommissioning liability. In that case, instead of an excess as currently exists, there would be a deficit that would be reported as STP decommissioning net costs recoverable. This amount would be receivable from customers.

To reflect funding methodology, the Allowance for Funds Used During Construction (AFUDC) rate includes both a debt and an equity component. The new blended rate is composed of 50.0% equity and 50.0% debt based on construction funding forecasts. The investment rate is reviewed quarterly to determine if any adjustments are necessary. Alternate AFUDC rates are applied to projects costing more than $100,000, reflecting the method by which they are funded.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

CPS Energy (Continued)

Federal stimulus funds have been made available to CPS Energy as a subrecipient for a portion of the grant funds allocated to the State of Texas for a number of programs under the American Recovery and Reinvestment Act of 2009. Used primarily for the weatherization of qualifying homes, grant receipts are recorded as nonoperating income and are to reimburse CPS Energy for costs, recorded as operating expenses, incurred in the administration of the program. This accounting treatment results in no impact to net position. Revenues associated with the stimulus programs are exempt from City payment. Grant funding received by the Company is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial. Grant funding for the weatherization program was exhausted early in fiscal year 2013.

San Antonio Water System (SAWS)

SAWS revenues are recorded as services are provided. Customers' meters are read and bills are prepared monthly based on billing cycles. SAWS uses historical information to estimate and record earned revenue not yet billed.

SAWS' principal operating revenues are 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 nonoperating revenues and expenses.

Nonoperating revenues consist primarily of interest income earned on investments, including the changes in fair value of investments. Nonoperating expenses consist primarily of interest expense, amortization of debt related costs, sales of capital assets and payments to the City.

Current Year GASB Statement Implementations

In fiscal year 2013, the City implemented the following GASB Statements:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, improves financial reporting by addressing issues related to service concession arrangements (SCAs). The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. As a result of this statement, the contract for San Jose Cemetery with Mission Park and the contract with MGA-SA for the Golf Courses are considered SCAs. Note disclosures for these arrangements are provided in Note 17, Other Disclosures.

Note 1 Summary of Significant Accounting Policies (Continued)

Current Year GASB Statement Implementations (Continued)

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34,* improves financial reporting for a governmental financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement provides amendments to Statement No. 14, *The Financial Reporting Entity,* and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* For component units that are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the government and the component unit have a financial benefit or burden relationship or (2) management of the primary government have operational responsibility for the activities of the component unit. Based on the criteria in GASB Statement No. 61, the classification of some of the component units was changed from that determined in fiscal year 2012, resulting in a restatement of beginning balances within the governmental activities and component unit financials.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement brings the authoritative accounting and financial reporting literature together in one place eliminating the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in more consistent application of applicable guidance. This Statement did not change the City's existing accounting and financial reporting.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Consequently, the City's implementation of GASB 63 in fiscal year 2013 is limited to those transactions addressed by Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Applying the use of deferred outflows and inflows of resources to derivative transactions for hedging does not impact the City's financial statements since the City does not invest in or use derivative instruments; however, its discretely presented component units do. The discretely presented component units' financial reporting included the changes and note disclosures as required by this Statement. The implementation of GASB 60 and 63 did not result in any reporting of deferred inflows or deferred outflows of resources related to service concession arrangements in fiscal year 2013.

Note 1 Summary of Significant Accounting Policies (Continued)

Future GASB Statement Implementations

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4, *Elements of Financial Statements*. The Statement also provides other financial reporting guidance related to the impact of the financial statement element changes to include changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 66, Technical Corrections—2012 (*an amendment of GASB Statements No. 10 and No. 62)*, improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance.* This Statement amends Statement No. 10*, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) investments of purchased loan or group of loans, and (3) service fees related to mortgage loans. These changes clarify how to apply GASB Statement No. 13*, Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48*, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25)* will improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide post-employment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The City will implement this Statement in fiscal year 2014.

Note 1 Summary of Significant Accounting Policies (Continued)

Future GASB Statement Implementations (Continued)

GASB Statement No. 68**,** *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The City will implement this Statement in fiscal year 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements for fiscal years beginning after December 15, 2013. The City will implement this Statement in fiscal year 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units, and requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of GASB Statement No. 70 are effective for reporting periods beginning after June 15, 2013. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68*), addresses the issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement 68, as amended, requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The City will implement this Statement in fiscal year 2015, simultaneously with the provisions of Statement 68.

The City has not fully determined the effects that implementation of these statements will have on the City's financial statements.

Note 1 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents and Investments

The City's investment practices are governed by state statutes and by the City's own Investment Policy. City cash is required to be deposited in Federal Deposit Insurance Corporation (FDIC) insured banks located within the State of Texas. A pooled cash and investment strategy is utilized, which enables the City to have one central depository. Investments are pooled into two primary categories: operating funds and debt service funds. The balances in these funds are invested in an aggregate or pooled amount, with principal and interest income distributed to each respective fund on a pro rata basis. In addition, the City may purchase certain investments with the available balance of a specific fund for the sole benefit of such fund. Fair market value of the City's investments is determined by quoted market prices. As of September 30, 2013, the City's investment portfolio did not contain any derivative or alternative investment products, nor was it leveraged in any way, except as noted in the Pension Fund and Health Fund. For a listing of authorized investments, see Note 3 Cash and Cash Equivalents and Investments.

The City, CPS Energy, and SAWS account for, and report investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Pension Fund and the Health Fund report investments at fair value, in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The City's policy with respect to money market investments, which have a remaining maturity of one year or less at the time of purchase, is to report those investments at amortized cost, which approximates fair value. Amortization of premium or accretion of discount is recorded over the term of the investments.

For purposes of the statement of cash flows, the City, CPS Energy, and SAWS consider all highly liquid investments with an original maturity of approximately 90 days or less to be cash equivalents.

Materials and Supplies and Prepaid Items

Materials and supplies consist principally of expendable items held for consumption and are stated at cost, based on first-in first-out and lower of average cost or market methods. For governmental and proprietary fund types, the "consumption" method is used to account for certain materials and supplies. Under the consumption method, these acquisitions are recorded in material and supplies accounts and charged as expenditures for governmental funds and as expenses for proprietary funds when used.

Prepaid items are goods and services that are paid in advance. These payments reflect costs applicable to future accounting periods, and are recorded in both government-wide and fund financial statements. Using the consumption method, prepaid items are charged as expenditures for governmental funds and as expenses for proprietary funds as the goods or services are used.

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Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

Primary Government (City)

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets recorded under capital leases are recorded at the present value of future minimum lease payments. Depreciation on all exhaustible capital assets of the City is charged as an expense with accumulated depreciation being reported in the Statement of Net Position. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The City has established capitalization thresholds for buildings, improvements, infrastructure, machinery and equipment, furniture and office equipment, and intangible assets (e.g. right of ways, easements, internally generated software). Some intangible assets may have an indefinite life. For those assets, depreciation is not calculated. The estimated useful lives and capitalization thresholds applied are as follows:

Assets	Useful Life (Years)	Capitalization Threshold
Buildings	15-40	$ 100
Improvements (other than buildings)	20-40	100
Infrastructure	15-100	100
Machinery and Equipment	2-20	5
Furniture and Office Equipment	5-10	5
Intangible Assets	5-40	100

CPS Energy

The costs of additions and replacements of assets identified as major components or property units are capitalized. Maintenance and replacements of minor items are charged to operating expenses. Except for certain assets that may become impaired, the cost of depreciable plant that is retired, plus removal costs and less salvage, is charged to accumulated depreciation. Per the financial reporting requirements of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, any losses associated with capital asset impairments will be charged to operations, not to accumulated depreciation.

CPS Energy's utility plant is stated at the cost of construction, including expenses for contracted services; direct equipment, material and labor; indirect costs, including general engineering, labor, equipment and material overheads; and AFUDC, or capitalized interest. AFUDC is applied to projects estimated to require 30 days or more to complete.

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

CPS Energy (Continued)

Proceeds from customers to partially fund construction expenditures are reported as contributed capital in the Statement of Revenues, Expenses and Changes in Net Position increasing net position in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The amount reported for contributed capital was $32,777 for January 31, 2013, including donated assets of $5,219. The portion of these balances that represent contributions received from customers as payments for utility extensions and services was $27,558 at January 31, 2013.

Except for nuclear fuel, which is amortized over units of production, CPS Energy computes depreciation using the straight-line method over the estimated service lives of the depreciable property according to asset type. Total depreciation as a percent of total depreciable assets, excluding nuclear fuel, was 3.3% for fiscal year 2013.

The estimated useful lives of capital assets were as follows:

Assets	Useful Life (Years)
Buildings and Structures	20-60
Systems and Improvements:	
Generation	18-60
Transmission and Distribution	20-55
Gas	50-65
Intangibles – Software	10
Intangibles – Other	30
Machinery and Equipment	4-30
Mineral Rights and Other	20-40
Nuclear Fuel	Units of Production

Thresholds contained in CPS Energy's capitalization policy for fiscal year 2013 were as follows:

Assets	Capitalization Threshold
Land, Land Improvements and Certain Easements	Capitalize All
Buildings and Building Improvements	$ 10
Computer Software:	
Purchased	50
Internally Developed	50
Enhancements/Upgrades	50
Computer Hardware	3
All Other Assets	3

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

San Antonio Water System (SAWS)

SAWS' capital assets in service are capitalized when the unit cost is greater than or equal to $5. Utility plant additions are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Also 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. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs. The following table shows an estimated range of useful lives used in providing for depreciation of capital assets:

Assets	Useful Life (Years)
Structures and Improvements	25-50
Pumping and Purification Equipment	10-50
Distribution and Transmission System	17.5-50
Collection System	50
Treatment Facilities	25
Equipment and Machinery	5-20
Furniture and Fixtures	3-10
Computer Equipment	5
Software	3-10
Intangible Assets (Definite Useful Life)	20

General Bonded Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. Amounts estimated to be required for debt service on general bonded debt are provided by allocated property taxes, investment earnings within the Debt Service Fund, and transfers from other funds.

Note 1 Summary of Significant Accounting Policies (Continued)

Accrued Leave

Primary Government (City)

In the governmental fund financial statements, the City accrues annual leave and associated employee related costs when matured in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements—an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; and GASB Statements No. 10, 16, and 18,* (payable from available resources) for both civilian and uniformed employees. In addition, the City accrues the matured portion of its uniformed employees' accrued sick leave, holiday, and bonus pay in accordance with the respective collective bargaining agreements, which state that uniformed employees must provide notice in writing ahead of the first pay period in October to be eligible for buyback. Because notice is provided to the City by fiscal year-end, the City accrues uniformed employees' eligible buyback, as it is due and payable by September 30, 2013.

For governmental fund types, the matured current portion of the liability resulting from the accrual of these leave liabilities is recorded in the respective governmental fund and reported in the fund financial statements, while the entire vested liability is reported in the government-wide financials. The current and long-term portions of the liability related to proprietary fund types are accounted for in the respective proprietary funds.

CPS Energy

Employees earn vacation benefits based upon their employment status and years of service.

San Antonio Water System (SAWS)

It is SAWS' policy to accrue employee vacation pay as earned as well as the employer portion of Social Security taxes and required pension contributions related to the accrued vacation pay. Sick leave is not accrued as a terminating employee is not paid for accumulated sick leave.

Insurance

Activity for the City's self-insurance programs is recorded in the Internal Service Funds. Assets and obligations related to property and casualty liability, employee health benefits, workers' compensation, unemployment compensation, and employee wellness are included.

The City is insured for property loss on a primary basis through Factory Mutual Insurance Company. Excess liability coverage for casualty losses was provided by Starr Indemnity & Liability Company until October 1, 2013 when the policy was cancelled. Related liabilities are accrued based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported prior to the end of the fiscal year. The City determines and accrues loss liabilities based on an actuarial assessment of historical claim data and industry trends performed annually.

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Note 1 Summary of Significant Accounting Policies (Continued)

Insurance (Continued)

The City also provides employee health insurance, which includes a pro rata share of retiree health benefits, workers' compensation, and unemployment benefits under its self-insurance programs. The City is a member of the Texas Municipal League Workers' Compensation Joint Insurance Fund, and uses this fund as a mechanism for administering workers' compensation claims that occurred prior to September 30, 1986. Workers' compensation claims that occurred after October 1, 1986 are administered by third-party administrators. The City records all workers' compensation loss contingencies, including claims incurred but not reported. The City determines and accrues workers' compensation liabilities based on an actuarial assessment of historical claim data and industry trends performed annually. The City has been completely self insured for workers' compensation claims since May 1, 2013.

Employee and retiree health benefit liabilities are determined and accrued based upon the City's estimates of aggregate liabilities for unpaid benefits utilizing claim lag data from the City's third party administrator. The City additionally determines and accrues post-employment liabilities based on an actuarial assessment of historical claim data performed bi-annually and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the post-employment liability as additional contributions.

Regarding unemployment compensation, the City is subject to the State of Texas Employment Commission Act. Under this Act, the City's method for providing unemployment compensation is to reimburse the State for claims paid by the State.

All insurance carriers providing coverage for the City are required to possess an A.M. Best Company rating of A- or better; where A- denotes "Excellent." A.M. Best is an industry recognized rating service for insurance companies. For a more detailed explanation of the City's self-insurance programs, see Note 13, Risk Financing.

Fund Balance

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned and Unassigned based on the extent to which the City is bound to observe constraints imposed on the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
- Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or it is imposed by law through enabling legislation.
- Committed – The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

- Assigned – Amounts in the assigned fund balance are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund assigned amounts represent intended uses established by City Council or City Manager and designees. Under the city charter, the City Manager and designees are authorized to assign individual amounts up to $50 and City Council is authorized to assign amounts over $50.
- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds, other than the General Fund, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a negative unassigned fund balance.

Generally, the City would apply restricted, committed or assigned resources prior to unassigned resources when expenditure is incurred for purposes for which more than one of the classification of fund balance is available. See Note 15, Fund Balance Classifications.

Allocation of Indirect Expenses

The City recovers indirect costs in the General Fund through the application of departmental indirect cost rates. These rates are developed and documented in the City's departmental indirect cost rate plan. In this plan, each department is classified by function. Indirect costs are budgeted by department and are used as a basis for the City's actual indirect cost allocation. Base rates are then applied to actual indirect costs recovered and indirect costs are reclassified to reduce general government expenditures. For fiscal year 2013, general government expenditures were reduced by $11,661, resulting in increased expenditures/expenses in other governmental functions and in business-type activities in the amounts of $9,111 and $2,550, respectively.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the debt. Debt refundings (carrying value of the debt net of any unamortized costs of the old debt) are deferred and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Bond Issuance Costs

In the government-wide and proprietary fund financial statements, bond issuance costs are reported as assets in the Statement of Net Position and amortized over the life of the debt.

In the fund financial statements, governmental fund types recognize bond issuance costs as expenditures of the funds during the period in which proceeds of debt issuances are recorded.

Note 1 Summary of Significant Accounting Policies (Continued)

Elimination of Internal Activity

Elimination of internal activity, particularly related to Internal Service Fund and blended component unit transactions, is needed to make the transition from governmental funds to government-wide activities. The overriding objective in eliminating the effects of Internal Service Fund activity is to adjust the internal charges to cause a break-even result. While the main objective in eliminating the effect of funding and reimbursement of costs between the primary government and blended component unit is to remove duplication of same activities. Eliminating the effect of Internal Service Fund activity requires the City to look back and adjust the Internal Service Funds' internal charges. Net income derived from Internal Service Fund activity would cause a pro rata reduction in the charges made to the participating funds/functions. Conversely, an Internal Service Fund net loss would require a pro rata increase in the amounts charged to the participating funds/functions. Therefore, eliminations made to the Statement of Activities remove the doubling up effect of Internal Service Fund activity. The residual internal balances between the governmental and business-type activities are reported in the Statement of Net Position and the internal balance amounts that exist within the governmental funds or within business-type funds are eliminated. The City reports Internal Service Fund balances in both governmental and business-type activities, based on the pro rata share of the amounts charged to the participating funds/functions.

The City has four Internal Service Funds: Other Internal Services, Information Services, Self-Insurance Funds, and CIMS. Other Internal Services and Information Services charge user fees for requested goods or services. Building maintenance, a component of the Other Internal Services Fund, charges are based on the space occupied by departments. Information Services also charges a monthly amount based on the number of personnel positions in each department. Through the tracking of these charges to the applicable departments, the net income or loss is allocated back to the user department, based on actual charges incurred.

The Self-Insurance Funds and Purchasing, a component of the Other ISF, generate their revenues through fixed assessments charged to the various funds each year. The Employee Benefits Fund additionally charges pro rata user fees to employees and retirees. Purchasing charges an assessment to departments based on prior year contract activity. The net income or loss generated by the Self-Insurance Funds and Purchasing are allocated back, based on the same allocation by which the revenues are received over time.

CIMS generates revenues by charging a capital administrative fee for projects worked on. The fund additionally generates revenue through reimbursements of costs incurred for various arts and general service activities. The net income or loss generated is allocated back to the user funds, based on actual charges incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the City, CPS Energy, and SAWS to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Application of Restricted and Unrestricted Net Position

The City may receive funding from an organization whose expenditures are restricted to certain allowable costs. In situations where both restricted and unrestricted net position are expended to cover allowable expenses, the City will first expend the restricted net position and cover additional costs with unrestricted net position. The City reserves the right to selectively defer the use of restricted assets, or reimburse unrestricted net position with allowable restricted assets.

Note 2 Property Taxes

Property taxes are levied and due upon receipt on October 1, attached as an enforceable lien on property as of January 1, and become delinquent the following February 1. Property tax billing and collections are performed via an inter-local agreement with the Bexar County Tax Assessor/Collector's Office.

The City is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to $2.50 per $100 of taxable valuation (note amounts are not reflected in thousands). The tax rate approved by City ordinance for the fiscal year-ended September 30, 2013, was $0.56569 per $100 taxable valuation, which means that the City has a tax margin of $1.93431 per $100 taxable valuation (note that tax rate amounts are not reflected in thousands). This could raise an additional $1,381,077 per year based on the net taxable valuation of $71,398,956 before the limit is reached.

The City has approved a "TIF Manual" for the utilization of Tax Increment Financing (TIF) and the creation of Tax Increment Reinvestment Zones (TIRZ) pursuant to Chapter 311 of the Texas Tax Code. The City has utilized TIF as a vehicle to fund in whole or in part eligible capital costs for public infrastructure related to economic development, commercial, and residential projects. As of September 30, 2013, there are 19 existing TIRZ with a total taxable captured value of $1,163,571. For fiscal year 2013, this total taxable captured value produced $6,244 in tax increment revenues for use by the City to fund capital costs of certain public infrastructure improvements in the TIRZ. The existing TIRZ have initial terms ranging from 13 years to 30 years which are anticipated to expire starting in fiscal year 2014 through fiscal year 2037. It is estimated that the City will contribute approximately $355,352 in tax increment revenues in aggregate over the life of these TIRZ projects.

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments

Summary of Cash and Cash Equivalents, Securities Lending and Investments

A summary of cash and cash equivalents, securities lending and investments for the primary government (City), Pension Fund, Health Fund, CPS Energy, and SAWS are presented below as of each entity's respective fiscal year. The information is provided in order to facilitate reconciliation between the Statement of Net Position and the following note disclosures:

Totals from Statement of Net Position

	City [1]	Fire and Police Pension Fund [2]	Fire and Police Retiree Health Care Fund [2]	CPS Energy [3]	SAWS [4]
Unrestricted:					
Cash and Cash Equivalents	$ 47,247	$ 57,764	$ 5,602	$ 271,895	$ 132,273
Security Lending Collateral	9,276	118,106	3,013		
Investments	352,393	2,415,385	267,084	28,766	51,694
Total Unrestricted	408,916	2,591,255	275,699	300,661	183,967
Restricted:					
Cash and Cash Equivalents	454,603			170,059	43,931
Security Lending Collateral	16,278			11,209	
Investments	686,140			756,156	289,978
Total Restricted	1,157,021			937,424	333,909
Total Cash and Cash Equivalents, Securities Lending Collateral and Investments	$ 1,565,937	$ 2,591,255	$ 275,699	$ 1,238,085	$ 517,876

[1] Private Purpose Trust and Agency Funds security lending collateral and investments are included in the City's pooled cash, security lending collateral and investments but are not available for City activities and are excluded from the primary government's Statement of Net Position. The Private Purpose Trust and Agency assets are presented above as Restricted Cash and Cash Equivalents of $9,962, Security Lending Collateral of $67, and Investments of $2,541.

[2] The Fire and Police Pension Fund and the Fire and Police Retiree Health Care Fund are separately issued fiduciary component units and are excluded from the primary government's Statement of Net Position.

[3] For the fiscal year ended January 31, 2013.

[4] For the fiscal year ended December 31, 2012.

Summary of Cash and Cash Equivalents

	City	Fire and Police Pension Fund	Fire and Police Retiree Health Care Fund	CPS Energy	SAWS
Deposits with Financial Institutions	$ 70,945	$ 257	$ 16	$ 21,975	$ 122,244
Investments with Original Maturities of Less than Ninety Days	424,937	57,507	5,586	419,871	53,930
Cash with Other Financial Agents	5,800				
Petty Cash Funds	81			108	
Cash on Hand	87				30
Total Cash and Cash Equivalents	$ 501,850	$ 57,764	$ 5,602	$ 441,954	$ 176,204

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Summary of Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Summary of Investments

	City	Fire and Police Pension Fund	Fire and Police Retiree Health Care Fund	CPS Energy	SAWS
U.S. Treasury, Government Agencies, Money Market Mutual Funds, and Governmental Investment Pool	$ 1,461,253	$ 57,507	$ 5,586	$ 920,805	$ 395,602
Repurchase Agreements	2,217				
Fixed Income Securities					
Corporate Bonds		384,892		91,709	
Foreign Bonds				15,418	
Government & Agency Notes		70,968			
Common Stock		1,054,452	17,178	131,049	
Mutual Funds			67,164		
Real Estate		252,719	50,233	45,059	
Preferred Stock				753	
Hedge Funds		370,025	7,785		
International Equities - Common Stock			11,174		
Alternative Investment		282,329	113,550		
Total Investments	1,463,470	2,472,892	272,670	1,204,793	395,602
Less: Investments with Original Maturities of Less than Ninety Days included in Cash and Cash Equivalents	(424,937)	(57,507)	(5,586)	(419,871)	(53,930)
Total	$ 1,038,533	$ 2,415,385	$ 267,084	$ 784,922	$ 341,672

City monies are deposited in demand accounts at the City's depository. The City utilizes a pooled cash and investment strategy with each fund's cash balance and pro rata shares of highly liquid investments, including U.S. Treasury securities, U.S. government agency securities, and repurchase agreements with original maturities of ninety days or less, summarized by fund type and included in the combined Statement of Net Position as cash and cash equivalents. Overdrafts, which result from a fund overdrawing its share of pooled cash, are reported as interfund payables by the overdrawn fund and as interfund receivables of either the General Fund or another fund within a similar purpose.

The City's investment portfolio is managed in accordance with the Texas Public Funds Investment Act, as amended, and its own Investment Policy. Authorized investments include demand accounts, certificates of deposit, obligations of the U.S. Treasury and U.S. government agencies, commercial paper, repurchase agreements, money market mutual funds and government investment pools. The City maintains in its investment portfolio U.S. Treasury securities and U.S. government agency securities with original maturities greater than ninety days. Each fund's pro rata share of these investments with original maturities greater than ninety days is combined with similar nonpooled securities (i.e., securities purchased and held for specific funds), including U.S. Treasury securities and U.S. government agency securities, and are reported as investments in the combined Statement of Net Position, as of September 30, 2013.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City)

The City's policy with respect to money market investments that have a remaining maturity of one year or less at the time of purchase is to report these investments at amortized cost. Amortized cost approximates fair value for these investments. The increase in fair value for investments of the City with a remaining maturity of greater than one year at the time of purchase was $305 for the year-ended September 30, 2013.

On July 2012, the City began participating in TexPool, a government investment pool. The TexPool investments consist exclusively of United States government securities, its agencies or instrumentalities, repurchase agreements collateralized by United States government securities, its agencies or instrumentalities, and AAA-rated no-load money market mutual funds. The Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which is authorized to operate TexPool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. Although TexPool is not registered with the Security and Exchange Commission as an investment company, the City believes TexPool operates as a Rule 2a-7-like pool, as described in GASB Statement No. 59, *Financial Instruments Omnibus*. As such, TexPool uses amortized cost to report net position and share prices, since that amount approximates fair value.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Exposure*, the following table and narrative addresses the interest rate risk exposure by investment type, using the weighted average maturity (WAM) method, custodial credit risk, interest rate risk, credit risk, and concentration of credit risk. The City does not hold any foreign securities; therefore, foreign currency risk is not applicable.

A summary of the City's cash and cash equivalents is provided at the beginning of Note 3, with a comparison to the Statement of Net Position and Statement of Fiduciary Net Position.

City Investments

	Carrying [1] Amount	Fair [1] Value	Allocation [2]	Rating [3]	WAM
U.S. Government Agency Securities	$ 877,680	$ 877,761	59.7%	AA+/A-1+	.60 years
U.S. Treasuries	162,675	162,899	11.5%	N/A	.39 years
Money Market Mutual Fund	369,241	369,241	25.2%	AAAm	1 day
Government Investment Pool	51,352	51,352	3.5%	AAAm	1 day
Fixed Income Securities	-	-	0.0%		
Repurchase Agreement	2,217	2,217	0.1%	N/A	1 day
Total City Investments	$ 1,463,165	$ 1,463,470	100.0%		

[1] The Carrying Amount and Fair Value include blended component unit investments for SIDC, TMFC, CCHFC, HTF, and SATPFC, which total $321,422.
[2] The allocation is based on fair value.
[3] Standard & Poors Rating

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Custodial Credit Risk (Deposits) – Collateral pledged for demand accounts and certificates of deposit is required to be held in the City's name in the custody of a third-party institution that customarily provides such custodial services at 102.0% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the U.S. government and its agencies and obligations of the State and its municipalities, school districts, and district corporations.

Written custodial agreements are required which provide, among other things, that the collateral securities are held separate from the assets of the custodial banks. The City periodically determines that the collateral has a market value adequate to cover the deposits (not less than 102.0% of the deposit amount) and that the collateral has been segregated either physically or by book entry. At fiscal year-end, cash deposits for the City were entirely collateralized by the City's depository with securities consisting of U.S. government and its agencies or U.S. government guaranteed obligations held in book entry form by the Federal Reserve Bank in the City's name.

Custodial Credit Risk (Investments) – The City's investment securities are held at the City's depository bank's third-party custodian, The Bank of New York Mellon, in the depository bank's name "as a custodian for the City". Assets pledged as collateral must generally be a type of security specifically authorized to be held as a direct investment; must be held by an independent third party; and must be pledged in the name of the City.

Interest Rate Risk – The City manages exposure to value losses resulting from rising interest rates by limiting the investment portfolio's weighted-average maturity to five years. Per the City's Investment Policy, investments are diversified across issuers and maturity dates so that fewer funds will be subject to interest rate risk occurrence at any given time. In addition, the City generally follows a laddered approach to investing, whereby blocks of roughly the same increments are invested at similarly increased maturity lengths. This approach provides security that all investments will not become due at one particularly advantageous or disadvantageous period of time, thereby spreading the risk. Weighted-average maturity is defined as the weighted-average time to the return of a dollar of principal. It is used as an estimate of the interest rate risk of a fixed income investment. The City invests in money market mutual funds and government investment pool with 100.0% overnight liquidity. Additionally, the City has entered into a repurchase agreement with 100.0% overnight liquidity.

Credit Risk – The City's Investment Policy requires the purchase of securities that are of the highest credit quality, based on current ratings provided by nationally recognized credit rating agencies. The City deems investments in U.S. Treasury securities and U.S. government agency securities that are guaranteed to be without credit risk. To limit the City's credit risk, investments in other debt securities will consist of securities rated 'A' or better by at least two nationally recognized rating agencies. As of September 30, 2013, the City's investment portfolio, with the exception of the repurchase agreement, the money market mutual fund investments, and the government investment pool consisted only of U.S. Treasury securities and U.S. government agency securities. Investments in U.S. government agency securities, including Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank, Federal Agricultural Mortgage Corporation and Federal Farm Credit Bank were rated 'AA+' (Long-term) and 'A-1+' (Short-term) by Standard & Poor's. The investments in the money market mutual fund and governmental investment pool were rated 'AAAm' by Standard & Poor's, and the repurchase agreement were greater than 100.0% collateralized with U.S. government agency securities.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Concentration of Credit Risk – Although the City's Investment Policy does not limit the amount of the portfolio invested in any one U.S. government agency, the City manages exposure to concentration of credit risk through diversification. As of September 30, 2013, the U.S. government agency's 59.7% securities allocation was as follows: Federal National Mortgage Association 12.8%, Federal Home Loan Mortgage Corporation 24.9%, Federal Home Loan Bank 12.8%, Federal Agricultural Mortgage Corporation 7.5%, and Farm Federal Credit Bank 1.7%.

Securities Lending – The City engages in securities lending transactions under a contract with its lending agent, Frost Bank. Authority to engage in these transactions is authorized under the Texas Public Funds Investment Act (the Act) and the City's Investment Policy. The City has authorized Frost Bank to loan up to 100.0% of the par value of its investments in the Pooled Operating Funds Portfolio, consisting of agency and treasury securities, in securities lending transactions for fiscal year 2013.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* provides guidance for reporting and disclosing securities lending transactions. This guidance includes reporting certain securities lending collateral on the balance sheet as an asset, with a corresponding liability for the obligation to repay the collateral.

In securities lending transactions, the City, through its lending agent, transfers securities to approved borrowers in exchange for collateral and simultaneously agrees to return the collateral for the same securities in the future. Cash collateral received from borrowers may be invested in 'AAA'-rated money market mutual funds or investments that adhere to the Act and the City's Investment Policy. The liquidity provided by the money market mutual funds allows for the easy return of collateral upon termination of a security loan. As of September 30, 2013, all cash collateral was invested in next day money market funds. The money market mutual funds' overnight liquidity is a shorter maturity than the term of the securities lending loan which can vary for one day to the length of the maturity of the security.

Securities lending income is earned if the investment returns on the cash collateral exceeds the rebate paid to borrowers of the securities. The income is then split with the lending agent to cover its fees based on a contractually negotiated rate (70.0% allocated to the City and 30.0% allocated to Frost Bank). In the event that the investment income of the cash collateral does not provide a return that exceeds the rebate or if the investment incurs a loss of principal, the payment to the borrower would come from the City and the lending agent based on the negotiated rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium for the securities borrowed. This income is split at the same rate as the earnings for cash collateral. The collateral pledged to the City for the loaned securities is held by the lending agent or the tri-party bank. These securities are not available to the City for selling or pledging unless the borrower is in default of the loan.

All collateral received is required to have a fair value of 102.0% of the loaned securities. Securities are marked to market daily and additional cash or securities are required from the borrower if the fair value of the collateral falls below 102.0%. Cash collateral is reported on the balance sheet as an asset, with a corresponding liability for the obligation to repay the cash collateral. Noncash collateral for securities lending activities is not recorded as an asset because it remains under the control of the transferor, except in the event of default.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

In the event of default, where the borrower is unable to return the securities borrowed, the City has authorized the lending agent to seize the borrower's collateral. The collateral would then be used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities may not be able to be replaced. The lending agent has indemnified the City from any loss due to borrower default in the event the collateral is insufficient to replace the securities.

At September 30, 2013, the City had no custodial credit risk exposure to borrowers because the amount of collateral held by the City exceeded the amount of the securities loaned to the borrowers. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses related to securities lending in fiscal year 2013.

As of September 30, 2013, the City had no credit risk exposure to borrowers because the amounts the City owed to borrowers exceeded the amounts the borrowers owed.

At September 30, 2013, there was a total of $915,446 in securities, or 94.4% of the market value of the City's Pooled Operating Funds Portfolio, plus accrued interest, on loan. In exchange, the City received $25,554 in cash collateral and $908,493 in securities collateral, or 102.1% of the market value of the corresponding securities loaned. Income generated from securities lending transactions, net of rebates to borrowers of $39, amounted to $3,895 in fiscal year 2013, of which 30.0% was paid as fees to the lending agent totaling $1,169.

Fire and Police Pension Fund

Investments of the Fire and Police Pension Fund (Pension Fund), a blended component unit, are administered by the Fire and Police Pension Fund Board of Trustees. Investments of the Pension Fund are reported at fair value and include corporate bonds, common stock, U.S. Treasury securities, U.S. government agency securities, notes, mortgages, hedge funds, contracts and real estate. Equity and fixed income securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Notes, mortgages, and contracts are valued on the basis of future principal and interest payments discounted at prevailing interest rates. The fair value of real estate investments is based on independent appraisals and on the equity position of real estate partnerships in which the Pension Fund has invested. The fair values of private equity investments are estimated by the General Partners based on consideration of various factors, including current net position valuations of underlying investments in limited partnerships, the financial statements of investee limited partnerships prepared in accordance with GAAP, and other financial information provided by the General Partners of investee-limited partnerships. Investment income is recognized as earned. Net appreciation/(depreciation) in fair value of investments includes gains and losses that are being recognized based on the change in the market value of the investments, but have not been realized because the assets have not been sold or exchanged as of the balance sheet date. The Pension Fund's assets are invested as authorized by Texas state law. The fair value of the Pension Fund's cash and investments are $2,591,255. A summary of the Pension Fund's cash, cash equivalents, and investments can be found at the beginning of Note 3.

Credit Risk – Using Standard and Poor's rating system for fixed income securities as of September 30, 2013, 4.0% of the Pension Fund's bonds were rated 'AAA', 4.0% were rated 'AA', 8.0% were rated 'A', 16.0% were rated 'BBB', 18.0% were rated 'BB', 22.0% were rated 'B', 2.0% were rated 'CCC', and 26.0% were unrated or not rated.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. As of September 30, 2013, the Pension Fund had cash deposits held by investment managers in the amount of $1,099 that were uninsured and uncollateralized.

Interest Rate Risk – Only the fixed income securities of the Pension Fund are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2013 amount to $455,860 and have a weighted-average maturity (WAM) of 7.95 years. Securities that are subject to interest rate risk are shown in the following table.

Investment Type	Fair Value	Weighted-Average Maturity WAM (Years)
Corporate Bonds	$ 60,082	6.36
Government Agencies	10,834	3.12
Government Bonds	54,955	14.39
Municipal/Provincial bonds	5,179	9.32
Non-Government Backed C.M.O.s	12,695	22.50
Bank Loans	134,598	5.54
Ashmore[1]	60,112	6.76
GoldenTree[2]	40,661	
Wellington Emerging Market Debt[3]	76,744	
Total Interest Rate Sensitive Securities	$ 455,860	

[1] Ashmore is a commingled fund invested in emerging market debt.

[2] GoldenTree is a commingled fund invested in high-yield corporate bonds. They report their portfolio effective duration in lieu of WAM as 2.94 as of September 30, 2013.

[3] Wellington, a commingled fund, also invests in emerging market debt. They report the effective duration of the portfolio in lieu of WAM. The effective duration for Wellington was 6.68 as of September 30, 2013.

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Foreign Currency Risk – The Pension Fund's investments include investments in equities, bonds, and cash in foreign currency denominations. Equities denominated in foreign currencies as of September 30, 2013 amounted to $481,117 in equities, $79,678 in bonds and $1,096 in cash, detailed as follows:

Country	Equities	Bonds	Cash	Total
Australian Dollar	$ 18,952	$ 7,714	$ 97	$ 26,763
Bermuda Dollar	11			11
Brazilian Real	21,950	6,595		28,545
Canadian Dollar	12,121			12,121
Swiss Franc	21,414			21,414
Chinese Yuan	20,234	1,455		21,689
Chilean Peso	763	813		1,576
Colombian Peso		1,742		1,742
Czech Republic Krona	254			254
Danish Krone	1,070		1	1,071
Euro	107,830	10,439	422	118,691
British Pound	61,829	6,197	479	68,505
Hong Kong Dollar	8,128		21	8,149
Hungarian Forint	56	3,507		3,563
Indonesian Rupiah	955	1,298		2,253
Israeli New Shekel	3,159		23	3,182
Indian Rupee	6,833			6,833
Japanese Yen	77,077			77,077
South Korean Won	29,458	3,908		33,366
Mexican Peso	9,323	15,310		24,633
Malaysian Ringgit	4,438	2,020		6,458
Nigerian Naira		906		906
Norwegian Krone	4,883			4,883
New Zealand Dollar	3,405			3,405
Peruvian Nuevo Sol	127	54		181
Philippine Peso	127			127
Polish Zloty	3,052	5,670		8,722
Russian Ruble	6,409	4,729		11,138
Swedish Krona	7,134			7,134
Singapore Dollar	5,702		22	5,724
Thai Baht	9,538	1,749		11,287
Turkish Lira	7,542			7,542
Taiwan Dollar	20,563			20,563
South African Rand	6,780	5,572	31	12,383
	$ 481,117	$ 79,678	$ 1,096	$ 561,891

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Securities Lending – State statutes and Pension Fund policies allow for securities lending transactions. The Pension Fund has entered into an agreement with its custodial bank to lend the Pension Fund's securities to one or more borrowers for a fee. It is the policy of the Pension Fund and the custodial bank to require that collateral equal to 102.0% and 105.0% for domestic and international securities, respectively, of the loaned securities be maintained by the custodial bank. Collateral may be in the form of cash, U.S. government securities, or irrevocable letters of credit. Until such time as the loan is terminated, the borrower retains all incidents of ownership with respect to the collateral. In the event that the borrower fails to repay the borrowed securities, the Pension Fund may suffer a loss. Management of the Pension Fund considers the possibility of such a loss to be remote. Cash open collateral is invested in a short-term investment pool with an average weighted maturity of 44 days at September 30, 2013.

As of September 30, 2013, the Pension Fund had lending arrangements outstanding with a total market value of $115,239 which were fully collateralized with cash and securities. Cash collateral of $118,106 is recorded in the accompanying Statements of Plan Net Position. Net income for the year-ended September 30, 2013, under the securities lending arrangement, was $371.

Cash Collateral Pool	
U.S. Asset Backed Securities	$ 3,332
U.S. Corporate Notes	1,296
U.S. Repo Agreements	37,322
U.S. Sweep Vehicle	971
U.S. Agencies Bonds	9,956
U.S. Certificates of Deposit	3,837
U.S. Commercial Paper	1,318
International Commercial Paper	6,028
International Certificates of Deposit	40,112
International Time Deposits	13,685
International Asset Backed Securities	249
Total	$ 118,106

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Derivatives and Structured Investments – The Pension Fund has only limited involvement with derivatives and other structured financial instruments. The Pension Fund's investment philosophy regarding the use of derivatives and other structured financial instruments is to use derivatives to replicate exposures to equity or fixed income securities. The fair value of structured financial instruments held by the Pension Fund at September 30, 2013, was approximately $1,831 in commercial mortgage obligations and is included with investments in the Statement of Plan Net Position. The Pension Fund also invests in hedge funds which may employ the use of derivatives to reduce volatility. The Pension Fund's total investment in hedge funds was $370,025 as of September 30, 2013.

As of September 30, 2013, the Pension Fund held foreign currency forward contracts as follows:

Currency	Market Value	Nominal Amount USD	Maturity Date
Australian Dollar	$ (297)	$ (7,645)	11/12/2013
British Pound	96	4,030	12/16/2013
Chilean Peso	21	1,693	11/8/2013
Chilean Peso	17	1,534	10/17/2013
Chilean Peso	8	956	12/12/2013
Euro	(220)	(9,531)	11/7/2013
Indian Rupee	128	4,142	12/18/2013
South Korea Won	(110)	(1,995)	10/18/2013
South Korea Won	(71)	(1,827)	11/15/2013
New Zealand Dollar	(34)	(3,273)	1/17/2014
Poland Zloty	(274)	(3,634)	10/10/2013
Turkish Lira	15	(896)	10/11/2013
Turkish Lira	13	2,235	10/11/2013
Total	$ (708)	$ (14,211)	

Fire and Police Retiree Health Care Fund

The Fire and Police Retiree Health Care Fund (Health Fund) Board of Trustees administers investments of the Health Fund, a blended component unit. Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value.

Alternative investments are substantially held in the form of nonmarketable limited partnerships interests, private real estate investment trusts, and open-ended hedge funds. These investments are subject to the terms of the respective partnerships' or other types of governing documents which may limit the Health Fund's withdrawal to specified times and conditions and restrict the transferability of the Health Fund's interest. The fair valuation of these investments is based on net asset values as set by the partnerships' fund managers or general partners. These net asset values may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

All investment income, including changes in the fair value of investments, is reported as additions in the Statement of Changes in Plan Net Position.

The Health Fund's assets are invested as authorized by the Investment Policy. The Health Fund utilizes an investment consultant that makes recommendations to the Health Fund as to the appropriate target portfolio weightings among the major asset classes (e.g. stocks, mutual funds, limited liability partnerships, cash, etc.) within the Health Fund. Additionally, the Health Fund has hired certain investment managers to exercise full discretionary authority as to all buy, hold, and sell decisions for each security under management, subject to the guidelines as defined in the Investment Policy. All of the Health Fund's assets are held by a custodial bank, Frost Bank of San Antonio, Texas.

Investments authorized by the Health Fund's Investment Policy include U.S. equities, including common stocks, securities convertible into common stock, and open or closed end mutual funds; international equity; certain fixed income assets such as corporate bonds and certificates of deposit; commercial paper; private equity; and alternative investments, including real estate, absolute return hedge funds, and natural resources. The cash portion of the Health Fund will be invested in a short-term money market mutual fund administered by the custodian bank.

The fair value of the Health Fund's cash and investments at September 30, 2013 is $275,699. A summary of the Health Fund's cash, cash equivalents, and investments can be found at the beginning of Note 3.

Custodial Credit Risk (Deposits) – The Health Fund's deposits that are held with Frost Bank in non-interest bearing demand accounts are covered under the new FDIC Transaction Account Guarantee Program. Under this program, through December 31, 2013, all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's general deposit rules. It does not appear that deposits the Health Fund holds in demand accounts are exposed to custodial credit risk as of September 30, 2013.

The Health Fund does not have deposit or investment policies related to custodial credit risk as of September 30, 2013. The Health Fund is aware of these risks and monitors such risks, if any, as part of its day-to-day operations and through its daily dealings with the custodian bank.

Custodial Credit Risk (Investments) – The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to an investment transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At September 30, 2013, the Health Fund's common stock investments are held at Frost Bank's third-party custodian, Bank of New York. Since the investments are maintained separately from the bank's assets, in the event of failure of the bank, the investments held in trust would not be affected.

Credit Risk – In accordance with the Health Fund's Investment Policy, investments in money market mutual fund must be rated at least 'A-2' by Standard and Poor's (S & P). The Health Fund's investments' rating from S & P was 'AAAm' by S&P.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

The Health Fund's investments in Mutual Funds – Fixed Income are not rated by a nationally recognized statistical ranking organization.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Health Fund's Investment Policy limits the maturities of money market mutual funds to 2 years at time of purchase. At September 30, 2013, the money market fund weighted average to maturity is 46 days.

Securities Lending – The Health Fund participates in a securities lending program as a means to augment income. The program is operated in accordance with a contract between the Health Fund and its custodian bank, Frost Bank, and compliance with State statutes and Health Fund policies. Securities are lent to select borrowers for a fee. It is the policy of the Health Fund and the custodian bank to require that collateral equal 100.0% of the loaned security's market value plus accrued interest for domestic government or agency securities loaned, and 102.0% of the loaned security's market value plus accrued interest for approved, domestic nongovernment or agency securities loaned. Collateral is maintained by the custodian bank and may be in the form of cash, U.S. government securities, or irrevocable letters of credit. Until such time as the loan is terminated, the borrower retains all incidents of ownership with respect to the collateral. In the event the borrower fails to repay the borrowed securities when due and the value of the collateral is insufficient to replace the borrowed securities, the Health Fund may suffer a loss. Management of the Health Fund considers the possibility of such a loss to be remote.

At September 30, 2013, the Health Fund was not exposed to credit risk to borrowers because the amounts owed to borrowers exceeded the amount the borrowers owed. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses in fiscal year 2013.

At September 30, 2013, there was a total of $2,930 in securities out on loan to borrowers. In exchange, the Health Fund received $3,013 in securities collateral invested in open-ended money market type mutual funds, or 102.8% of the market value of the corresponding securities loaned.

Subscribed Capital Commitments – As of September 30, 2013, the Fund had non-binding commitments to invest capital in 23 investment companies under investment capital subscription agreements. These commitments are subject to periodic calls from the investment companies. The amount of this investment capital committed under the subscription agreements totaled to $92,746. As of September 30, 2013, $24,436 of this total had been called.

CPS Energy

CPS Energy's investments with a maturity date within one year of the purchase date are reported at amortized cost, which approximates fair value. Amortization of premium and accretion of discount are recorded over the terms of the investments. CPS Energy's investments with a maturity date of one year or longer from the purchase date are accounted for using fair value. As available, fair values are determined by using generally accepted financial reporting services, publications, and broker/dealer information. The specific identification method is used to determine costs in computing gains or losses on sales of securities. CPS Energy reports all investments of the Decommissioning Trusts at fair market value.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Restricted funds are generally for uses other than current operations. They are designated by law, ordinance or contract and are often used to acquire or construct noncurrent assets. Restricted funds consist primarily of unspent bond or commercial paper proceeds, debt service required for the New Series Bonds, Junior Lien Obligations and Tax-Exempt Commercial Paper, the Flexible Rate Revolving Note and funds for future construction or contingencies. This category also includes customer assistance programs where proceeds are received from outside parties. The assets of the Decommissioning Trusts are also considered restricted.

The Repair and Replacement Account is restricted in accordance with CPS Energy's bond ordinances. In compliance with a bond ordinance, CPS Energy's board of trustees authorized that a portion of the Repair and Replacement Account be designated a Community Infrastructure and Economic Development (CIED) Fund.

CPS Energy's cash deposits at January 31, 2013 were either insured by federal depository insurance or collateralized by banks. All noninterest-bearing cash deposits were fully insured by the FDIC in accordance with the Dodd-Frank financial reform legislation that was enacted in the summer of 2010. CPS Energy's Investment Policy was revised effective March 1, 2011, to allow for a reduction in collateral to the extent of FDIC coverage. For deposits that were collateralized, the securities were U.S. government, U.S. government agency, or U.S. government-guaranteed obligations held in book entry form by the Federal Reserve Bank of New York in CPS Energy's name.

CPS Energy's cash, cash equivalents and investments can be separated in the following manner:

- Those directly managed by CPS Energy, and
- Those managed through the Decommissioning Trusts.

For financial reporting purposes, cash, cash equivalents and investments managed directly by CPS Energy have been consistently measured as of the end of the fiscal year. The Decommissioning Trusts are reported on a calendar-year basis.

Cash, Cash Equivalents and Securities Lending Cash Collateral as of January 31, 2013	
Cash and Cash Equivalents:	
Petty Cash funds on hand	$ 108
Deposits with financial institutions:	
Unrestricted CPS Energy Deposits	21,120
Restricted CPS Energy Deposits:	
Capital Projects	13
Debt Service	685
Project Warm	157
Investments with original maturities of less than 90 days:	
CPS Energy unrestricted (current)	250,667
CPS Energy restricted (noncurrent)	146,187
Decommissioning Trusts - restricted (noncurrent)	23,017
Total Cash and Cash Equivalents	$ 441,954

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Summary of Cash, Cash Equivalents, and Security Lending Along with Current and Noncurrent Investments as of January 31, 2013	
Cash and Cash Equivalents:	
CPS Energy unrestricted and restricted	$ 418,937
Decommissioning Trusts - restricted	23,017
Total Cash and Cash Equivalents	441,954
Securities Lending Decommissioning Trusts - Restricted	11,209
Gross Investments - current and noncurrent:	
CPS Energy - unrestricted and restricted	749,277
Decommissioning Trusts - restricted	455,516
Total Gross Investments	1,204,793
Investments with original maturities of less than 90 days also included in Cash Equivalents:	
CPS Energy unrestricted and restricted	(396,854)
Decommissioning Trusts - restricted	(23,017)
Total Investments also included in Cash Equivalents	(419,871)
Net Current and Noncurrent Investments	784,922
Total Cash, Cash Equivalents, Security Lending and Investments	$ 1,238,085

CPS Energy's investments and the investments held in the Decommissioning Trusts are subject to the rules and regulations of the Public Funds Investment Act (PFIA). The PFIA regulates what types of investments can be made, requires written investment policies, mandates training requirements of investment officers, requires internal management reports to be produced at least quarterly, and provides for the selection of authorized brokers. In September 2005, the Texas legislature passed a law to allow the decommissioning trust funds for municipally owned nuclear power plants to hold investments authorized by Subtitle B, Title 9, of the Property Code (i.e., corporate bonds and equities such as common stocks).

CPS Energy's allowable investments are defined by CPS Energy Board Resolution, CPS Energy Investment Policy, bond ordinances, Tax-Exempt Commercial Paper (TECP) Ordinance and State law. These investments are subject to market risk, and their market value will vary as interest rates fluctuate. All CPS Energy direct investments are held in trust custodial funds by an independent bank.

CPS Energy's investments in the Decommissioning Trusts are held by an independent trustee. Investments are limited to those defined by CPS Energy Board Resolution, the South Texas Project Decommissioning Trust Investment Policy, the Investment Strategy Committee, the Trust Agreements and State law, as well as PUCT and Nuclear Regulatory Commission (NCR) guidelines. Allowable investments for the Decommissioning Trusts include those directly permissible for CPS Energy, as well as equities and corporate bonds (including international securities traded in U.S. dollars and on U.S. stock exchanges). In accordance with the Decommissioning Trusts' Investment Policy, total investments can include a maximum of 60.0% equity securities. During calendar year 2012, an asset allocation change was executed in the Trusts in a strategic effort to reduce risk. The result of the change was a new target allocation of 40.0% equities and 60.0% fixed-income investments.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Permissible Investments		
Investment Description	**CPS Energy Direct Investments**	**Decommissioning Trusts**
U.S. Government, Government Agency, or U.S. Government-guaranteed obligations	✓	✓
Collateralized mortgage obligation issued by the U.S. Government	✓	✓
Fully secured certificates of deposit issued by a state, national or savings bank domiciled in the State of Texas	✓	✓
Direct repurchase agreements	✓	✓
Reverse repurchase agreements	✓	✓
Defined bankers' acceptances and commercial paper	✓	✓
No-load money market mutual funds	✓	✓
Investment pools	✓	N/A
Equities	N/A	✓
Investment quality obligations	✓	✓
Corporate bonds	N/A	✓
International securities	N/A	✓
No-load commingled funds	N/A	✓
Securities lending	✓	✓
Other specific types of secured or guaranteed investments	✓	✓

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Cash, Cash Equivalents and Investments by Fund as of January 31, 2013	
Unrestricted	
Cash and Cash Equivalents	$ 271,895
Investments	28,766
Total Unrestricted (current)	300,661
Restricted	
Debt Service	
Cash and Cash Equivalents	1,231
Total Debt Service	1,231
Capital Projects	
Cash and Cash Equivalents	89,086
Total Capital Projects	89,086
Ordinance	
Cash and Cash Equivalents	56,554
Investments	316,149
Total Ordinance	372,703
Other	
Project Warm	
Cash and Cash Equivalents	171
Investments	7,508
Total Project Warm	7,679
Decommissioning Trusts	
Cash and Cash Equivalents	23,017
Securities Lending	11,209
Investments	432,499
Total Decommissioning Trusts	466,725
Total Other	474,404
Total Restricted	
Cash and Cash Equivalents	170,059
Securities Lending	11,209
Investments	756,156
Total Restricted (noncurrent)	937,424
Total Cash, Cash Equivalents and Investments (unrestricted and restricted)	$ 1,238,085

CPS Energy's cash equivalents and fixed-income investments are exposed to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk. Equity investments are exposed to credit risk (including custodial credit risk and concentration of credit risk) and foreign currency risk. Interest rate risk is the exposure to fair market value losses resulting from rising interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligations (will be unable to make timely principal and interest payments on the security). Foreign currency risk is the exposure to fair market value losses arising from changes in exchange rates. Cash, cash equivalents, and fixed-income investments are also exposed to inflation, liquidity, political, legal, event, reinvestment and timing (call) risks. Additionally, equity investments are exposed to political, legal, event and general economic risks. Due to market fluctuations, it is possible that substantial changes in the market value of investments could occur after the end of the reporting period.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

CPS Energy's investments and the investments in the Decommissioning Trusts are managed with a conservative focus. The investment policies are structured to ensure compliance with bond ordinances, the PFIA, the Public Funds Collateral Act, the NRC, the PUCT, other applicable state statutes, and CPS Energy board of trustee resolutions relating to investments. CPS Energy identifies and manages risks by following an appropriate investment oversight strategy, establishing and monitoring compliance with investment policies and procedures, and continually monitoring prudent controls over risks.

Summary of Investments (Including Cash Equivalents) by Organizational Structure and Type as of January 31, 2013	
CPS Energy Investments	
U.S. Treasury, Government Agencies and Money Market Funds	$ 749,277
Decommissioning Trusts	
U.S. Treasury, Government Agencies and Money Market Funds	171,528
Corporate Bonds	91,709
Foreign Bonds	15,418
Subtotal	278,655
Common Stock	131,049
Real Estate Investment Trusts	45,059
Preferred Stock	753
Total Decommissioning Trusts	455,516
Grand Total - all Investments	$ 1,204,793

In accordance with State law, the Decommissioning Trusts' Investment Policy allows for investment in additional types of securities, such as corporate bonds and equity securities. The policy provides guidelines to ensure all funds are invested in authorized securities in order to earn a reasonable return. The primary emphasis is placed on long-term growth commensurate with the need to preserve the value of the assets and, at the time funds are needed for decommissioning costs, on liquidity. The Investment Policy continues to follow the "prudent person" concept.

In accordance with GASB Statement No. 40, additional disclosures have been provided in this Note that address investment exposure to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk, as applicable. The disclosure requirements of this Statement do not apply to equity securities since they are not directly or immediately exposed to these risks. CPS Energy and the Decommissioning Trusts do not have custodial credit risk, as all investments are held either by an independent trustee or bank and are in CPS Energy's or the Decommissioning Trusts' names.

CPS Energy Investments – In accordance with GASB Statement No. 40, the following tables address credit risk and interest rate risk exposure by investment type using the weighted-average maturity (WAM) method. Since CPS Energy does not hold foreign instruments in its direct investments (those held by CPS Energy), foreign currency risk is not applicable.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Interest Rate Risk – In accordance with its Investment Policy, CPS Energy manages exposure to fair value losses resulting from rising interest rates by placing a limit on the portfolio's WAM. The definition of WAM is the weighted-average time to return a dollar of principal based on the investments' stated final maturity. It is used as an estimate of the interest rate risk of a fixed-income investment. Prior to January 31, 2013, the Investment Policy limited the WAM to two years or less. Effective January 31, 2013, the Investment Policy was revised to reflect a WAM limitation of three years or less, which continues to allow for the management of risk while optimizing returns. CPS Energy invests securities lending cash collateral and other funds in money market mutual funds that have no fixed maturities.

Concentration of Credit Risk – In accordance with its Investment Policy, CPS Energy manages exposure to concentration of credit risk through diversification and by limiting its investment in each federal agency to 35.0% and investment in any other issuer of debt securities to 5.0% of the total fixed-income portfolio. Additionally, certificates of deposit are limited to 35.0% per issuer.

Investment Type	Carrying Value	Market Value	Allocation	Weighted-Average Maturity (Years)
U.S. Treasuries	$ -	$ -	0.0%	0.0
U.S. Agencies:				
Federal Home Loan Mortgage Corp.	96,795	96,795	12.9%	4.6
Federal National Mortgage Assn.	98,825	98,825	13.2%	5.9
Federal Home Loan Bank	29,115	29,115	3.9%	1.5
Federal Farm Credit Bank	15,799	15,799	2.1%	9.6
Small Business Administration	8,646	8,646	1.2%	7.5
Municipal Bonds	61,542	61,542	8.2%	1.5
Certificates of Deposit	1,738	1,738	0.2%	1.3
Commercial Paper	39,963	39,963	5.3%	0.1
Money Market Mutual Funds	396,854	396,854	53.0%	N/A
Total Fixed-Income Investments	$ 749,277	$ 749,277	100.0%	1.9

Credit Risk – In accordance with its Investment Policy, CPS Energy manages exposure to credit risk by limiting its fixed-income investments to a credit rating of "A-" or better. Due to the Standard & Poor's (S&P) downgrade of U.S. government debt securities in August 2011, the Investment Policy was revised effective September 1, 2011. This revision removed the requirement that all investments in securities issued by the U.S. Government Agencies, the State of Texas, and Texas Agencies must be rated "AAA." As of January 31, 2013, CPS Energy held no debt securities with a long-term credit rating below A-, or equivalent, or short-term credit rating below "A-1+/P-1/F-1+."

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Credit Rating	Carrying Value	Market Value	Allocation
U.S. Treasuries	$ -	$ -	0.0%
AAA / Aaa	420,064	420,064	56.1%
AA+ / Aa1	246,990	246,990	33.0%
AA / Aa2	11,807	11,807	1.6%
AA- / Aa3	12,402	12,402	1.7%
A+ / A1	996	996	0.1%
A / A2	1,177	1,177	0.2%
A- / A3	2,010	2,010	0.3%
Short-term:			
S-P1+ / MIG 1	12,130	12,130	1.6%
A-1+ / P-1 / F-1+	39,963	39,963	5.3%
Not rated	1,738	1,738	0.2%
Total Fixed-Income Investments	$ 749,277	$ 749,277	100.0%

Decommissioning Trust Investments – As mentioned previously, the Decommissioning Trusts report their assets on a calendar-year basis; therefore, the tables in this section are as of December 31. These tables address interest rate risk exposure by investment type, credit risk, concentration of credit risk and foreign currency risk. All investments held by the Decommissioning Trusts are long-term in nature and are recorded at fair value.

Interest Rate Risk – Generally, the long-term nature of the liabilities and the limited need for daily operating liquidity allow interim fluctuations in market value to occur without jeopardizing the ultimate value of the assets. Where long-term securities are held, the interim market value of assets can be sensitive to changes in interest rates. As the general level of interest rates moves up and down, the interim market value of longer-maturity bonds may change substantially.

To mitigate this interest rate risk, a limitation is placed on the weighted-average duration of the fixed-income portfolio. Weighted-average duration is defined as the weighted-average time to return a dollar of principal and interest and also incorporates potential changes in the timing of principal and interest return that may occur as a result of changes in interest rates. It makes assumptions regarding the most likely timing and amounts of variable cash flows and is used as an estimate of the interest rate risk of a fixed-income investment – especially those with payment terms dependent on market interest rates. The overall portfolio duration should not deviate from the weighted-average duration of the Investment Strategy Committee's specified fixed-income index by more than +/- 1.5 years. The Investment Strategy Committee's fixed-income index is based on the Barclays Capital Aggregate Index, which is 5.06 for 2012.

Concentration of Credit Risk – In accordance with the Investment Policy, exposure to concentration of credit risk is managed through diversification and by limiting investments in each government-sponsored entity to 30.0% and investments in any nongovernment-sponsored issuer to 5.0% of the total fixed-income portfolio (excluding cash collateral from securities lending). At December 31, 2012, total other debt securities (corporate and foreign issuers) amounted to 45.7% of the fixed-income portfolio for the 28% Decommissioning Trust and 18.2% for the 12% Decommissioning Trust.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

The following tables list the fixed-income investment holdings by type:

	28% Interest			12% Interest		
Investment Type	Market Value [1]	Allocation	Weighted-Average Duration (Years)	Market Value [1]	Allocation	Weighted-Average Duration (Years)
U.S. Treasuries	$ 26,779	13.0%	2.9	$ 28,110	38.5%	5.7
U.S. Agencies:						
Federal National Mortgage Assn.	32,328	15.7%	3.2	10,268	14.1%	3.2
Federal Home Loan Mortgage Corp.	20,132	9.8%	3.2	9,075	12.4%	3.9
Small Business Admin	3,164	1.5%	5.7			
Government National Mortgage Assn.	2,958	1.4%	2.4	1,736	2.4%	5.0
Municipal Bonds - Texas	535	0.3%	9.1	330	0.4%	8.4
Municipal Bonds - Other States	10,425	5.1%	9.8	2,671	3.7%	7.5
Corporate Bonds	78,446	38.2%	6.5	13,263	18.2%	6.4
Foreign Bonds	15,418	7.5%	6.7			
Money Market Mutual Funds	15,460	7.5%	N/A	7,557	10.3%	N/A
Total Fixed-income Investments	$ 205,645	100.0%	5.2	$ 73,010	100.0%	5.3
Cash Collateral - Securities Lending	8,950			2,259		
Total Fixed-income Portfolio	$ 214,595			$ 75,269		
Combined Decommissioning Trust Funds Total	$ 289,864					

[1] Market Value and carrying value are the same amount.

Credit Risk – In accordance with the Investment Policy, exposure to credit risk is managed by limiting all fixed-income investments to a credit rating of "BBB-", or equivalent, or better from at least two nationally recognized credit rating agencies. If a security's rating falls below the minimum investment grade rating of "BBB-" after it has been purchased, the Investment Policy allows investment managers to continue to hold the security as long as the total fair value of securities rated below investment grade does not exceed 5.0% of the total fixed-income portfolio. As noted in the following tables, which list the fixed-income holdings by credit rating, investments with a credit rating below BBB- totaled 2.3% of the fixed-income portfolio for the 28% Trust at December 31, 2012. There were no securities with a credit rating below BBB- held in the 12% Trust at December 31, 2012. Standard & Poor's (S&P) ratings are provided when available; if no S&P rating is available, the Moody's rating is listed.

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

The following table lists the fixed-income investment holdings by credit rating:

	28% Interest		12% Interest	
Credit Rating	Market Value [1]	Allocation	Market Value [1]	Allocation
U.S. Treasuries (AA+)	$ 26,779	12.5%	$ 28,110	37.4%
AAA / Aaa	32,939	15.4%	11,060	14.7%
AA+ / Aa1	62,284	29.0%	21,465	28.5%
AA	1,609	0.8%	993	1.3%
AA- / Aa3	1,925	0.9%	-	0.0%
A+ / A1	8,808	4.1%	1,568	2.1%
A	12,095	5.6%	749	1.0%
A-	27,482	12.8%	6,003	8.0%
BBB+	9,013	4.2%	2,392	3.2%
BBB / Baa	19,973	9.3%	2,503	3.3%
BBB-	6,609	3.1%	426	0.6%
BB+	2,811	1.3%	-	0.0%
B+	245	0.1%	-	0.0%
CCC	462	0.2%	-	0.0%
CC	41	0.0%	-	0.0%
D	63	0.0%	-	0.0%
Not rated	1,457	0.7%		0.0%
Total Fixed-income Portfolio	$ 214,595	100.0%	$ 75,269	100.0%

[1] Market Value and carrying value are the same amount.

Foreign Currency Risk – With the exception of dedicated foreign-equity portfolios, all investments authorized for purchase by the Decommissioning Trusts are U.S. dollars. This reduces the potential foreign currency risk exposure to the portfolio. All foreign bonds outstanding were issued in the U.S. and amounted to $15,418 as of December 31, 2012. In accordance with the Investment Policy, investments in international portfolios are limited to international commingled funds, American Depository Receipts and Exchange Traded Funds that are diversified across countries and industries. The international portfolio will be limited to 20.0% of the total portfolio. At December 31, 2012, total foreign equity securities held by the 12% Trust amounted to 5.1% of the Trust's portfolio.

Securities Lending – CPS Energy and the Decommissioning Trusts engage in securities lending transactions under a contract with their lending agent, Frost Bank. Authority to engage in these transactions is granted under each entity's Investment Policy. CPS Energy and the Decommissioning Trusts are authorized to loan up to 70.0% and 100.0%, respectively, of their investments in securities lending transactions.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* provides guidance for entities reporting and disclosing securities lending transactions. This guidance includes reporting certain securities lending collateral on the balance sheet as an asset, with a corresponding liability for the obligation to repay the collateral.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

In securities lending transactions, CPS Energy and the Decommissioning Trusts, through their lending agent, transfer securities to brokers/dealers in exchange for collateral and simultaneously agree to return the collateral for the same securities in the future. Cash collateral received from the borrower is invested entirely in money market mutual funds. The liquidity provided by the money market mutual funds allows for the easy return of collateral at the termination of a security loan.

Lending income is earned if the returns on the cash collateral invested exceed the rebate paid to borrowers of the securities. The income is then shared with the lending agent to cover its fees based on a contractually negotiated rate split. However, if the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from CPS Energy's or the Decommissioning Trusts' resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium for the securities loaned. This income is split at the same ratio as the earnings for cash collateral. The collateral pledged to CPS Energy or the Decommissioning Trusts for the loaned securities is held by the lending agent. These securities are not available to CPS Energy or the Decommissioning Trusts for selling or pledging unless the borrower is in default of the loan.

Any collateral received is required to have a fair value of 102.0% of the loaned securities. Securities are marked to market daily and additional cash or securities are required from the borrower if the market value of the collateral falls below 100.0%. Cash collateral is reported on the balance sheet as an asset, with a corresponding liability for the obligation to repay the cash collateral. Noncash collateral for securities lending activities is not recorded as an asset because it remains under the control of the transferor, except in the event of default.

In the event of default, where the borrower is unable to return the securities loaned, CPS Energy and the Decommissioning Trusts have authorized the lending agent to seize the collateral held. The collateral would then be used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities may not be able to be replaced. The lending agent has indemnified CPS Energy and the Decommissioning Trusts from any loss due to borrower default in the event the collateral is not sufficient to replace the securities.

At January 31, 2013, neither CPS Energy nor the Decommissioning Trusts had any credit risk exposure to borrowers because the amounts CPS Energy and the Decommissioning Trusts owed to borrowers exceeded the amounts the borrowers owed. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses related to securities lending in fiscal year 2013.

Direct Investments – At January 31, 2013, there was a total of $124,016 in securities, or 16.6% of CPS Energy's direct investments, out on loan to brokers/dealers. In exchange, CPS Energy received $126,685 in securities collateral, or 102.2% of the market value of the corresponding securities loaned. Income generated from securities lending transactions amounted to $760 in fiscal year 2013, of which 30.0% was paid as fees to the lending agent.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Decommissioning Trusts – For the 28% Decommissioning Trust at December 31, 2012, there was a total of $33,623 in securities, or 10.0% of the Decommissioning Trust's investments, out on loan to brokers/dealers. In exchange, the Trust received $8,950 in cash collateral and $25,278 in securities collateral, or a total of 101.8% of the market value of the corresponding securities loaned. Income generated from securities lending transactions for the Decommissioning Trust amounted to $106 in calendar year 2012, of which 30.0% was paid as fees to the lending agent.

For the 12% Decommissioning Trust at December 31, 2012, there was a total of $15,374 in securities, or 13.0% of the Decommissioning Trust's investments, out on loan to brokers/dealers. In exchange, the Trust received $2,259 in cash collateral and $13,413 in securities collateral, or a total of 101.9% of the market value of the corresponding securities loaned. Income generated from securities lending transactions for this Decommissioning Trust amounted to $50 in calendar year 2012, of which 30.0% was paid as fees to the lending agent.

San Antonio Water System (SAWS)

SAWS is permitted by City Ordinance No. 75686, SAWS' Investment Policy and Texas state law, to invest in direct obligations of the U.S. or its agencies and instrumentalities. Other allowable investments include direct obligations of the State of Texas or its agencies and instrumentalities; secured certificates of deposit issued by depository institutions that have their main office or a branch office in the State of Texas; defined bankers acceptances and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk, which may affect the value at which these investments are recorded. Investments other than money market investments are reported at fair value. Under the provisions of GASB Statement No. 31, money market investments, including U.S. Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at amortized cost. San Antonio Water System Retirement Plan (SAWSRP) unallocated separate accounts are valued at fair value. A summary of SAWS cash, cash equivalents, and investments can be found at the beginning of Note 3.

Custodial Credit Risk (Deposit) – All funds are deposited in demand and savings accounts or certificates of deposit at Frost Bank, SAWS' general depository bank. Additionally funds have been deposited in certificates of deposit at BBVA-Compass Bank and JPMorgan Chase Bank. As required by state law, all deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2012, the collateral pledged is being held by the Federal Reserve Bank of Boston under SAWS' name so SAWS incurs no custodial credit risk. As of December 31, 2012, the bank balance of demand and savings account was $49,620 and the reported amount was $47,274 which included $30 of cash on hand, and certificates of deposits totaled $75,000.

Custodial Credit Risk (Investment) – Investments include securities issued by the United States government and its agencies and instrumentalities along with funds held in escrow. Securities issued by the U.S. government and its agencies and instrumentalities are held in safekeeping by SAWS' depository bank, Frost Bank and registered as securities of SAWS. Funds held in escrow are Money Market Funds managed by Frost Bank, Bank of New York Mellon, U.S. Bank and Wells Fargo Bank and are invested in securities issued by the U.S. government or by U.S. Agencies.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

San Antonio Water System (SAWS) (Continued)

As of December 31, 2012, SAWS had the following investments and maturities:

	Investments Maturities (in Days)					
Investment Type	90 Days or Less	91 to 180	181 to 365	Greater than 365	Fair Value	Reported
U.S. Treasury Securities	$ 9,979	$ 32,400	$ -	$ -	$ 42,379	$ 42,368
U.S. Agency Discount Notes		61,062			61,062	61,056
U.S. Agency Coupon Notes	137,981	33,114	28,947	38,215	238,257	238,248
Money Market Funds:						
Bank of New York Mellon	10,662				10,662	10,662
Frost National Bank	29,583				29,583	29,583
U.S. Bank	2,568				2,568	2,568
Wells Fargo Bank	11,117				11,117	11,117
	$ 201,890	$ 126,576	$ 28,947	$ 38,215	$ 395,628	$ 395,602
Percentage of Portfolio	51.0%	32.0%	7.3%	9.7%	100.0%	

Interest Rate Risk – As a means of limiting its exposure to fair value losses due to rising interest rates, SAWS' Investment Policy limits its investment maturities to no more than five years. As indicated in the table above, 90.3% of SAWS' investment portfolio is invested in maturities less than one year.

Credit Risk – In accordance with its Investment Policy, SAWS manages exposure to credit risk by limiting its investments in long-term obligations of other states and cities to those with a credit rating of 'A' or better. Additionally, any short-term investments require a rating of at least 'A-1' or 'P-1'. As of December 31, 2012, SAWS held no direct investments with a credit rating below 'AA+'.

Credit Rating	Carrying Value	Market Value	Allocation	Investment Policy Limit
A-1/AAA	$ 114,986	$ 114,992	29.1%	Max. = 100.0%
AA+	280,616	280,636	70.9%	
Total Portfolio	$ 395,602	$ 395,628	100.0%	

Concentration of Credit Risk – SAWS' Investment Policy does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to concentration of credit risk, SAWS' Investment Policy does limit the amount that can be invested in any one government-sponsored issuer to no more than 50.0% of the total investment portfolio, and no more than 20.0% of the total investment portfolio on any non-government issuer unless it is fully collateralized. As of December 31, 2012, the following investments in any one organization that represent more than 5.0% of total SAWS investments are: 30.0% in Federal Home Loan Bank, 7.0% in Federal National Mortgage Association, and 16.0% in Federal Home Loan Mortgage Corporation.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

San Antonio Water System (SAWS) (Continued)

The following is a reconciliation of deposits and investments disclosed in the Note to the amounts presented for cash and cash equivalents and investments in the balance sheet for 2012:

	December 31, 2012
Reported amounts in Note for:	
Deposits, including certificates of deposit	$ 122,274
Investments	395,602
Total Deposits and Investments	$ 517,876
Totals for Balance Sheet:	
Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	$ 132,273
Restricted cash and cash equivalents:	
Debt Service Fund	2
Capital Projects Accounts	43,351
Other Restricted Accounts:	
Reserve Fund	578
Total Cash and Cash Equivalents	$ 176,204
Investments:	
Unrestricted current investments	$ 51,694
Restricted current investments:	
Debt Service Accounts	47,913
Capital Project Accounts	19,135
Other Restricted Accounts:	
Operating reserve	38,389
Customer deposits	9,265
Total Other Restricted Accounts	47,654
Total Current Investments	$ 166,396
Restricted noncurrent investments:	
Capital Project Accounts	$ 95,010
Other Restricted Accounts:	
Reserve Fund	80,266
Total Cash, Cash Equivalents and Investments	$ 517,876

Note 4 Capital Assets

Primary Government (City)

Impairments of $459 were identified and reduced in capital assets for governmental activities. As a part of the City's continued diligence and review of CIP the City expensed $43,630 for construction costs that did not meet capitalization thresholds or were costs associated and funded by third parties for their assets. Additionally, $24,193 in Land was reduced from CIP and capitalized. Capital asset activity for governmental activities, to include Internal Service Funds, for the year-ended September 30, 2013 is as follows:

Capital Assets - Governmental Activities

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Transfers	Ending Balance
Non-Depreciable Assets:					
Land	$ 1,380,515	$ 24,371	$ (13)	$ -	$ 1,404,873
Construction in Progress	286,687	233,323	(67,823)	(143,835)	308,352
Non-Depreciable Intangible Assets	82,740	15,107			97,847
Other Non-Depreciable Assets	2,548				2,548
Total Non-Depreciable Assets	1,752,490	272,801	(67,836)	(143,835)	1,813,620
Depreciable Assets:					
Intangible Assets	3,877	206			4,083
Buildings	844,755		(48)	12,352	857,059
Improvements	605,782	102	(13)	61,904	667,775
Infrastructure	2,646,757		(28)	68,584	2,715,313
Machinery and Equipment	483,839	22,191	(12,356)	995	494,669
Total Depreciable Assets	4,585,010	22,499	(12,445)	143,835	4,738,899
Accumulated Depreciation:					
Intangible Assets	(1,075)	(775)			(1,850)
Buildings	(316,077)	(22,620)	3		(338,694)
Improvements	(154,451)	(30,900)	2		(185,349)
Infrastructure	(1,686,545)	(66,174)	1		(1,752,718)
Machinery and Equipment	(279,368)	(42,111)	9,250		(312,229)
Total Accumulated Depreciation	(2,437,516)	(162,580)	9,256		(2,590,840)
Total Depreciable Assets, net	2,147,494	(140,081)	(3,189)	143,835	2,148,059
Total Capital Assets, net	$ 3,899,984	$ 132,720	$ (71,025)	$ -	$ 3,961,679

Depreciation expense was charged to governmental functions as follows:	
General Government	$ 21,228
Public Safety	11,042
Public Works	84,810
Health Services	963
Sanitation	76
Welfare	1,189
Culture and Recreation	14,875
Convention and Tourism	9,217
Urban Redevelopment and Housing	152
Economic Development and Opportunity	125
Depreciation on Capital Assets Held by City's Internal Service Funds are Charged to Various Functions Based on Asset Usage	18,903
Total Depreciation Expense for Governmental Activities	$ 162,580

The capital assets of Internal Service Funds are included in governmental activities. In fiscal year 2013, Internal Service Funds capital assets increased by $15,869, and decreased by $8,856, of which $422 are impairments, resulting in an ending balance of $200,008. Depreciation expense of $18,903, less the $7,000 in previously depreciated assets disposed of during the current year, resulted in an ending accumulated depreciation balance of $130,585. Net book value is $69,423.

Note 4 Capital Assets (Continued)

Primary Government (City) (Continued)

The City capitalizes interest incurred on construction projects, in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In fiscal year 2013, the City capitalized construction period interest for the Airport System in the amount of $923. Interest costs for nonmajor enterprise funds were not capitalized as construction in progress in these funds during fiscal year 2013 were funded by capital contributions from governmental funds. Impairments of $668 were identified for the Airport System and $21 for nonmajor funds, resulting in a $689 reduction in capital assets for business-type activities.

Capital asset activity for business-type activities for the year-ended September 30, 2013, is as follows:

Capital Assets - Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non-Depreciable Assets:					
Land:					
Airport System	$ 5,322	$ -	$ -	$ -	$ 5,322
Nonmajor Enterprise Fund	9,277				9,277
Total Land	14,599				14,599
Construction in Progress:					
Airport System	27,810	43,141	(414)	(8,014)	62,523
Nonmajor Enterprise Fund	3,679	2,459		(4,449)	1,689
Total Construction in Progress	31,489	45,600	(414)	(12,463)	64,212
Total Non-Depreciable Assets	46,088	45,600	(414)	(12,463)	78,811
Depreciable Assets:					
Buildings:					
Airport System	359,346			5,855	365,201
Nonmajor Enterprise Fund	27,217			3,211	30,428
Total Buildings	386,563			9,066	395,629
Improvements:					
Airport System	396,830	1,369	(928)	2,159	399,430
Nonmajor Enterprise Fund	21,103			1,238	22,341
Total Improvements	417,933	1,369	(928)	3,397	421,771
Machinery and Equipment:					
Airport System	15,192	2,077	(215)		17,054
Nonmajor Enterprise Fund	38,371	576	(82)		38,865
Total Machinery and Equipment	53,563	2,653	(297)		55,919
Total Depreciable Assets	858,059	4,022	(1,225)	12,463	873,319
Accumulated Depreciation:					
Buildings:					
Airport System	(93,841)	(10,350)			(104,191)
Nonmajor Enterprise Fund	(11,606)	(776)			(12,382)
Total Buildings	(105,447)	(11,126)			(116,573)
Improvements:					
Airport System[1]	(130,072)	(14,679)	120		(144,631)
Nonmajor Enterprise Fund	(4,635)	(924)			(5,559)
Total Improvements	(134,707)	(15,603)	120		(150,190)
Machinery and Equipment:					
Airport System	(11,925)	(1,002)	206		(12,721)
Nonmajor Enterprise Fund	(17,107)	(4,537)	62		(21,582)
Total Machinery and Equipment	(29,032)	(5,539)	268		(34,303)
Total Accumulated Depreciation	(269,186)	(32,268)	388		(301,066)
Total Depreciable Assets, net	588,873	(28,246)	(837)	12,463	572,253
Total Capital Assets, net	$ 634,961	$ 17,354	$ (1,251)	$ -	$ 651,064

[1] Airport System decrease of $120 in improvements is a reduction of current year depreciation expense due to an asset reduction.

Note 4 Capital Assets (Continued)

CPS Energy

CPS Energy's plant-in service includes four power stations that are solely owned and operated by CPS Energy. In total, there are 23 generating units at these four power stations—four are coal-fired and 19 are gas-fired. The following is a list of power stations and relative generating units in service at January 31, 2013:

Power Station	Generating Units	Type
Calaveras	6	Coal (4)/Gas (2)
Braunig	8	Gas
Leon Creek	6	Gas
Rio Nogales	3	Gas

In fiscal year 2012, CPS Energy announced plans to deactivate its J.T. Deely Units 1 and 2 coal-fired power plants in fiscal year 2018 instead of the projected dates of fiscal year 2032 and fiscal year 2033, respectively. Depreciation was accelerated beginning in fiscal year 2013 to account for the early closure. To continue operating the units, CPS Energy would need to install $550,000 in flue gas desulfurization equipment (commonly referred to as scrubbers) to cut sulfur dioxide emissions in order to be compliant with new, more stringent environmental regulations scheduled to take effect in the future.

Other notable capital assets in electric and gas plant include supporting coal yard assets, a fleet of railcars, a transmission network for the movement of electric power from the generating stations to substations, electric and gas distribution systems, and metering.

Included in the general plant are: the Energy Management Center; the main office complex; the construction and customer service centers; the Villita Assembly Building; and a fleet of automobiles, trucks, and work equipment. On January 31, 2012, CPS Energy purchased approximately eight acres of land and a shell building in northwest San Antonio to serve as the site of a new data and control center and other customer and support staff functions.

Intangible assets consist of easements, software, a tax exemption settlement and other intangible items.

Plant Purchase – In the first quarter of FY 2013, taxable senior lien bonds were issued to purchase the Rio Nogales combined-cycle natural gas electric generating plant in Seguin, Texas. The 800-MW plant is being utilized to provide a portion of its power to a third party that has executed a multiyear agreement for an option to call on power from the plant, with the remaining power available for CPS Energy to sell into the ERCOT market or to utilize to meet its commitments. Over the next few years, CPS Energy will be integrating the Rio Nogales plant into its rate base to provide generation capacity that will not otherwise be available once J.T. Deely Units 1 and 2 are mothballed.

As part of the acquisition, CPS Energy entered into a Tax Exemption Settlement Agreement in which CPS Energy agreed to pay $25,504 to certain parties to compromise, terminate claims and settle any disputes relating to exemption of ad valorem taxes involving the parties to this agreement. The payment was recorded as an intangible asset that will be amortized over the life of the agreement, which runs through December 2041.

Note 4 Capital Assets (Continued)

CPS Energy (Continued)

The purchase price of the Rio Nogales plant was allocated to major subsets of assets including land, transmission lines, water treatment facilities, combustion and steam turbines, and switchyard assets. Other than the plant assets, the tax exemption settlement and normal working capital settlements, CPS Energy incurred no other material acquisition costs, nor did they assume any material liabilities with the purchase of the plant.

Impairments – No capital asset impairments were identified for fiscal year 2013.

Investment in STP – STP is currently a two-unit nuclear power plant located in Matagorda County, Texas. It is maintained and operated by the STP Nuclear Operating Company (STPNOC), a nonprofit Texas corporation special-purpose entity. It is financed and controlled by the owners – CPS Energy; the City of Austin; and NRG South Texas LLP, a wholly owned subsidiary of NRG Energy, Inc. CPS Energy's 40.0% interest in STP Units 1 and 2 is included in plant assets. See Note 10, CPS Energy South Texas Project for more information.

On October 29, 2007, the CPS Energy board of trustees approved a resolution enabling CPS Energy to participate in development activities related to new nuclear generation units to be constructed near Bay City, Texas, on a site where STP Units 1 and 2 currently operate. These generation units are referred to as STP Units 3 and 4. At January 31, 2010, CPS Energy held a 50.0% interest in the development. As a result of a litigation settlement with CPS Energy's partner in the project, Nuclear Innovation North America, Inc. (NINA), CPS Energy's ownership in STP Units 3 and 4 was reduced from 50.0% to 7.6% effective March 1, 2010. Including AFUDC of $21,000, project costs incurred by CPS Energy to date of $391,322 are included as construction in progress. Effective fiscal year 2012, AFUDC is not being recorded for the STP Units 3 and 4 project since efforts have been limited primarily to licensing-related activities. For more detailed information on project development and legal events associated with STP Units 3 and 4, see Note 10, CPS Energy South Texas Project for more information.

STP Capital Investment, Net	
	January 31, 2013
STP Capital Assets, net	
Land	$ 5,701
Construction in progress, STP Units 1&2	24,890
Construction in progress, STP Units 3&4	391,322
Electrical and general plant	1,040,360
Software	15
Nuclear Fuel	103,329
Total STP Capital Assets, net	$ 1,565,617
Total CPS Energy Capital Assets, net	$ 7,796,040
STP Capital Investments as a percentage of total CPS Energy Capital Assets, net	20.1%

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Note 4 Capital Assets (Continued)

CPS Energy (Continued)

The following tables provide more detailed information on the activity of CPS Energy's net capital assets as presented on the balance sheet, including capital asset activity for fiscal year 2013:

Capital Assets - CPS Energy	Beginning Balance (Restated)	Increases	Transfers	Decreases	Ending Balance
Non-Depreciable Assets:					
Land	$ 53,566	$ 2,649	$ 4,459	$ -	$ 60,674
Land Easements	78,000	2,608	7,585		88,193
Construction in Progress	595,994	300,198	(304,467)		591,725
Total Non-Depreciable Assets	727,560	305,455	(292,423)		740,592
Depreciable Capital Assets:					
Utility Plant in Service:					
Electric Plant	9,144,448	523,278	213,093	(42,179)	9,838,640
Gas Plant	720,379	4,397	22,599	(1,067)	746,308
General Plant	648,914	21,841	42,761	(55,603)	657,913
Software	191,368	262	13,970		205,600
Other	3,200	25,504			28,704
Nuclear Fuel	701,735	44,562			746,297
Total Depreciable Capital Assets	11,410,044	619,844	292,423	(98,849)	12,223,462
Accumulated Depreciation and Amortization:					
Utility Plant in Service:					
Electric Plant	(3,634,407)	(303,537)		46,008	(3,891,936)
Gas Plant	(273,994)	(16,410)		2,226	(288,178)
General Plant	(240,394)	(43,180)		54,541	(229,033)
Software	(103,215)	(11,433)			(114,648)
Other[1]	(446)	(880)		75	(1,251)
Nuclear Fuel	(606,997)	(35,971)			(642,968)
Total Accumulated Depreciation Depletion and Amortization	(4,859,453)	(411,411)		102,850	(5,168,014)
Total Capital Assets, net	$ 7,278,151	$ 513,888	$ -	$ 4,001	$ 7,796,040

[1] Salvage and removal costs are also included in the accumulated depreciation; therefore there is not a corresponding reduction in the asset.

Cash flow information – Cash paid for additions and net removal costs was $886,353. This included $880,737 in additions to construction in progress and electric, gas and general plant, and excludes $5,054 in AFUDC and $5,219 in donated assets.

Other – The increases in electric plant included the purchase of the Rio Nogales plant, an 800-MW combined-cycle natural gas electric generating plant. Associated with this purchase, the Tax Exemption Settlement is reflected in the additions under Other Intangible Assets. Of the total additions to accumulated depreciation and amortization for the period, $375,440 was reported as depreciation and amortization expense, while amortization of nuclear fuel of $35,971 was reported as fuel expense on the Statements of Revenues, Expenses and Changes in Net Position.

Note 4 Capital Assets (Continued)

San Antonio Water System (SAWS)

SAWS' interest expense during the construction period is capitalized as part of the cost of capital assets. For the year-ended December 31, 2012, interest capitalized was $9,140. Capital asset activity for SAWS is as follows:

Capital Assets - San Antonio Water System	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Non-Depreciable Assets:					
Land	$ 93,331	$ -	$ 1,640	$ -	$ 94,971
Intangible Assets:					
Acquisition of Water Rights	205,163		8,056		213,219
Other	370				370
Construction in Progress	522,438	292,456	(241,136)	(2,211)	571,547
Total Non-Depreciable Assets	821,302	292,456	(231,440)	(2,211)	880,107
Depreciable Assets:					
Utility Plant in Service:					
Structures and Improvements	504,963	12,653	38,155	(886)	554,885
Pumping and Purification	146,376	158	6,430	(496)	152,468
Distribution and Transmission System	1,667,250	2,439	114,898	(3,405)	1,781,182
Treatment Facilities	1,524,826		63,167		1,587,993
Total Utility Plant in Service	3,843,415	15,250	222,650	(4,787)	4,076,528
Machinery and Equipment:					
Machinery and Equipment	116,314	13,932	8,683	(31)	138,898
Furniture and Fixtures	5,052	48			5,100
Computer Equipment	13,293	2,085	81	(762)	14,697
Software	23,780	630	26		24,436
Total Machinery and Equipment	158,439	16,695	8,790	(793)	183,131
Intangible Assets	1,347				1,347
Total Depreciable Assets	4,003,201	31,945	231,440	(5,580)	4,261,006
Accumulated Depreciation:					
Utility Plant in Service:					
Structures and Improvements	(120,137)	(11,420)		497	(131,060)
Pumping and Purification	(34,175)	(3,718)		450	(37,443)
Distribution and Transmission System	(482,560)	(40,245)		2,849	(519,956)
Treatment Facilities	(550,058)	(33,666)			(583,724)
Machinery and Equipment:					
Machinery and Equipment	(56,965)	(9,955)		31	(66,889)
Furniture and Fixtures	(4,338)	(200)			(4,538)
Computer Equipment	(7,192)	(2,300)		760	(8,732)
Software	(15,912)	(1,463)			(17,375)
Intangible Assets	(101)	(67)			(168)
Total Accumulated Depreciation	(1,271,438)	(103,034)		4,587	(1,369,885)
Total Depreciable Assets, net	2,731,763	(71,089)	231,440	(993)	2,891,121
Total Capital Assets, net	$ 3,553,065	$ 221,367	$ -	$ (3,204)	$ 3,771,228

Note 4 Capital Assets (Continued)

San Antonio Water System (SAWS) (Continued)

Asset Impairment – SAWS periodically reviews its capital assets for possible impairment. As part of SAWS' capital improvement program, SAWS incurs costs to design capital improvement projects. These costs are included in capital assets as Construction in Progress. Periodically the actual construction of these projects may not occur due to changes in plans. Once it has been determined that construction will not proceed, any capitalized costs are charged off to operating expenses. Design costs were charged off totaling $2,211 in 2012.

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Note 5 Receivables and Payables

Primary Government (City)

Disaggregation of Receivables

Net receivables at September 30, 2013 are as follows:

	Accounts	Taxes	Note and Loans	Accrued Interest	Other	Total Net Receivables
Governmental Activities	$ 123,007	$ 22,683	$ 62,585	$ 1,397	$ 11,182	$ 220,854
Business-Type Activities:						
Airport System	$ 2,958	$ -	$ 667	$ 208	$ -	$ 3,833
Nonmajor Enterprise Funds	7,887			73		7,960
Total Business-Type Activities	$ 10,845	$ -	$ 667	$ 281	$ -	$ 11,793

The receivable balances for Governmental Activities have been reduced by estimated allowances for doubtful accounts of $31,712 against customer accounts, $6,276 against property and occupancy taxes, and $54,177 against other receivables. The receivable balances for Business-Type Activities have been reduced by estimated allowances for doubtful accounts of $928 against customer accounts.

The only receivables not expected to be collected within one year are $62,512 for notes and loans receivables, net of allowance for doubtful accounts of $14,847, related to Urban Redevelopment and Housing and Economic Development and Opportunity. These notes and loans have a corresponding deferred revenue balance recorded within the respective funds. $11,329 of the notes and loans receivable balance is non-interest bearing, and relate to Urban Redevelopment and Housing and Economic Development and Opportunity functions.

Disaggregation of Payables

Payables at September 30, 2013 are as follows:

	Accounts	Accrued Payroll	Claims Payable	Total Payables
Governmental Activities	$ 88,298	$ 10,166	$ 66,323	$ 164,787
Business-Type Activities:				
Airport System	$ 14,492	$ 542		$ 15,034
Nonmajor Enterprise Funds	3,454	1,042		4,496
Total Business-Type Activities	$ 17,946	$ 1,584	$ -	$ 19,530

Note 5 Receivables and Payables (Continued)

Primary Government (City) (Continued)

Interfund Receivable and Payable Balances

As of September 30, 2013, the interfund receivable and payable balances represent short-term loans resulting from (1) timing differences between the dates that transactions are recorded in the accounting system and (2) short-term borrowings at fiscal year-end. Of the $27,123 due from other funds in the General Fund, $22,658 is a result of overdraws of pooled cash. Except for internal loan from the Other Internal Service Fund of $70 to the General Fund, all interfund balances are expected to be paid within one year.

Different fiscal year ends exist between the City and Pre-K 4 SA component unit, September 30 and June 30, therefore interfund receivables and payables do not eliminate by $969. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City's transfer to Pre K 4 SA represents its obligation to provide the 1/8 cents sales tax collected 60 days after September 30; however, Pre K 4 SA's due from other funds illustrates the City's 1/8 cents sales tax collected 60 days after June 30, 2013. These transactions are in accordance with legislative and contractual requirements.

The following is a summary of interfund receivables and payables for the City as of September 30, 2013:

Summary Table of Interfund Receivables and Payables
As of September 30, 2013

	Due from Other Funds	Due To Other Funds
General Fund:		
Debt Service Fund	$ 1,460	$ 349
2007 General Obligation	45	
Airport System Fund		37
Internal Service Funds	264	369
Nonmajor Governmental Funds	23,730	2,737
Nonmajor Enterprise Funds	1,624	227
Total General Fund	27,123	3,719
Debt Service Fund:		
General Fund	349	1,460
Total Debt Service Fund	349	1,460
Pre-K 4 SA Fund:		
Nonmajor Governmental Funds	5,056	178
Total Pre-K 4 SA Fund	5,056	178
Texas Public Facility Corporation Fund:		
Nonmajor Governmental Funds		5,184
Total Texas Public Facility Corporation Fund		5,184
2007 General Obligation Bonds:		
General Fund		45
Nonmajor Governmental Funds	3	
Total 2007 General Obligation Bonds	3	45
Nonmajor Governmental Funds:		
General Fund	2,737	23,730
2007 General Obligation Bonds		3
Texas Public Facility Corporation	5,184	
Nonmajor Governmental Funds	677	677
Nonmajor Enterprise Funds	1,781	
Internal Service Funds	343	793
Pre-K 4 SA	984	4,893
Total Nonmajor Governmental Funds	11,706	30,096

Note 5 Receivables and Payables (Continued)

Primary Government (City) (Continued)

Interfund Receivable and Payable Balances (Continued)

Summary Table of Interfund Receivables and Payables (Continued)
As of September 30, 2013

	Due from Other Funds	Due To Other Funds
Airport System Fund:		
General Fund	37	
Internal Service Funds		7
Airport System Fund	1,732	1,732
Total Airport System Fund	1,769	1,739
Nonmajor Enterprise Funds:		
General Fund	227	1,624
Nonmajor Governmental Funds		1,781
Nonmajor Enterprise Funds	25	25
Internal Service Funds		23
Total Nonmajor Enterprise Funds	252	3,453
Internal Service Funds:		
General Fund	369	264
Airport System Fund	7	
Nonmajor Governmental Funds	793	343
Nonmajor Enterprise Funds	23	
Internal Service Funds	20	20
Total Internal Service Funds	1,212	627
Total	$ 47,470	$ 46,501

CPS Energy

Disaggregation of Receivables – Net customer accounts receivable as of January 31, 2013, included $45,369 for unbilled revenue receivables and $153,691 for billed utility services. Interest and other receivables included $5,398 for regulatory-related receivables; $94 for interest receivable; and $26,888 for other miscellaneous receivables.

Disaggregation of Payables – At January 31, 2013, accounts payable and accrued liabilities included $153,275 related to standard operating supplier and vendor payables, including fuels payable; $45,133 for employee-related payables; and $102,424 for other miscellaneous payables and accrued liabilities.

San Antonio Water System (SAWS)

Disaggregation of Receivables – Gross customer accounts receivables as of December 31, 2012, included $29,574 from customers, $23,202 in unbilled revenue, $3,158 receivable from SAWS DSP, $978 in interest receivable, and $8,356 receivable from other governmental agencies, less an allowance of $2,320.

Disaggregation of Payables – At December 31, 2012, accounts payable and other current liabilities included $35,928 in accounts payable, $5,516 in vacation payable, $2,158 in accrued payroll and benefits, $35,279 in construction contracts, and $9,265 in customer deposits.

Note 6 Long-Term Debt

Primary Government (City)

Governmental Activity Long-Term Debt

Issuances

The City's debt management and on-going capital improvement financing for infrastructure and "quality of life" purposes resulted in the issuance of additional indebtedness during fiscal year 2013:

On October 11, 2012, the TPFC issued $550,374 in Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project) to refund outstanding City indebtedness issued to finance or refinance the Convention Center, to finance the acquisition, construction, and equipping of the Convention Center Expansion Project, to pay capitalized interest on the Current Interest Bonds (CIBs), and to pay the costs of issuing the Bonds. Through this defeasance, the City realized a loss of $3,509 in total deferred charges. The Bonds have maturities ranging from 2017 to 2042, with interest rates ranging from 3.0% to 5.1%.

On April 24, 2013, the City issued $70,685 in Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013 to refund certain outstanding Municipal Drainage obligations of the City and to pay the costs of issuing the Bonds. The net proceeds from the sale of the Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013, which included a premium of $12,350, was used to fund an escrow account for the redemption, discharge, and defeasance of the refunded obligations. As a result of defeasing the debt, the City will realize a total decrease of $13,932 in debt service payments and total deferred charges of $3,676. Through this defeasance, the City obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $28,703. The Bonds have maturities ranging from 2014 to 2030, with interest rates ranging from 3.0% to 5.0%.

On June 4, 2013, the SIDC issued $20,890 in Starbright Industrial Development Corporation Contract Revenue Refunding Bonds, Series 2013 (Starbright Project). The Bonds were issued to refund certain outstanding obligations and to pay the costs of issuing the Bonds. The net proceeds from the sale of the Starbright Industrial Development Corporation Contract Revenue Refunding Bonds, Series 2013, which included a premium of $211, were used to fund an escrow account for the redemption, discharge, and defeasance of the refunded obligations. As a result of defeasing the debt, SIDC will realize a total decrease of $3,056 in debt service payments and total deferred charges of $1,845. Through this defeasance, SIDC obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $10,969. The Bonds have maturities ranging from 2016 to 2033, with interest rates ranging from 1.1% to 4.8%.

On July 3, 2013, the City issued $18,460 in Revenue Notes, Taxable Series 2013. The Revenue Notes, Taxable Series 2013 were issued to fund facilities development pursuant to and in support of Pre-K 4 SA, various City Council District infrastructure improvements, and fire station improvements. The Notes have maturities ranging from 2014 to 2015, with an interest rate of 0.9%.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

On July 16, 2013, the City issued $114,435 in General Improvement Bonds, Series 2013 and $15,145 in Combination Tax and Revenue Certificates of Obligation, Series 2013. The General Improvement Bonds, Series 2013 were issued to finance improvements to: streets, bridges, and sidewalks; drainage and flood control; parks, recreation, and open space; library, museum, and cultural arts facilities; and public safety facilities; and to pay the costs of issuing the Bonds. The Bonds have maturities ranging from 2014 to 2033, with interest rates ranging from 2.0% to 5.0%.

The Combination Tax and Revenue Certificates of Obligation, Series 2013 were issued to provide funds for the payment of contractual obligations to be incurred for making permanent public improvements and for other public purposes, to include designing, acquiring, constructing, improving, renovating, and equipping of a new fire station facility; street lighting improvements, including the LED streetlights program; and other expenses necessary, incidental, or related to the foregoing. The Certificates have maturities ranging from 2014 to 2028, with interest rates ranging from 2.0% to 5.0%.

Pledges

The City of San Antonio's General Obligation, Certificates of Obligation, and Tax Notes are pledged by ad-valorem taxes levied upon all taxable property located within the City, within the limitations prescribed by law. The Certificates of Obligations are additionally secured by a lien on and pledge of certain pledged revenues of the City's municipal parks system not to exceed $1 during the entire period the Certificates of Obligation or interest thereon remains outstanding in order to permit the Certificates of Obligation to be sold for cash.

The Municipal Drainage Utility System Revenue Bonds are secured by a lien on Stormwater revenues.

TMFC Lease Revenue Bonds are paid by annually appropriated lease payments made by the City which equal the annual debt service on the Bonds.

The SIDC Contract Revenue Bonds are secured with a pledge of utility revenue received by the City from CPS Energy.

CCHFC Contract Revenue Empowerment Zone Bonds are secured by net operating revenues to be received from the Convention Center Hotel operations. In the event the net operating revenues are insufficient to pay all debt service, City tax revenues will be pledged in the following order of priority: first, from the Convention Center Hotel State HOT revenues; second, from Convention Center Hotel State sales tax revenues; third, from Convention Center Hotel 7.0% local HOT revenues; and fourth, from available 2% Expansion HOT revenues on a subordinate basis.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

The Revenue Notes, Taxable Series 2013 are secured by a commitment of the City to pay principal and interest on the Notes when due from any and all lawful and available sources, subject to annual appropriation by the City Council of the City.

TPFC Improvement and Refunding Lease Revenue Bonds are paid by annually appropriated lease payments from any money that has not been encumbered to secure the payment of any indebtedness of the City and that may lawfully be used with respect to any payment obligated or permitted under the Lease Agreement, including but not limited to unencumbered and lawfully available revenues derived by the City from Hotel Occupancy Taxes levied by the City, annual ad valorem taxes levied for maintenance and operation purposes, the 1.0% general sales and use tax levied by the City, and transfers from City-owned utility systems.

Prior Years' Defeased Debt

In prior years, the City advance refunded, prior to maturity, certain general obligation bonds, revenue bonds, certificates of obligation and tax notes. The refunding bonds were utilized to purchase securities, which are direct obligations of the United States of America (the Purchased Securities). The Purchased Securities plus cash were deposited into irrevocable escrow accounts in amounts scheduled to mature in principal amounts that, when added to interest earned on the Purchased Securities plus remaining balances in the escrow fund, are fully sufficient to make timely payment on the principal, premium if any, and interest scheduled to come due on the refunded obligations. The refunded obligations represent a legal defeasance and are no longer a liability of the City; therefore, they are not included in the City's financial statements. On September 30, 2013, $158,970 of previously defeased bonds was outstanding.

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Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

The following table is a summary of changes for the year-ended September 30, 2013 for governmental activity debt:

Governmental Activity Long-Term Debt							
	Time of Original Issuance						
Issue	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding October 1, 2012	Additions During Year	Deletions During Year	Balance Outstanding September 30, 2013
Tax-Exempt General Obligation Bonds:							
Series 2002 Forward Refunding	$ 251,280	2013	4.000-5.250	$ 9,425	$ -	$ (9,425)	$ -
Series 2003	40,905	2014	2.750-5.000	9,680		(4,410)	5,270
Series 2003A	56,515	2016	2.000-5.000	22,825		(8,265)	14,560
Series 2004	33,570	2024	2.375-4.750	1,665		(1,665)	
Series 2005	116,170	2025	3.500-5.250	92,785		(6,785)	86,000
Series 2006 Forward Refunding	33,090	2016	5.250-5.500	16,755		(6,420)	10,335
Series 2006 Refunding	170,785	2026	3.500-5.000	126,605		(5,015)	121,590
Series 2007 Refunding	121,220	2028	4.000-5.000	77,805		(4,325)	73,480
Series 2008	75,060	2028	4.000-5.500	69,545		(2,925)	66,620
Series 2010 Refunding	156,255	2023	2.000-5.000	135,035		(18,470)	116,565
Series 2010A	8,800	2020	5.000	8,800			8,800
Series 2011	59,485	2031	2.000-5.000	57,340		(2,150)	55,190
Series 2012 Refunding	33,410	2024	2.000-5.000	33,410		(2,210)	31,200
Series 2012	148,600	2032	2.000-5.000	148,600		(2,000)	146,600
Series 2013	114,435	2033	2.000-5.000		114,435		114,435
Total Tax-Exempt General Obligation Bonds	$ 1,419,580			$ 810,275	$ 114,435	$ (74,065)	$ 850,645
Taxable General Obligation Bonds:							
Series 2010B BABs	$ 191,550	2040	4.314-6.038	$ 191,550	$ -	$ -	$ 191,550
Total Taxable General Obligation Bonds	$ 191,550			$ 191,550	$ -	$ -	$ 191,550
Tax-Exempt Certificates of Obligation:							
Series 2004	$ 29,525	2024	2.000-5.000	$ 2,575	$ -	$ (2,575)	$ -
Series 2005	10,535	2025	4.000-5.250	9,985		(575)	9,410
Series 2006	73,155	2026	3.500-4.370	56,740		(3,055)	53,685
Series 2007	106,755	2028	4.000-5.000	55,365		(7,640)	47,725
Series 2008	85,005	2028	3.500-5.500	73,190		(3,220)	69,970
Series 2010	38,375	2019	4.000-5.000	38,375			38,375
Series 2011	79,780	2031	2.000-5.000	77,115		(2,625)	74,490
Series 2012	19,340	2032	1.000-5.000	19,340			19,340
Series 2013	15,145	2028	2.000-5.000		15,145		15,145
Total Tax-Exempt Certificates of Obligation	$ 457,615			$ 332,685	$ 15,145	$ (19,690)	$ 328,140
Tax Notes:							
Series 2008	$ 15,320	2013	3.500-5.000	$ 3,415	$ -	$ (3,415)	$ -
Series 2010A	9,655	2013	2.000-4.000	3,300		(3,300)	
Series 2011	9,445	2016	2.000-4.000	7,665		(1,805)	5,860
Series 2012	17,635	2016	1.500-2.000	17,635		(4,305)	13,330
Total Tax Notes	$ 52,055			$ 32,015	$ -	$ (12,825)	$ 19,190
Revenue Bonds:							
Series 1996 Hotel Occupancy Tax [1]	$ 182,012	2017	4.500-6.200	$ 12,391	$ -	$ (12,391)	$ -
Series 2004A Hotel Occupancy Tax	10,390	2029	5.000	10,390		(10,390)	
Series 2006 Hotel Occupancy Tax Ref	72,620	2026	4.000-4.500	70,485		(70,485)	
Series 2008 Hotel Occupancy Tax Ref	135,000	2034	Variable	128,600		(128,600)	
Series 2003 Municipal Drainage	44,150	2028	2.000-5.000	33,380		(33,380)	
Series 2005 Municipal Drainage	61,060	2030	3.500-5.250	50,785		(47,015)	3,770
Series 2013 Municipal Drainage	70,685	2030	3.000-5.000		70,685		70,685
Series 2010 Municipal Facility Corp Ref	9,090	2020	1.000-3.250	7,920		(920)	7,000
Series 2011 Municipal Facility Corp	27,925	2041	2.000-5.000	27,925		(565)	27,360
Convention Series 2005A	129,930	2039	4.750-5.000	129,930			129,930
Convention Series 2005B	78,215	2028	4.500-5.310	71,245		(2,690)	68,555
Starbright Industrial Dev Corp Series 2003	24,685	2033	2.180-5.110	21,320		(21,320)	
Starbright Industrial Dev Corp Series 2013	20,890	2033	1.078-4.750		20,890		20,890
Series 2012 Public Facilities Corp[2]	550,374	2042	3.000-5.100		550,374		550,374
Total Revenue Bonds	$ 1,417,026			$ 564,371	$ 641,949	$ (327,756)	$ 878,564
Revenue Notes:							
Series 2013	$ 18,460	2015	0.850	$ -	$ 18,460	$ -	$ 18,460
Total Revenue Notes	$ 18,460			$ -	$ 18,460	$ -	$ 18,460
Total	$ 3,556,286			$ 1,930,896	$ 789,989	$ (434,336)	$ 2,286,549

[1] A portion of the Hotel Occupancy Tax Revenue Bonds Series 1996 was sold as Capital Appreciation Bonds (CABS). The 1996 Series was refunded and $27,420 in accreted interest was defeased in fiscal year 2013.

[2] A portion of the Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012 was sold as Capital Appreciation Bonds (CABS). Interest on the CABS accrete from date of delivery and will be payable only at maturity or redemption. The Interest accreted has resulted in an increase of $1,332 in revenue bonds payable and is reflected in the combined Statement of Net Position but is not reflected in this table.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Annual Requirements

The annual requirement to amortize all general obligation bonds, certificates of obligation, revenue notes, tax notes, and all revenue bonds outstanding as of September 30, 2013 are as follows:

Principal and Interest Requirements											
	General Obligation Bonds [2]			Certificates of Obligation		Tax Notes		Revenue Bonds		Revenue Notes	
Year Ending September 30,	Principal	Interest	Direct Subsidy[1]	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 74,720	$ 50,462	$ (3,825)	$ 26,145	$ 15,024	$ 6,230	$ 427	$ 7,645	$ 36,631	$ 9,000	$ 124
2015	57,955	47,417	(3,825)	31,495	13,887	6,400	264	8,050	36,318	9,460	40
2016	58,045	44,681	(3,825)	21,575	12,470	6,560	96	9,260	36,009		
2017	55,235	41,876	(3,825)	22,530	11,507			12,555	35,667		
2018	59,555	38,920	(3,825)	21,265	10,495			13,130	35,163		
2019-2023	309,015	149,061	(18,615)	83,975	40,523			78,395	166,391		
2024-2028	218,785	85,818	(15,684)	98,570	18,446			135,610	142,708		
2029-2033	127,470	41,558	(11,584)	22,585	2,088			188,775	108,540		
2034-2038	55,880	18,090	(6,331)					191,994	139,056		
2039-2043	25,535	2,328	(816)					233,150	23,458		
Total	$ 1,042,195	$ 520,211	$ (72,155)	$ 328,140	$ 124,440	$ 19,190	$ 787	$ 878,564	$ 759,941	$ 18,460	$ 164

[1] The City issued Build America Bonds (BABs) in fiscal year 2010. These BABs are eligible for Direct Subsidies or rebates from the Federal Government for issuing the debt as taxable instruments. In fiscal year 2013, the City collected $3,665 in Direct Subsidies.

[2] Includes both Tax-Exempt and Taxable General Obligation Bonds.

In May 2012, the citizens authorized the City to sell $596,000 in debt for the 2012-2017 Bond Program. The program includes 140 projects designed to improve and enhance existing, as well as acquire or construct, new local streets, bridges, sidewalks, drainage facilities, parks, athletic facilities, libraries, and public health centers. The Bonds are categorized in five areas: Streets, Bridges and Sidewalks Improvements; Drainage and Flood Control Improvements; Parks, Recreation, and Open Space Improvements; Library, Museum and Cultural Arts Facilities Improvements; and Public Safety Facilities Improvements. The Bonds are pledged with and will be repaid from ad valorem tax revenue the City collects on an annual basis.

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Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Annual Requirements (Continued)

Authorized but Unissued General Obligation Debt				
Authorization Date	Purpose	Amount Authorized	Bonds Previously Issued [1, 2]	Bonds Authorized but Unissued
5/12/2012	Streets, Bridges, and Sidewalks	$ 337,441	$ 96,474	$ 240,967
5/12/2012	Drainage and Flood Control	128,031	36,817	91,214
5/12/2012	Parks, Recreation and Open Space	87,150	39,061	48,089
5/12/2012	Library, Museum and Cultural Art Facilities	29,032	19,423	9,609
5/12/2012	Public Safety Facilities	14,346	5,987	8,359
Total		$ 596,000	$ 197,762	$ 398,238

[1] Includes, from prior bond issues sold pursuant to this voted authority, a portion of the net reoffering premium in the amount of $9,401 allocated against voter authorization.
[2] Includes a portion of the net reoffering premium on the General Improvement Bonds, Series 2013 issuance in the amount of $11,129 allocated against voter authorization.

Debt Limitation

The amount of debt that the City may incur is limited by City Charter and by the Constitution of the State of Texas. The City Charter establishes a limitation on the general obligation debt supported by ad valorem taxes to an amount not to exceed 10.0% of the total assessed valuation. The total assessed valuation for the fiscal year 2013 was $83,494,323, which provides a debt ceiling of $8,349,432. The total outstanding debt that is secured by an ad valorem tax pledge is $1,406,185 including $16,660 that is reported in business-type activities.

The Constitution of the State of Texas provides that the ad valorem taxes levied by the City for debt service and maintenance and operation purposes shall not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no limitation within the $2.50 rate for interest and sinking fund purposes; however, it is the policy of the Attorney General of the State of Texas to prohibit the issuance of debt by a city if such issuance produces debt service requirements that exceed the amount that can be paid from $1.50 tax rate calculated at 90.0% collections (please note that dollar figures in this paragraph are not reflected in thousands).

Notes Payable

In September 2004, City Council authorized the submission of a $57,000 HUD 108 loan application to HUD, which was received August 2006. Proceeds of the loan have been utilized to fund various capital improvement projects including streets and drainage projects, and to fund improvements to public health facilities, parks, libraries, and community recreation and cultural facilities. The City is required to transfer any funds unspent as of December 31, 2013 to a loan repayment account. The loan amount outstanding as of September 30, 2013 was $43,640.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Notes Payable (continued)

In May 2008, a loan was authorized from the City's Other Internal Service Fund to the City's Tax Increment Reinvestment Zone to finance the purchase of the draft River North Master Plan, in an amount not to exceed $650. The principal amount of the loan was $648, with quarterly interest to be calculated at the City's pooled investment portfolio rate. The City's average rate for the fiscal year-ended September 30, 2013 was 0.2%, resulting in interest of $1. Cumulative interest incurred through fiscal year 2013 was $17. Repayment of the principal and interest on this loan from the City's Other Internal Service Fund was made in March 2013.

Interfund Borrowings

In certain instances, after an evaluation of project/purchase funding requirements, it has been determined that some funds or operations may require temporary financing. As an alternative to the issuance of external debt to finance those projects/purchases, the City has authorized internal temporary financing from available cash balances in the Internal Service Equipment Replacement Fund (Other Internal Service Fund) to meet those needs.

In June 2009, a loan in the amount of $460 was authorized from the City's Other Internal Service Fund to the General Fund to finance the City's participation in an interagency agreement with the San Antonio Water System to implement a water efficiency project at the HemisFair Fountain. Upon completion of the project, the City received a one-time rebate.

The HemisFair Fountain uses an estimated 36,000 gallons of water each year which equates to an annual estimated cost of $130 to the General Fund. These savings, along with the one-time rebate and interest earnings, will be transferred to the Other Internal Service Fund to reimburse the Other Internal Service Fund for its loan for the capital project. Interest earned in fiscal year 2013 using the City's average rate for the fiscal year-ended September 30, 2013 of 0.2% was $1. Cumulative interest incurred through fiscal year 2013 was $12.

The following is a summary of changes in the loan for the fiscal year-ended September 30, 2013:

Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
$ 118	$ -	$ 48	$ 70

In June 2010, a 15 year, 3.7% interest loan was authorized in the amount of $1,185 from the City to MGA-SA to finance improvements to City owned golf courses. MGA-SA will repay the interfund borrowing with interest from revenues generated by its golf operations. The loan amount outstanding as of September 30, 2013 is $995.

Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
$ 1,060	$ -	$ 65	$ 995

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Leases

The City leases property and equipment from others. Leased property having elements of ownership are recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when matured in the governmental fund financial statements. Total expenditures for operating leases for the fiscal year-ended September 30, 2013 were approximately $10,895.

The City has entered into various lease purchase agreements for the acquisition of printers and related components, fire fighting gear, various fire trucks and parts, an inventory theft detection system, hybrid vehicles, energy/water saving conservation improvements, in-car police video equipment, and various medical emergency services equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the date of inception. Payments on each of the lease purchases will be made from budgeted annual appropriations to be approved by the City Council. The assets acquired through capital leases for governmental activities are as follows:

Machinery and Equipment	$ 33,174
Less: Accumulated Depreciation	(22,114)
Total	$ 11,060

As of September 30, 2013, the City had future minimum lease payments under capital and operating leases with a remaining term in excess of one year for governmental activities as follows:

	Capital Leases	Operating Leases	Total
Fiscal Year Ending September 30:			
2014	$ 3,241	$ 8,195	$ 11,436
2015	2,889	6,942	9,831
2016	2,769	5,834	8,603
2017	1,416	4,326	5,742
2018	1,085	3,863	4,948
2019-2023	3,765	6,520	10,285
2024-2028	2,447	568	3,015
2029-2033		318	318
Future Minimum Lease Payments	17,612	$ 36,566	$ 54,178
Less: Interest	(2,327)		
Present Value of Future Minimum Lease Payments	15,285		
Less: Current Portion	(2,811)		
Capital Lease, Net of Current Portion	$ 12,474		

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt

Business-Type Activity long-term debt applies to those City operations that relate to business and quasi-business activities where net income and capital maintenance are measured (Enterprise Funds). Long-term debt, which is to be repaid from enterprise fund resources, is reported in the respective proprietary fund. The long-term indebtedness of the City's Enterprise Funds is presented in the discussion that follows.

Issuances

The City had no Business-Type Activity issuances during fiscal year 2013.

Pledges

The Airport System includes the City of San Antonio International Airport and Stinson Municipal Airport and all land, buildings, structures, equipment, and facilities pertaining thereto. The Airport System's long-term debt consists of Airport System Revenue Improvement Bonds (GARB) and Passenger Facility Charge and Subordinate Lien Bonds (PFC). GARBs are payable from and secured solely by an irrevocable first lien on and pledge of the gross revenues of the Airport System. Gross revenues of the Airport System include all revenues of any nature derived from contracts or use agreements with airlines and other users of the Airport System and its facilities. PFCs are payable from and secured by an irrevocable first lien on and pledge of the PFC revenues and a first lien on and pledge of the subordinate net revenues.

The Parking System operation includes the ownership and operation of parking facilities, parking lots, parking meters, and retail/office space. Long-term debt is allocated to the Parking System on a pro rata basis from proceeds received from the issuance of taxable general obligation debt and is paid from revenues derived from the operation of the Parking System. The allocated debt is secured by an ad valorem tax pledge.

Solid Waste Management was established on a financially self-supporting basis in 1988. Revenues are received from garbage collection fees which are utilized to pay operating costs and indebtedness. Long-term debt is allocated to Solid Waste Management on a pro rata basis from proceeds received from the issuance of general obligation and certificates of obligation debt for Solid Waste Management related improvements and is paid from revenues derived from the operation of Solid Waste Management. The allocated debt is secured by an ad valorem tax pledge.

Capitalized Interest Costs – Interest costs incurred on revenue bonds and other borrowing totaled $18,270 for the Airport System. For fiscal year 2013, the amount of $923 was capitalized for the Airport System and included as an addition to construction in progress. Nonmajor enterprise funds' interest costs were expensed during fiscal year 2013 as construction in progress and funded by capital contributions from governmental funds.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt (Continued)

Prior Years' Defeased Debt

In prior years, the City advance refunded, prior to maturity, certain revenue bonds. The refunding bonds were utilized to purchase securities, which are direct obligations of the United States of America (the Purchased Securities). The purchased securities plus cash were deposited into irrevocable escrow accounts in amount scheduled to mature in principal amounts that, when added to interest earned on the purchased securities plus remaining balances in the escrow fund, are fully sufficient to make timely payment on the principal, premium if any, and interest scheduled to come due on the refunded obligations. The refunded obligations represent a legal defeasance and are no longer a liability of the City; therefore, they are not included in the City's financial statements. On September 30, 2013, $18,435 of previously defeased bonds was outstanding.

The following table is a summary of changes in debt obligations for the fiscal year ended September 30, 2013:

Business-Type Long-Term Debt							
	Time of Original Issuance						
Issue	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding October 1, 2012	Additions During Year	Deletions During Year	Balance Outstanding September 30, 2013
Airport System:							
Revenue Bonds:							
Series 2003 Refunding	$ 50,230	2013	5.500-6.000	$ 4,900	$ -	$ (4,900)	$ -
Series 2005 PFC	38,085	2030	3.375-5.250	31,590		(1,100)	30,490
Series 2006	17,850	2014	5.000	6,500		(2,800)	3,700
Series 2007	82,400	2032	4.950-5.250	76,205		(2,275)	73,930
Series 2007 PFC	74,860	2032	5.000-5.250	65,780		(1,960)	63,820
Series 2010A Refunding	42,220	2040	2.000-5.250	42,220			42,220
Series 2010B Refunding	20,885	2018	3.197-4.861	20,885			20,885
Series 2010 PFC Refunding	37,335	2040	2.000-5.375	35,660		(730)	34,930
Series 2012 Refunding	70,135	2027	2.000-5.000	70,135		(3,215)	66,920
Series 2012 PFC Refunding	25,790	2027	2.000-5.000	25,790		(1,135)	24,655
Subtotal	$ 459,790			$ 379,665	$ -	$ (18,115)	$ 361,550
Parking System:							
Taxable General Obligation Bonds:							
Series 2004 Refunding	$ 13,245	2016	1.400-4.650	$ 4,780	$ -	$ (1,300)	$ 3,480
Series 2008 Refunding	10,120	2024	5.820-6.570	10,120			10,120
Subtotal	$ 23,365			$ 14,900	$ -	$ (1,300)	$ 13,600
Solid Waste Management:							
Tax-Exempt General Obligation Bonds:							
Series 2006 Refunding	$ 1,000	2026	3.500-5.000	$ 725	$ -	$ (40)	$ 685
Series 2010 Refunding	545	2021	2.000-5.000	545			545
Tax-Exempt Certificate of Obligations:							
Series 2006	400	2026	3.500-5.000	320		(15)	305
Series 2007	2,500	2028	4.000-5.000	1,615		(90)	1,525
Subtotal	$ 4,445			$ 3,205	$ -	$ (145)	$ 3,060
Total	$ 487,600			$ 397,770	$ -	$ (19,560)	$ 378,210

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt (Continued)

The annual requirements to amortize long-term debt for the City's Enterprise Funds related to general obligation bonds, certificates of obligation, and revenue bonds outstanding at September 30, 2013 are as follows:

Principal and Interest Requirements									
	Airport System			Parking System			Solid Waste Management		
Year Ending September 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	$ 18,665	$ 17,483	$ 36,148	$ 1,480	$ 750	$ 2,230	$ 150	$ 145	$ 295
2015	16,710	16,696	33,406	1,000	694	1,694	165	137	302
2016	17,400	16,018	33,418	1,000	648	1,648	165	129	294
2017	18,195	15,225	33,420	1,025	625	1,650	180	120	300
2018	19,060	14,374	33,434	1,080	565	1,645	185	109	294
2019-2023	82,205	60,255	142,460	6,470	1,767	8,237	1,065	404	1,469
2024-2028	95,570	38,076	133,646	1,545	102	1,647	1,150	143	1,293
2029-2033	62,400	16,861	79,261						
2034-2038	21,710	5,950	27,660						
2039-2040	9,635	774	10,409						
Total	$ 361,550	$ 201,712	$ 563,262	$ 13,600	$ 5,151	$ 18,751	$ 3,060	$ 1,187	$ 4,247

Leases

The City has entered into various lease purchase agreements for the acquisitions of refuse collection containers, refuse collections trucks, brush grappler trucks, brush tractor/trailer combinations, and energy/water saving conservation improvements. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the date of inception. Payments on each of the lease purchases will be made from budgeted annual appropriations to be approved by the City Council. While the garbage containers met the criteria for capital lease recognition these items were expensed in the initial period leased as their individual costs were below the City's capitalization threshold.

The assets acquired through capital leases for business-type activities are as follows:

Machinery and Equipment	$ 20,720
Less: Accumulated Depreciation	(10,176)
Total	$ 10,544

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Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt (Continued)

As of September 30, 2013 the City had future minimum payments under capital and operating leases with a remaining term in excess of one year for business-type activities as follows:

	Capital Leases	Operating Leases	Total
Fiscal Year Ending September 30,			
2014	$ 4,529	$ 595	$ 5,124
2015	4,481	542	5,023
2016	3,083	428	3,511
2017	1,202	371	1,573
2018	1,107	95	1,202
2019-2023	2,213	68	2,281
2024-2028	898		898
Future Minimum Lease Payments	17,513	$ 2,099	$ 19,612
Less: Interest	(1,408)		
Present Value of Future Minimum Lease Payments	16,105		
Less: Current Portion	(4,103)		
Capital Leases, Net of Current Portion	$ 12,002		

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Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental and Business-Type Activities Long-Term Debt

Long-term obligations and amounts due within one year:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Tax-Exempt General Obligation Bonds	$ 810,275	$ 114,435	$ (74,065)	$ 850,645	$ 74,720
Taxable General Obligation Bonds	191,550			191,550	
Tax-Exempt Certificates of Obligation	332,685	15,145	(19,690)	328,140	26,145
Tax Notes	32,015		(12,825)	19,190	6,230
Revenue Bonds	564,371	641,949	(327,756)	878,564	7,645
Revenue Notes		18,460		18,460	9,000
Gross Bonds Payable	1,930,896	789,989	(434,336)	2,286,549	123,740
Unamortized (Discount) / Premium	91,602	43,246	(32,738)	102,110	17,530
Deferred Amount on Refunding	(21,492)	(5,521)	3,995	(23,018)	(2,660)
Net Bonds Payable	2,001,006	827,714	(463,079)	2,365,641	138,610
Other Payables:					
Capital Lease Liability	15,320	3,682	(3,717)	15,285	2,811
Accrued Leave Payable	202,867	21,541	(13,623)	210,785	76,121
Notes Payable	46,544		(2,873)	43,671	2,351
Pollution Remediation Liability [4]	1,533	1,127	(1,106)	1,554	
Net Pension / OPEB Obligation [1, 2]	145,906	24,135		170,041	
Other Payable		434		434	
Total Other Payables	412,170	50,919	(21,319)	441,770	81,283
Total Governmental Activities					
Long-Term Liabilities	$ 2,413,176	$ 878,633	$ (484,398)	$ 2,807,411	$ 219,893
Business-Type Activities:					
Bonds Payable:					
Tax-Exempt General Obligation Bonds	$ 1,270	$ -	$ (40)	$ 1,230	$ 45
Taxable General Obligation Bonds	14,900		(1,300)	13,600	1,480
Tax-Exempt Certificates of Obligation	1,935		(105)	1,830	105
Revenue Bonds	379,665		(18,115)	361,550	18,665
Gross Bonds Payable	397,770		(19,560)	378,210	20,295
Unamortized (Discount) / Premium	16,026		(3,353)	12,673	1,013
Deferred Amount on Refunding	(5,738)		1,085	(4,653)	(674)
Net Bonds Payable	408,058		(21,828)	386,230	20,634
Other Payables:					
Capital Lease Liability	21,312		(5,207)	16,105	4,103
Accrued Leave Payable	4,910	3,804	(3,889)	4,825	3,892
Accrued Landfill Postclosure Costs [3]	2,044		(157)	1,887	142
Pollution Remediation Liability [4]	1,040			1,040	
Net OPEB Obligation [2]	26,760	6,017		32,777	
Total Other Payables	56,066	9,821	(9,253)	56,634	8,137
Total Business-Type Activities					
Long-Term Liabilities	$ 464,124	$ 9,821	$ (31,081)	$ 442,864	$ 28,771

NOTE: Interest accreted increased by $1,332 due to the bond payment's maturity schedule, resulting in an ending balance of $1,332, which increases governmental activities' revenue bonds payable. This increase is reflected in the combined Statement of Net Position but is not reflected in this table. The Hotel Occupancy Tax Revenue Bonds Series 1996 were refunded and $27,420 in accreted interest was defeased in fiscal year 2013.

[1] See Note 8, Pension & Retirement Plans for a description of the pension program.
[2] See Note 9, Post-employment Retirement Benefits for a description of the post-employment program.
[3] See Note 11, Commitments and Contingencies for a description of the Landfill Postclosure Care Costs.
[4] See Note 12, Pollution Remediation Obligation for a description of the Pollution Remediation Liability.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental and Business-Type Activities Long-Term Debt (Continued)

Accrued Leave Payable

The following is a summary of accrued leave payable for the fiscal year-ended September 30, 2013:

Governmental Activities					
Fund Type	Short-Term Available	Short-Term Remaining	Total Short-Term	Long-Term	Total
Governmental Funds	$ 8,760	$ 64,631	$ 73,391	$ 134,331	$ 207,722
Internal Service Funds		2,730	2,730	333	3,063
Total Governmental Activities	$ 8,760	$ 67,361	$ 76,121	$ 134,664	$ 210,785

The General Fund accounts for approximately 70.0% of the City's employees; therefore, most of the accrued leave payable has been liquidated from the General Fund. When a City employee terminates, the fund that his or her salary was charged to throughout the year will be the same fund that will pay their accrued leave.

Business-Type Activities			
Fund	Short-Term	Long-Term	Total
Airport System	$ 1,680	$ 590	$ 2,270
Nonmajor Enterprise Funds	2,212	343	2,555
Total Business-Type Activities	$ 3,892	$ 933	$ 4,825

Conduit Debt Obligations

The City facilitates the issuance of bonds to enable IDA, EFC and the EZDC, component units of the City, to provide financial assistance to various entities for the acquisition, construction, or renovation of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired property transfers to the entity served by the bond issuance. As of September 30, 2013, the aggregate principal amounts payable are as follows: five series of EFC Revenue Bonds in the amount of $41,585; two series of IDA Revenue Bonds in the amount of $10,400; and two series of EZDC Revenue Bonds in the amount of $39,900.

The City also facilitates the issuance of tax-exempt revenue bonds to enable the HFC to provide financing of residential developments for persons of low and moderate income. The bonds are secured by the property financed and are payable solely from, and secured by, a pledge of rental receipts. As of September 30, 2013, 22 series of tax-exempt revenue bonds were outstanding, with an aggregate principal amount payable of $239,063 and an aggregate principal amount issued of $253,009.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental and Business-Type Activities Long-Term Debt (Continued)

To provide for the acquisition and construction of certain airport facilities, the City has issued Special Airport Facilities Revenue Refunding Bonds, Series 1995. The bond is payable pursuant to lease agreements, which stipulate that various commercial entities are obligated to pay amounts to a third-party trustee in lieu of lease payments to the City. These payments are sufficient to pay for the principal, premium, interest, and purchase price of the bond when they become due. The aggregate principal amount outstanding for the Special Airport Facilities Revenue Refunding Bonds, Series 1995 at September 30, 2013 was $2,400.

The City entered into an agreement with the Port to fund renovations at the Port, in the amount of $20,000. The Department of Housing and Urban Development (HUD) provides the funding for the loan through a Section 108 Loan. The loan is secured by pledged Port revenues and property and is payable solely from payments received by the Port. As of September 30, 2013, the aggregate amount of the outstanding loan totaled $7,539.

The City has authorized HTFC to issue single family and multi-family mortgage revenue bonds used to provide affordable housing to the citizens of San Antonio. The bonds are payable solely out of the revenues and receipts derived from any residential development or home mortgage financed by the bonds. As of September 30, 2013, the amount of conduit debt was $41,447.

The City also facilitates the issuance of tax-exempt revenue bonds for SAEAPFC to enter into long-term prepaid purchases of natural gas. SAEAPFC in turn, sells contracted volumes of the prepaid gas to CPS Energy on a monthly basis at a discounted rate, which is passed on to CPS Energy's gas customers through reduced utility costs. The bonds are secured by the gas supplier and are payable primarily from the contracted volume sales and associated gas swap payments. As of September 30, 2013, SAEAPFC has one series of tax-exempt revenue bonds with an aggregate principal amount outstanding of $407,205.

Neither the City, the State of Texas, nor any political subdivision of the State of Texas other than the Port, is obligated in any manner for repayment of the aforementioned bonds, loans or leases. Accordingly, the bonds, loans, and leases are not reported as liabilities in the accompanying financial statements.

CPS Energy

To support its long-term capital financing needs, CPS Energy uses several types of debt instruments. As of January 31, 2013 these included fixed-rate and variable-rate bonds, as well as commercial paper. Relative to the bond instruments, provisions may be included that allow for refunding after specified time periods during the bond term.

Subject to applicable timing restrictions that may prevent early payoff, CPS Energy also has the option to defease or extinguish debt. A defeasance occurs when funds are placed in an irrevocable trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, which fully discharges the bond issuer's obligation. At the time of an extinguishment, since the issuer no longer has the legal obligation, the defeased debt is removed from the balance sheet, the related unamortized costs are expensed, and the gain or loss is immediately recognized.

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Current refundings involve issuing new debt (refunding bonds) to redeem existing debt (refunded bonds) that can be called within 90 days of the call date of the refunding bonds. Advance refunding of bonds involves issuing new debt to redeem existing debt that cannot be called within 90 days of issuing the refunding bonds. In these circumstances, the refunding bond proceeds are irrevocably escrowed with a third party. These proceeds, and income thereon, are used to pay the debt service on the refunded bonds until the refunded bonds can be called. Refunding bonds are generally issued to achieve debt service savings.

For current and advance refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a deduction or addition to the new debt liability. The deferred amount is amortized as a component of interest expense over the shorter remaining life of the refunding or the refunded debt.

As of January 31, 2013, the bond ordinances for New Series Bonds issued on and after February 1, 1994 contained, among others, the following provisions:

Revenue deposited in CPS Energy's General Account shall be pledged and appropriated to be used in the following priority for:

- Maintenance and operating expenses of CPS Energy;
- Payments of the New Series Bonds;
- Payment of prior lien bonds, including junior lien obligations;
- Payment of the notes and the credit agreement (as defined in the ordinance authorizing commercial paper);
- Payment of any inferior lien obligations issued, which are inferior in lien to the New Series Bonds, the prior lien bonds and the notes and credit agreement;
- An annual amount equal to 6.0% of the gross revenue of CPS Energy to be deposited in the Repair and Replacement Account;
- Cash payments and benefits to the General Fund of the City not to exceed 14.0% of the gross revenues of CPS Energy; and
- Any remaining net revenues of CPS Energy in the General Account to the Repair and Replacement Account, which is used to partially fund construction costs.

The maximum amount in cash to be transferred or credited to the City's General Fund from the net revenues of CPS Energy during any fiscal year shall not exceed 14.0% of the gross revenues of CPS Energy, less the value of gas and electric services of CPS Energy used by the City for municipal purposes and the amounts expended during the fiscal year for additions to the street lighting system and other authorized exclusions. The percentage of gross revenues of CPS Energy to be paid over, or credited to, the City's General Fund each fiscal year shall be determined (within the 14.0% limitation) by the governing body of the City.

The net revenues of CPS Energy are pledged to the payment of principal of and interest on the New Series Bonds, which are classified as senior lien obligations. All New Series Bonds and the interest thereon shall have a first lien upon the net revenues of CPS Energy.

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

The junior lien obligations are composed of two categories of debt: fixed interest rate and variable interest rate. The junior lien fixed interest rate debt is similar to the senior lien New Series Bonds, as they have fixed and set interest rates for the life of the bonds. The junior lien, Variable-Rate Demand Obligation ("VRDO") bonds are debt instruments of CPS Energy. The junior lien obligations are payable solely from, and equally and ratably secured by, a junior lien on and pledge of the net revenues of CPS Energy, subject and subordinate to liens and pledges securing the outstanding senior lien obligations and any additional senior lien obligations hereafter issued, and superior to the pledge and lien securing the currently outstanding commercial paper obligations, all as fully set forth in the ordinances authorizing the issuance of the junior lien obligations as noted below:

The City agrees that it will at all times maintain rates and charges for the sale of electric energy, gas, or other services furnished, provided, and supplied by CPS Energy to the City and all other consumers, which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay:

- All operation and maintenance expenses, depreciation, replacement and betterment expenses, and other costs as may be required by Chapter 1502 of the Texas Government Code, as amended;
- The interest on, and principal of, all parity bonds, as defined in the New Series Bond ordinances, as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the parity bonds;
- The interest on, and principal of, the prior lien bonds, including the junior lien obligations and any additional junior lien obligations hereafter issued (all as defined in the New Series Bond ordinances), as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the junior lien obligations and any additional junior lien obligations;
- To the extent the same are reasonably anticipated to be paid with available revenues, the interest on and principal of all notes, and the credit agreement (as defined in the ordinance authorizing the commercial paper); and
- Any legal debt or obligation of CPS Energy as and when the same shall become due.

Revenue Bonds

On March 29, 2012, CPS Energy issued $521,000 of taxable New Series 2012 Revenue Bonds. The true interest cost for this issue, which matures in 2026 through 2030 and in 2042, is 4.4%. Bond proceeds were primarily used to fund the purchase of an existing natural gas combined-cycle power plant.

On June 28, 2012, CPS Energy issued $655,370 of New Series 2012 Revenue Refunding Bonds. Proceeds, including the premium associated with the bonds, were used to refund $716,300 par value of the 2005A Revenue Refunding Bonds, 2005 Revenue Bonds and the majority of the 2006A Revenue Bonds. This refunding transaction resulted in a net present value debt service savings of $68,400, or 9.6% of the par amount of the bonds being refunded. The true interest cost for this issue, which consists of a serial bond maturing in 2025, is 2.6%.

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Revenue Bonds (Continued)

On November 29, 2012, CPS Energy issued a total of $143,645 of Series 2012A, Series 2012B and Series 2012C Variable-Rate Junior Lien Revenue Refunding Bonds. Proceeds, including the premium associated with the bonds, were used to refund $147,600 par value of the 2004 Variable-Rate Demand Obligations. This refunding transaction resulted in a net present value debt service savings of $2,000, or 1.3% of the par amount of the bonds being refunded. The bonds have maturities in 2024 through 2028. The coupon rate for these bonds is 2.0%, with current yields of 0.6%, 0.8%, and 1.0% for the Series 2012A, 2012B and 2012C Junior Lien Bonds, respectively. These bonds will be remarketed in two, three and four years, respectively, and at that time will likely reset at different rates of interest.

On January 17, 2013, Moody's Investors Service Inc. downgraded the Insurance Financial Strength rating of Assured Guaranty Municipal Corp. ("AGM") to "A2" from "Aa3." AGM is the legal successor in interest to Financial Security Assurance, Inc., the original provider of a municipal bond insurance policy relating to the 2013 and 2014 maturities of the New Series 2002 Revenue and Refunding Bonds and the 2016 maturity of the New Series 2005 Revenue Refunding Bonds. Exceptions to the downgrade were Moody's-rated securities with equal or higher published underlying ratings, which includes the aforementioned bonds. As a result, the Moody's downgrade did not affect the rating on these obligations; the obligations are and remain rated "Aa1" by Moody's.

CPS Energy Revenue Bond Summary

Issuance	Maturities	Weighted-Average Yield on Outstanding Bonds at January 31, 2013	January 31, 2013
Tax Exempt new series bonds 2002-2012	2014-2034	4.6%	$ 2,770,890
Taxable new series bonds[1] 2009C, 2010A and 2012	2026-2042	4.0%	1,276,000
Total New Series Bonds		4.4%	4,046,890
Taxable series bonds[1] 2010A-2010B	2037-2041	3.9%	500,000
Tax Exempt Variable-Rate Series Bonds 2003, 2004, 2012A, 2012B, and 2012-C	2024-2033		393,645
Total series bonds			893,645
Total Long-Term Revenue Bonds Outstanding			4,940,535
Less: Current Maturities of Bonds			183,610
Total Revenue Bonds Outstanding, Net of Current Maturities			$ 4,756,925

[1] Direct Subsidy Build America Bonds

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Revenue Bonds (Continued)

As of January 31, 2013, principal and interest amounts due for all revenue bonds outstanding for each of the next five years and thereafter to maturity are:

CPS Energy
Principal and Interest Requirements

Year	Principal	Interest	Direct Subsidy	Total
2014	$ 183,610	$ 239,405	$ (24,995)	$ 398,020
2015	157,035	229,672	(26,132)	360,575
2016	155,115	224,035	(26,132)	353,018
2017	166,135	218,715	(26,132)	358,718
2018	163,955	212,980	(26,132)	350,803
2019-2023	960,535	933,825	(130,659)	1,763,701
2024-2028	842,715	680,487	(130,659)	1,392,543
2029-2033	759,471	516,089	(130,659)	1,144,901
2034-2038	926,393	334,378	(96,381)	1,164,390
2039-2042	625,571	71,212	(18,645)	678,138
Totals	$ 4,940,535	$ 3,660,798	$ (636,526)	$ 7,964,807

The above table includes senior lien and junior lien bonds. Interest on the senior lien bonds and the junior lien fixed-rate bonds are based upon the stated coupon rates of each series of bonds outstanding. The direct subsidy associated with the BABs has been presented in a separate column. BABs subsidy received in 2013 totaled $636,526. CPS Energy has taken the position that the BABs direct subsidy should be deducted when calculating total debt service since the subsidy is received directly by the trustee to be used solely for debt service payments.

The 2003 Junior Lien Bonds were issued as variable-rate bonds and as such have interest rates that reset on a weekly basis. The 2004 Junior Lien Bonds, which were remarketed on December 1, 2010, for a two-year term at an interest rate of 1.2%, were refunded in November 2012 by the Series 2012A, 2012B, and 2012C Junior Lien Bonds. The Series 2012A, 2012B, and 2012C Junior Lien Bonds were also issued as variable-rate bonds with interest rates that will be remarketed in two, three, and four years, respectively, and at that time will likely reset at different interest rates. The interest on all variable-rate bonds computes to a blended rate of 0.4% at January 31, 2013.

The interest rate term mode for the junior lien variable-rate revenue bonds, or any portion thereof, may be converted to a different mode, or to an auction rate or term rate with an interest rate period of different duration, at the direction of the City. Following such a conversion, the junior lien bonds, or portion thereof, will bear interest at the corresponding daily, weekly, auction, commercial paper, term, or fixed rate.

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Revenue Bonds (Continued)

Long-Term Debt Activity							
Issue	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding February 1, 2012	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2013
Revenue and Refunding Bonds:							
2002 Tax Exempt	$ 436,090	2017	4.055	$ 209,340	$ -	$ (67,915)	$ 141,425
2002 Tax Exempt	140,615	2015	4.751	10,525			10,525
2003 Tax Exempt Junior Lien	250,000	2033	Variable	250,000			250,000
2003A Tax Exempt	93,935	2014	3.675	72,530		(9,055)	63,475
2003 Tax Exempt	350,490	2013	3.081	50,325		(50,325)	
2004 Tax Exempt Junior Lien	160,000	2027	Variable	147,615		(147,615)	
2005 Tax Exempt	294,625	2020	4.381	294,625			294,625
2005 Tax Exempt	240,675	2025	4.683	239,800		(239,800)	
2005A Tax Exempt	197,335	2025	4.571	195,215		(195,215)	
2006A Tax Exempt	384,185	2025	4.555	329,670		(296,635)	33,035
2006B Tax Exempt	128,845	2021	3.974	86,010		(9,625)	76,385
2007 Tax Exempt	46,195	2018	4.159	46,195			46,195
2007 Tax Exempt	403,215	2032	4.575	402,130			402,130
2008 Tax Exempt	287,935	2032	4.582	287,935			287,935
2008A Tax Exempt	158,030	2016	3.736	84,220		(17,910)	66,310
2009A Tax Exempt	442,005	2034	4.863	439,500			439,500
2009C Taxable	375,000	2039	3.944	375,000			375,000
2009D Tax Exempt	207,940	2021	3.72	203,065			203,065
2010A Taxable	380,000	2041	3.834	380,000			380,000
2010A Taxable Junior Lien	300,000	2041	3.806	300,000			300,000
2010B Taxable Junior Lien	200,000	2037	4.101	200,000			200,000
2011 Tax Exempt	50,915	2017	1.600	50,915			50,915
2012 Taxable	521,000	2042	4.420		521,000		521,000
2012 Tax Exempt	655,370	2025	5.027		655,370		655,370
2012A Tax Exempt Junior Lien	48,170	2028	Variable		48,170		48,170
2012B Tax Exempt Junior Lien	47,815	2028	Variable		47,815		47,815
2012C Tax Exempt Junior Lien	47,660	2028	Variable		47,660		47,660
Bonds Outstanding				4,654,615	1,320,015	(1,034,095)	4,940,535
Bond Current Maturities				(170,175)	(13,435)	-	(183,610)
Bond (Discount)/Premium				106,527	160,081	(44,181)	222,427
Bond Reacquisition Costs				(32,688)	(94,641)	32,768	(94,561)
Revenue Bonds, Net				4,558,279	1,372,020	(1,045,508)	4,884,791
Tax Exempt Commercial Paper (TECP)			Variable	130,000	166,500		296,500
Total Long-Term Debt, Net				$ 4,688,279	$ 1,538,520	$ (1,045,508)	$ 5,181,291

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Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Flexible Rate Revolving Note

In fiscal year 2010, the San Antonio City Council adopted an ordinance authorizing the establishment of the Flexible Rate Revolving Note (FRRN) Private Placement Program, under which CPS Energy may issue taxable or tax-exempt notes, bearing interest at fixed or variable rates in an aggregate principal amount at any one time outstanding not to exceed $100,000. This ordinance provides for funding to assist in the interim financing of eligible projects that include the acquisition or construction of improvements, additions, or extensions to CPS Energy, including capital assets and facilities incident and related to the operation, maintenance, and administration of fuel acquisition and development and facilities for the transportation thereof; capital improvements to CPS Energy; and refinancing or refunding of any outstanding obligations secured by the net revenues of CPS Energy; or with respect to the payment of any obligation of CPS Energy pursuant to any credit. Under the program, maturity dates cannot extend beyond November 1, 2028.

On May 10, 2010, CPS Energy issued a $25,200 taxable Flexible Rate Revolving Note, Series A, under its taxable Note Purchase Agreement with JPMorgan Chase Bank, N.A., which currently serves as the note purchaser under the program. On May 11, 2010, the proceeds from the note, along with cash, were used to defease $25,700 in principal amounts of the allocable portion of the debt associated with the common facilities of STP Units 1 and 2 that were assigned to NINA in March 2010 when CPS Energy reduced its ownership share of STP Units 3 and 4 to 7.6%. The outstanding FRRN balance at January 31, 2013 was $25,200.

The FRRN has been classified as current in accordance with the financing terms under the taxable Note Purchase Agreement and is reported on the Statements of Net Position under current maturities of debt. At January 31, 2013, only the taxable facility was being utilized through the taxable Note Purchase Agreement. The taxable notes are being secured by a pledge of investment collateral and a limited, subordinate and inferior lien on and pledge of net revenues in the amount of $100. The current taxable Note Purchase Agreement will expire on December 31, 2013, but through an annual renewal process may be extended through November 1, 2028.

Compensated Absences

Employees earn vacation benefits based upon their employment status and years of service. As of January 31, 2013 the accruals for employee vested benefits were $17,429. These accruals are reported under Accounts Payable and Other Current Liabilities.

San Antonio Water System (SAWS)

City Ordinance No. 75686 requires that gross revenues of SAWS be applied in sequence to (1) payment of current maintenance and operating expenses including a two-month reserve amount based upon the budgeted amount of maintenance and operating expenses for the current fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) payment of amounts required on Inferior Lien Obligations; and (7) transfers to the City's General Fund and to SAWS' Renewal and Replacement Fund.

City Ordinance No. 75686 also provides for no free services except for municipal firefighting purposes.

Note 6 Long-Term Debt (Continued)

San Antonio Water System (SAWS) (Continued)

SAWS has a contract with CPS Energy, the City-owned electricity and gas utility, for the provision of reuse water. According to City Ordinance No. 75686, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any transfers to the City's General Fund.

Revenue Bonds

On February 29, 2012, SAWS issued $225,255 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012. The proceeds from the sale of the bonds were used to (i) refund $265,885 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2002 (the "Series 2002 Bond"), and (ii) pay the cost of issuance. The refunding of the Series 2002 Bonds reduced total debt service payments over the next seventeen years by approximately $71,000 and resulted in an economic gain of approximately $56,400.

On April 11, 2012, SAWS issued $31,890 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2012 (No Reserve). The proceeds from the sale of the bonds were used to (i) refund the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2001; the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2001-A; the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2002; and the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2002-A; (together the "Refunded Bonds") and (ii) pay the cost of issuance. The refunding of the Refunded Bonds reduced total debt service payments over the next eleven years by approximately $3,400 and resulted in an economic gain of approximately $3,000.

On August 28, 2012, SAWS issued $19,630 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2012 through the Texas Water Development Board. The bonds were sold under the State Revolving Fund (SRF) Program. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects which qualify under the Texas Water Development Board program and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On October 2, 2012, SAWS issued $163,435 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012A. The proceeds from the sale of the bonds were used to (i) refund $175,000 in outstanding commercial paper notes and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Senior Lien Obligations solely by a lien on a pledge of net revenues. There was no economic gain or loss on this transaction.

Senior Lien Water System Revenue Bonds, comprised of Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, Series 2009B, Series 2010B, Series 2011, Series 2011A, Series 2012, and Series 2012A outstanding in the amount of $1,605,165 at December 31, 2012, are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operation and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates range from 1.5% to 6.2%, exclusive of any federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

Note 6 Long-Term Debt (Continued)

San Antonio Water System (SAWS) (Continued)

Revenue Bonds (Continued)

Junior Lien Water System Revenue Bonds, comprised of 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, Series 2011A, Series 2012 (No Reserve Fund), and Series 2012 outstanding in the amount of $382,645 at December 31, 2012, are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operation and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien debt. Interest rates range from 0.0% to 5.0%.

The following summarizes transactions of the Revenue Bonds for the year-ended December 31, 2012:

	Beginning Balance Jan. 1, 2012	Additions	Reductions	Ending Balance Dec. 31, 2012	Due Within One Year
Bonds Payable	$ 1,894,230	$ 440,210	$ 346,630	$ 1,987,810	$ 47,315
Deferred Amounts for Issuance (Discounts)/Premiums	(2,910)	67,034	5,384	58,740	
Total Bonds payable, Net	$ 1,891,320	$ 507,244	$ 352,014	$ 2,046,550	$ 47,315

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Note 6 Long-Term Debt (Continued)

San Antonio Water System (SAWS) (Continued)

Revenue Bonds (Continued)

The following table shows the annual debt service requirements on SAWS' debt obligations for each of the next five years and then in five year increments:

Annual Debt Service Requirements Revenue and Refunding Bonds						
	Senior Lien				Junior Lien	
Year Ended December 31,	Principal	Interest Expense	Direct Subsidy[1]	Net Interest	Principal	Interest Expense
2013	$ 27,210	$ 78,882	$ (4,006)	$ 74,876	$ 20,105	$ 10,746
2014	29,165	76,890	(3,997)	72,893	20,635	10,226
2015	30,415	75,609	(3,969)	71,640	21,180	10,021
2016	31,740	74,209	(3,920)	70,289	24,070	9,742
2017	36,070	72,613	(3,863)	68,750	24,545	9,055
2018-2022	227,215	334,215	(18,234)	315,981	108,785	34,392
2023-2027	326,375	265,068	(15,865)	249,203	66,920	21,653
2028-2032	281,485	186,926	(12,650)	174,276	41,335	13,515
2033-2037	387,045	106,598	(6,283)	100,315	36,450	6,927
2038-2042	228,445	18,620	(734)	17,886	18,620	894
Total	$ 1,605,165	$ 1,289,630	$ (73,521)	$ 1,216,109	$ 382,645	$ 127,171

[1] Federal interest rate subsidy on Build America Bonds is utilized to pay interest on those bonds but is reported as nonoperating revenue.

In 2012, SAWS received a total of $4,014 in BABs subsidy.

SAWS is required to comply with various debt covenant provisions included in the ordinances which authorized the bond issuances. SAWS is in compliance with all significant provisions of the ordinances.

Prior Years' Defeased Debt

In current and prior years, SAWS defeased certain revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in SAWS' financial statements. At December 31, 2012, there were no bonds outstanding that were considered legally defeased.

Accrued Leave

SAWS records an accrual for vacation payable for all full-time employees and pays unused vacation hours available at the end of employment with the final paycheck.

Year-Ended	Liability Beginning Balance	Current-Year Accruals	Payments	Liability Ending Balance	Estimated Due Within One Year
December 31, 2012	$ 7,495	$ 6,099	$ (5,516)	$ 8,078	$ 5,516

Note 7 Commercial Paper Programs

Primary Government (City)

The City had no Commercial Paper debt during fiscal year 2013.

CPS Energy

On October 11, 2012, the commercial paper ordinances were amended and restated to include several additional provisions as listed below:

- Increase the authorized capacity to $600,000;
- Allow flexibility to issue tax-exempt or taxable commercial paper;
- Allow the issuance of multiple series notes to reduce bank counterparty risk; and
- Extend the final maturity date to November 1, 2042.

Eligible projects include fuel acquisition, capital improvements to the Systems, and refinancing or refunding any outstanding obligations which are secured by and payable from a lien and/or a pledge of net revenues of the Systems. Pledge of net revenues is subordinate and inferior to the pledge securing payment of existing New Series Bonds and junior lien obligations.

As of January 31, 2013, the Tax-Exempt Commercial Paper (TECP) Ordinance contains, among others, the following provisions:

To secure the payment of TECP principal and interest, a pledge is made of:

- Proceeds from:
  - The sale of bonds and additional notes issued for such purposes, and
  - The sale of TECP;
- Loans under and pursuant to the revolving credit agreement; and
- The net revenues of CPS Energy, after payment on New Series Bond requirements and prior lien bond obligations.

CPS Energy issued a total of $166,500 in new tax-exempt commercial paper during fiscal year 2013 to help fund construction costs.

TECP Outstanding at 1/31/2013	$ 296,500
TECP New Money Issues	166,500
Weighted Average Interest Rate of Outstanding TECP	0.2%
Average Life of Outstanding TECP (Approximate Number of Days)	71

The commercial paper has been classified as long-term in accordance with the refinancing terms under three revolving credit agreements with a consortium of banks, which support the commercial paper. Under the terms of these revolving credit agreements, which are effective from October 17, 2012, through December 31, 2014, CPS Energy may borrow up to an aggregate amount not to exceed $450,000 for the purpose of paying principal due under the commercial paper program. At January 31, 2013, there was no amount outstanding under the revolving credit agreement. Further, there have been no borrowings under the agreement since inception.

Note 7 Commercial Paper Programs (Continued)

San Antonio Water System (SAWS)

SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements. The City Council has authorized the commercial paper program in an amount of $500,000. Notes payable under the program cannot exceed maturities of 270 days.

The City has covenanted in the ordinance authorizing the commercial paper program (the Note Ordinance) to maintain at all times credit facilities with banks or other financial institutions which would provide available borrowing capacity sufficient to pay the principal of the commercial paper program. The credit facility is maintained under the terms of a revolving credit agreement.

The issuance of commercial paper is further supported by the following agreements and related participants:

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Ramirez & Co., Inc.
- Revolving Credit Agreement with Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York branch, supporting the Series A Notes in the amount of $250,000
- Revolving Credit Agreement with Wells Fargo Bank, N.A., supporting the Series B Notes in the amount of $150,000
- Issuing and Paying Agency Agreement with the Bank of New York Mellon Trust Company, N.A.

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement. The capacity of the combined revolving credit agreements is $400,000 and the agreements expire on October 5, 2015.

Commercial paper notes of $170,745 are outstanding as of December 31, 2012. Of this balance, $100,970 relates to the refunding of the Series 2003 Bonds; $18,655 relates to the purchase of a water treatment plant from Bexar Metropolitan Water Development Corporation; while the remaining $51,120 proceeds were used solely for financing of capital improvements. Interest rates on the notes outstanding at December 31, 2012 range from 0.1% to 0.2% and maturities range from 57 to 124 days. The outstanding notes had an average rate of 0.2% and averaged 99 days to maturity.

SAWS intends to reissue maturing commercial paper, in accordance with the terms of the revolving credit agreement, and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, and since SAWS has the available $400,000 revolving credit agreement described above, SAWS has classified nearly all outstanding commercial paper notes as long-term debt. In accordance with the amortization schedule of the interest rate swap agreement, SAWS intends to redeem $2,970 of commercial paper in 2013. Therefore, this portion of outstanding commercial paper is classified as a current liability.

The following summarizes transactions of the program for the year-ended December 31, 2012.

	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
Tax Exempt Commercial Paper Notes	$ 214,930	$ 133,655	$ 177,840	$ 170,745

Note 8 Pension and Retirement Plans

Primary Government (City)

General Plan Information

The City of San Antonio, SAWS, and CPS Energy participate in several contributory retirement plans. These are funded plans covering substantially all full-time employees. Payroll and contribution information as of the year-end for each entity is presented as follows:

Contributory Pension and Retirement Plans						
Entity	Title	Type of Plan	Covered Payroll [3]	Employee Contribution	Employer Contribution	Total Contribution
City	Fire and Police Pension Plan	Single Employer Defined Benefit Plan	$ 293,665	$ 36,629	$ 73,256	$ 109,885
	Texas Municipal Retirement System (TMRS) - Civilian	Nontraditional Hybrid Defined Benefit Agent Plan	$ 288,246	$ 17,296	$ 30,416	$ 47,712
Component Units:						
SAWS	Texas Municipal Retirement System (TMRS)[1]	Nontraditional Hybrid Defined Benefit Agent Plan	$ 87,098	$ 2,613	$ 3,641	$ 6,254
	SAWSRP Contract[1]	Single Employer Defined Benefit Plan	$ 89,542	$ -	$ 10,396	$ 10,396
CPS Energy	CPS All Employee Plan[2]	Single Employer Defined Benefit Plan	$ 237,823	$ 12,361	$ 39,016	$ 51,377

[1] Fiscal year ended December 31, 2012.

[2] Fiscal year ended January 31, 2013.

[3] Covered payroll presented in this table for the City is as of September 30, 2013.

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Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Plan

The Pension Fund is a single-employer defined benefit retirement plan established in accordance with the laws of the State of Texas. The governing document for the Pension Fund is found in Vernon's Texas Civil Statutes, Article 6243O. The pension law governing the Pension Fund was amended on October 1, 2009. The Pension Fund meets the criteria of a "fiduciary fund" of the City as established by *Governmental Accounting Financial and Reporting Standards* and is therefore included in the City's financial statements as a pension trust fund. A more complete description of the Pension Fund is provided in the Pension Fund's separately issued financial statements.

At September 30, 2013, membership of the Pension Fund consisted of:

Retirees and beneficiaries receiving benefits	2,273
Active participants	3,955
Total	6,228

Currently, the Pension Fund provides retirement benefits to eligible employees of the fire and police departments of the City who have served for 20 years or more. Employees who terminate prior to accumulating 20 years of service may apply to receive a refund of their contributions. Upon application for a service retirement pension from the Pension Fund, retiring employees are entitled to a retirement annuity computed based on the average of the employee's total salary, excluding overtime pay, for the highest three years of the last five years. A retirement annuity under this subsection may not exceed, as of the date of retirement, 87.5% of the member's average total salary.

There is a provision for the Backwards Deferred Retirement Option Plan (BackDROP), which, as of October 1, 2009, permits retiring members who had actual service credit of at least 20 years and one month to elect to receive a lump-sum payment for a number of full months of service elected by the member that does not exceed the lesser of the number of months of service credit the member had in excess of 20 years or 60 months and a reduced annuity payment. For purposes of a BackDROP benefit calculation, the participant's salary beyond 34 years of service is used to determine the participant's average salary.

There is also a provision for a 13th and 14th pension check. At the end of each fiscal year, the Board may authorize the disbursement of a 13th monthly pension check if the annualized yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five year period by at least 100 basis points. In the same way, the Board may authorize a 14th monthly pension check if the annualized yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five year period by at least 300 basis points. The 13th and 14th pension checks are paid to each retiree and beneficiary receiving a pension at the end of the fiscal year and are in an amount equal to the pension check paid in the last month of the preceding fiscal year of the Pension Fund (retirees/beneficiaries with less than one year of benefits will receive a prorated check, and no check will be paid to members who retired after the end of the fiscal year). Authorization for one year does not obligate the Board to authorize a 13th and 14th check for any other year. The Pension Fund did not meet the criteria for the 13th and 14th checks for the year ended September 30, 2013.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Plan (Continued)

The Pension Fund also provides benefits when service is terminated by reason of death or disability. The employee's beneficiary or the employee shall be entitled to one-half of the average of the employee's total salary, excluding overtime pay, or vested benefit as is provided in the computation of normal retirement benefits, whichever is higher. If a member dies after retiring, spouses or beneficiaries who were married to or dependents of the member at the time of retirement receive the same annuity paid to the member as of the date of the member's death up to the maximum benefit. The maximum benefit for surviving spouses and dependent children is equal to a 27-year service pension. As of October 1, 2009, the allocation of death benefits between a surviving spouse and the dependent children of a member is 75.0% to the spouse and 25.0% to the children. The spousal death benefit for a spouse who married a retiree after retirement and at least five years prior to the date of the retiree's death is the same as a spouse who married a member prior to retirement. At October 1, 2009 amendments establish a 55-year-old minimum age for marriage-after-retirement spouses to begin receiving annuity payments for those that qualify for such annuity payments. As of October 1, 2009, the spousal death benefit for a spouse who married a retiree after retirement, and less than five years prior to the date of the retiree's death, was $15,000 if there are no other beneficiaries (note figure not reflected in thousands).

The Pension Fund provides a disability annuity equal to 87.5% of average total salary, if the member suffers a catastrophic injury. A catastrophic injury is described as an irreparable physical bodily injury suffered during the performance of high-risk line of duty activities, when the injury results in the individual being unable to obtain any sort of employment sufficient to generate income above the poverty level.

The surviving spouse of an active member may elect to receive benefits in the form of a lump-sum payment and reduced annuity, similar to a BackDROP election made by a retiring member.

The estate of an active member who dies and does not leave a beneficiary will receive either 10 times the amount of an annuity computed according to the Annuity Computation mentioned above, using the deceased member's service credit and average total salary as of the date of death, or the deceased member's contributions that were picked up by the City. The estate of a retired member who dies and does not leave a beneficiary will receive a lump-sum benefit equal to 10 times the amount of the annuity awarded by the Board effective on the retiree's date of retirement, less any retirement or disability annuity and any lump-sum payments paid to the retiree.

The Pension Fund also provides benefits when an eligible member is killed in the line of duty. The member's surviving spouse and dependent children are entitled to a total pension equal to the member's base salary at the time of death.

Another important provision of the Pension Fund is the Cost of Living Adjustment (COLA). The COLA is based on the Consumer Price Index for all Urban Consumers – U.S. City Average (CPI) as published by the Bureau of Labor Statistics. Members whose retirement, disability, or death occurred before August 30, 1971, receive an increase equal to 100.0% of the increase in the CPI. Members whose retirement, disability, or death occurred after August 30, 1971, but before October 1, 1999, receive an increase equal to 100.0% of the increase in the CPI up to 8.0% and 75.0% of the increase in the CPI in excess of 8.0%. Members whose retirement, disability, or death occurred after October 1, 1999 receive an increase equal to 75.0% of the increase in the CPI.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Plan (Continued)

The Pension Fund is funded in accordance with Texas state statues and is not actuarially determined. The City was required to contribute 24.6% of salary, excluding overtime pay, in 2013. The employee contribution rate was 12.3% in 2013. New fire fighters and police officers are immediately eligible for membership after they receive state certification and complete all other requirements. The new member contributes to the Pension Fund upon becoming eligible.

The Pension Fund has a provision that allows the fire chief and police chief to opt out of membership in the Pension Fund.

The annual required contributions for fiscal year 2013 were determined as part of the October 2012 actuarial valuations, using the entry-age actuarial cost method. The actuarial assumptions included (a) an 7.5% investment rate of return and (b) a projected annual salary increase of 3.5%. Both (a) and (b) include inflation components of 3.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 2012 was 7.1 years which, as reported under GASB guidelines, does not consider the assumption of payroll growth rate. The amounts of the actuarial value of assets represent estimates based upon the assumptions described above. Changes in those assumptions will result in changes in such estimates in the future. The amounts of benefits ultimately to be paid could differ materially from the current estimates.

Contributions for the year-ended September 30, 2013 were as follows:

	Amount	Percentage of Covered Payroll
Employer	$ 73,256	24.6%
Employee	36,629	12.3%
Total	$ 109,885	

The City of is responsible for funding the deficiency, if any, between the amount available to pay all retirement annuities and other benefits owed by the Pension Fund and the amount required to pay such benefits.

The Pension Fund issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Fire and Police Pension Fund of San Antonio, 11603 W. Coker Loop, Suite 201, San Antonio, Texas 78216 or by calling (210) 534-3262.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS)

The City provides benefits for all eligible employees (excluding firefighters and police officers) through a nontraditional, joint contributory, hybrid defined benefit plan in TMRS. TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1948 to provide retirement and disability benefits to city employees. TMRS as of December 31, 2012, is the agent for 849 participating entities. It is the opinion of the TMRS management that the plans in TMRS are substantially defined benefit plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the TMRS plan.

Since its inception, TMRS has used the traditional Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date but does not project the potential future liability of provisions adopted by a participating government. Two-thirds of the governments participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be "committed" benefits (or likely to be guaranteed); as such, for the December 31, 2007 valuation, TMRS' Board adopted the Projected Unit Credit (PUC) actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. These changes had a significant impact on TMRS' Unfunded Actuarial Accrued Liability (UAAL) and funded position as well as the City's contribution requirements. As of December 31, 2006, the City's Plan had a UAAL of $178,521 with a funded ratio of 72.2%. After adoption of these changes, as of December 31, 2007 the City's Plan had a UAAL of $317,720 with a funded ratio of 60.1%.

The Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period may be increased up to 30 years, unless a participating government requests that the period remain at 25 years. For governments with repeating features, these changes resulted initially in higher required contributions and lower funded ratios. To assist in this transition to higher rates, the Board approved an eight-year phase-in period, which allowed governments the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full required contribution rate. As a result of these changes, the City's contribution rate was projected to increase from 12.5% to 16.7%. Due to the significant increase in contribution requirements, the City selected to phase-in the contribution rate in fiscal year 2009 from 12.5% to 13.1% with an ultimate projected rate to be in excess of 18.0% after phase-in (or triple the employee contribution rate).

The City additionally created a work plan to review and address the changes being made by TMRS. Six focus groups with employees and retirees were held to obtain input via a survey on their TMRS benefits and priorities to assist the City in evaluating its options and decisions made on the TMRS Board. Furthermore, the City engaged a legal firm to provide legal advice on TMRS and other pension related issues. The legal firm engaged an actuarial firm to evaluate the assumptions and results of TMRS' report to provide a historical performance analysis of the funds within TMRS, and assist in exploring viable pension alternatives. A task force of current employees and retirees was formed to provide input regarding the work to be completed by this actuarial firm.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

The City further adopted a plan change in 2010 removing the annually repeating Cost of Living Adjustment (COLA) feature as a way to mitigate future contribution increases. This change does not prevent adoption of either ad hoc or annually repeating COLAs in the future, but it did reduce the City's contribution rate in 2010 from 13.9% to 12.3%.

TMRS legislation was passed during the State's 82nd Legislative Session to combine the Municipal Accumulation Fund (MAF), Current Service Annuity Reserve Fund (CSARF), and the Employees Savings Fund (ESF), into a single city trust fund. Under TMRS, assets were held in trust in three distinct accounts, which were called "funds." The MAF holds city contributions and interest. The ESF holds member contributions and interest. When a member retires, the accumulated contributions and interest in the member's account transfer from the ESF, along with matching funds from the city's MAF into the CSARF. The basic retirement benefit is therefore fully funded at the time of a member's retirement and is then paid monthly to the retiree from the CSARF. At the time a member retires, the basic retirement benefit becomes a liability of TMRS. Since the passage of House Bill 360 in 2009, each year the ESF and CSARF were credited, by law, with 5.0% interest. This guaranteed interest credit resulted in a highly leveraged (positive or negative) interest credit to the MAF. In years when TMRS as a whole earned less than the amount needed to provide the 5.0% guaranteed interest credit to the ESF and CSARF, additional funding was needed from the MAF. Additionally, as each city's plan matured and retirements increased, more funds transferred into the CSARF from the ESF and the MAF, and the MAF balance, combined with the highly leveraged interest allocations, would have resulted in city contribution rates more volatile than a typical pension plan.

Restructuring, or combining, funds eliminated the leverage inherent in the asset structure and helped to make city contribution rates less volatile. Under a restructured pension fund, at the time of retirement, money would not be transferred to the CSARF (it would stay in the combined/single trust fund of the city). By reallocating the CSARF assets and liabilities and the ESF assets into each city's single trust fund, all future investment earnings based on that city's contributions for active and retired members would be directly applied to that specific city's trust assets and included in the funding equation, resulting in decreased liabilities and contribution rates. Additionally, a city's funded ratio would improve because the city would receive "credit" for the excess of the assets over liabilities for those retirements that are currently being paid from the CSARF; and the city's annual required contribution would be reduced since the city would receive interest on a larger base of assets over a longer period of time. The vast majority of defined benefit plans are funded under a similar structure. This proposal passed as Senate Bill 350 and was enacted in June 2011. This legislation permitted the actuarial valuation to be completed, as if restructuring occurred on December 31, 2010.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

In addition to the restructuring, the actuarial assumptions were updated based on an actuarial experience study that was adopted by the TMRS board at its May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). The City's UAAL as of December 31, 2010 prior to restructuring was calculated at $201,451 with a funded ratio of 73.0%. The City's UAAL using the new rate structure was calculated to $100,426 with a funded ratio of 90.6%. Further, the amortization periods differed; prior to restructuring the period was 25.6 years; after restructuring the period was 24.1 years, resulting in a reduction to the contribution rate from 12.6% to 10.0% for the first quarter of calendar year 2012. TMRS permitted the City to early implement this contribution rate reduction in the first quarter of fiscal year 2012, resulting in a first quarter difference of 2.6%, or $1,810 in ARC, not being funded. The NPO balance at September 30, 2013 is $1,825, and this NPO will be funded through future TMRS contribution rate changes. The General Fund will be the primary contributer to this NPO.

In the fiscal year 2013 budget, City Council adopted a one-time annuity increase that was provided to retired employees and to beneficiaries of deceased employees. The amount of the increase is computed as the sum of the prior service and current service annuities on the effective date of retirement of the person on whose service the annuities are based. This number was multiplied by 70.0% of the percentage change in the Consumer Price Index for All Urban Consumers, from December of the year immediately preceding the effective date of the person's retirement to the December that is 13 months before the effective date of the increase. This one-time annuity increase caused the contribution rate to increase from 10.3% to 10.7%, effective January 1, 2013.

Benefits depend upon the sum of the employee's contributions to the TMRS plan, with interest, and the City-financed monetary credits, with interest. At the date the TMRS plan began, the City granted monetary credits for service rendered before the TMRS plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the TMRS plan. Monetary credits for service since the TMRS plan began are a percentage of the employee's accumulated contributions. In addition, the City may grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the TMRS plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average salary for the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity.

Members are eligible to retire upon attaining the normal retirement age of 60 and above with 5 or more years of service, or with 20 years of service regardless of age. The TMRS plan also provides death and disability benefits. A member is vested after five years, but must leave accumulated contributions in the TMRS plan. If a member withdraws the contributions with interest, the member would not be entitled to the City-financed monetary credits, even if vested.

TMRS provisions and contribution requirements are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Contribution requirements are actuarially determined by TMRS' actuary (see summary of TMRS Actuarial Assumptions and Methods at the end of Note 8). The contribution rate for the City's employees is 6.0% and the matching percent was 10.7% for calendar year 2013, both as adopted by the governing body of the City (see summary of contribution information at the beginning of Note 8). Under the state law governing TMRS, the employer's contribution rates are annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The normal cost contribution finances the currently accruing monetary credits due to the City matching percentage, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percentage of payroll necessary to satisfy the obligation of the City to each employee at the time the employee's retirement becomes effective. The prior service contribution rate amortizes the UAAL over the remainder of the plan's 19.4 year amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased UAAL is being amortized over a new 19.4-year period. Currently, the UAAL is amortized over a constant 19.4-year period as a level percentage of payroll. Contributions are made monthly by both the employees and the City. All current year required contributions of the employees and the City were made to TMRS. Due to the fact that the City requires the contribution rates in advance for budget purposes, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Membership as of the Valuation Date	12/31/2012
Number of :	
Active Members	6,091
Retirees and beneficiaries	3,707
Inactive members	2,002
Total	11,800

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

TMRS' administration costs are funded from a portion of TMRS' annual investment earnings.

TMRS issues a publicly available financial report that includes financial information and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used related to participating municipalities. The report may be obtained by writing to the TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677. In addition, the report is available on TMRS' website at www.TMRS.com. The required schedule of funding progress follows immediately the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

City Deferred Compensation

City of San Antonio has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary on a pre-taxed basis until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, loan, or qualifying unforeseeable emergency. Participation in the plan is voluntary. In fiscal year 2012, the City implemented a matching contribution of up to 1% of base salary to eligible executives who participate in the plan. The City has no liability for losses under this plan but does have the usual fiduciary responsibilities of a plan sponsor.

San Antonio Water System (SAWS)

SAWS' pension program includes benefits provided by TMRS, the San Antonio Water System Retirement Plan (SAWSRP), the San Antonio Water System Deferred Compensation Plan (SAWSDCP), and Social Security.

Texas Municipal Retirement System (TMRS)

SAWS provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and SAWS financed monetary credits, with interest. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. The plan provisions are adopted by SAWS within the options available and actuarial constraints in the state statutes governing TMRS.

Note 8 Pension and Retirement Plans (Continued)

San Antonio Water System (SAWS) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Under the state law governing TMRS, SAWS' contribution rate is determined annually by the actuary using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for SAWS. Both the normal costs and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

SAWS contributes to the TMRS Plan at the actuarially determined rate. Both the employees and SAWS make monthly contributions. These rates are provided on an annual basis, following the completion of the actuarial valuation. There is a delay in the valuation and when the rate becomes effective – for example the 2012 contribution rate is based on the December 31, 2010 valuation results. The actuarially determined rate for 2011 employer contributions was 5.9%. Due to a significant increase in the employer contribution rate resulting from a change in funding method adopted by TMRS in 2007, SAWS actual contributions for 2011 were based on a TMRS approved phase-in rate of 4.6% of employee compensation. In 2012, the actuarially determined rate for employer contributions was reduced to 4.2% of employee compensation due to a restructuring of TMRS' internal account structure. This restructuring transferred certain assets and liabilities from TMRS accounts to SAWS accounts within the TMRS system related to retired employees' accumulated contributions. Employee contributions to the plan for 2012 was equal to 3.0% of compensation.

TMRS
Schedule of Contributions

	2012
Employer Contribution	$ 3,641
Employee Contribution	$ 2,613
Employer Contribution Rate	4.2%

San Antonio Water System Retirement Plan (SAWSRP)

SAWSRP is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 75686, which serves as a supplement to TMRS and Social Security. SAWS has delegated the authority to manage certain plan assets and administer the payment of benefits to Principal Financial Group.

SAWS provides supplemental pension benefits for all persons customarily employed at least 20 hours per week and five months per year through this defined benefit pension plan. Employees are eligible to participate in SAWSRP on January 1 of the calendar year following date of hire. A member does not vest in this plan until completion of five years of service.

Note 8 Pension and Retirement Plans (Continued)

San Antonio Water System (SAWS) (Continued)

San Antonio Water System Retirement Plan (SAWSRP) (Continued)

SAWSRP membership consisted of:

	January 1, 2012
Active Employees	1,617
Retirees and beneficiaries currently receiving benefits[1]	561
Terminated employees entitled to benefits but not yet receiving them	414
Total	2,592

[1] Does not include retirees whose benefits have been purchased.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of:

- Twenty years of vesting service regardless of age, or
- Five years of vesting service and at least age 60.

An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

The normal retirement benefit is based upon two factors: average compensation and years of vesting service. Average compensation is defined as the monthly average of total compensation received for the three consecutive years ending December 31st, out of the last ten compensation years prior to normal retirement date, which gives the highest average.

The normal retirement benefit under the Principal Financial Group contract is equal to the following:

- 1.2% of the average compensation, times years of credited service not in excess of 25 years, plus
- 0.8% of the average compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
- 0.4% of the average compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of seven alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides death and disability benefits.

Note 8 Pension and Retirement Plans (Continued)

San Antonio Water System (SAWS) (Continued)

San Antonio Water System Retirement Plan (SAWSRP) (Continued)

SAWSRP's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. Contribution requirements are established and may be amended by SAWS. Active members are not required to make contributions. Any obligation with respect to SAWSRP shall be paid by SAWS. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including investment actuarial and consultant services, are funded through investment earnings and/or contributions.

A summary of the actuarial assumptions utilized in determining SAWS' contribution requirements is as follows:

SAWSRP Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal - Frozen Initial Liability Period
Amortization Method	Level Dollar
Remaining Amortization Period	30 Years - Closed Period
Asset Valuation Method	Smoothed Market Value (4 years)
Investment Rate of Return	7.5%
Inflation Rate	None
Salary Scale	Table S-5 from the Actuary's Pension Handbook plus 3.4%
Cost of Living Adjustments	None

San Antonio Water System Deferred Compensation Plan (SAWSDCP)

SAWS has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. SAWSDCP, available to all regular employees, permits them to defer a portion of their salary until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, or qualifying unforeseeable emergency. Participation in SAWSDCP is voluntary, and SAWS does not make any contributions. SAWS has no liability for losses under SAWSDCP, but does have the usual fiduciary responsibilities of a plan sponsor.

CPS Energy

All Employee Plan

The CPS Energy Pension Plan is a self-administered, single-employer, defined-benefit contributory pension plan (Plan) covering substantially all employees who have completed one year of service. It is an unconsolidated entity within which normal retirement is age 65; however, early retirement is available with 25 years of benefit service, as well as to those employees who are ages 55 or older with at least ten years of benefit service. Retirement benefits are based on length of service and compensation, and benefits are reduced for retirement before age 55 with 25 years or more of benefit service or before age 62 with less than 25 years of service.

Note 8 Pension and Retirement Plans (Continued)

CPS Energy (Continued)

All Employee Plan (Continued)

The Plan is sponsored by and may be amended at any time by CPS Energy, acting by and through an Oversight Committee, which includes the President and CEO, the Chief Financial Officer and the Audit Committee Chair of CPS Energy's board of trustees. Plan assets are segregated from CPS Energy's assets and are separately managed by an Administrative Committee whose members are appointed by the Oversight Committee.

The Plan reports results on a calendar-year basis, and the separately audited financial statements, which contain historical trend information, may be obtained by contacting Benefit Trust Administration at CPS Energy. Plan net assets had a market value of $1,146,874 at December 31, 2012.

In addition to the defined-benefit pension plan, CPS Energy has two Restoration Plans that were effective as of January 1, 1998, which supplement benefits paid from the Plan due to Internal Revenue Code restrictions on benefit and compensation limits. The benefits due under those Restoration Plans have been paid annually by CPS Energy.

Employees who retired prior to 1983 receive annuity payments from an insurance carrier, as well as some benefits directly from CPS Energy. The costs for the benefits directly received from CPS Energy were $81 for fiscal year 2013. These costs were recorded when paid.

Funding Policy – The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the Plan during the fiscal year beginning in the calendar year after the valuation year. The January 1, 2011, valuation was the basis for contributions in fiscal year 2013. CPS Energy establishes funding levels, considering annual actuarial valuations and recommendations of the Administrative Committee, which is composed of a cross-functional group of active and retired CPS Energy employees, using both employee and employer contributions. Generally, participating employees contribute 5.0% of their total compensation and are typically fully vested in CPS Energy's matching contribution after completing seven years of credited service or upon reaching age 40. Employee contributions commence with the effective date of participation and continue until normal or early retirement, completion of 44 years of benefit service, or termination of employment. The employee contribution interest crediting rate was 5.8% for fiscal year 2013.

The balance of Plan contributions is the responsibility of CPS Energy, giving consideration to actuarial information, budget controls, legal requirements, compliance, and industry and/or community norms. For fiscal year 2013, the amount to be funded was established using a general target near the 30-year funding contribution level as determined by the Plan's actuary. CPS Energy's contributions in relation to the annual required contribution (ARC) amounted to 16.4% of covered payroll in fiscal year 2013.

Annual Pension Cost and Net Pension Obligation – CPS Energy's annual pension cost (APC) and net pension obligation (NPO) for fiscal year 2013 is presented at the end of this Note. The NPO may be either positive, reflecting a liability, or negative, reflecting an asset. The term net pension obligation, as used in this note, refers to either situation.

Note 8 Pension and Retirement Plans (Continued)

CPS Energy (Continued)

All Employee Plan (Continued)

Funded Status and Funding Progress – The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability ("AAL") for benefits.

Actuarial Methods and Assumptions – Actuarial valuation methods used included: (a) the five-year smoothed market method for asset valuation, (b) the projected-unit-credit actuarial cost method for the AAL, and (c) the 20-year level-dollar open method for amortization of prior service costs. Beginning with the 2010 Plan year, January 1 valuation results are used to determine the contributions for the fiscal year commencing in the succeeding calendar year. There was no change in actuarial valuation methods for the 2011 Plan year.

Significant actuarial assumptions used for the January 1, 2011, actuarial valuation for FY 2013 included: (a) a rate of return on the investment of present and future assets of 7.8%, (b) projected salary increases averaging 5.2%, and (c) post retirement cost-of-living increases of 1.5%. The projected salary increases included an inflation rate of 3.0%.

Three-Year Trend Information

Trend information compares the annual required contribution to annual pension cost and the resultant net pension obligation, as required by GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Three-Year Trend Information

Pension Plan	Fiscal Year	Annual Required Contribution (ARC)	Interest on Net Pension Obligation (NPO)	Adjustment To ARC	Annual Pension Cost (APC)	Contributions In Relation to ARC	Increase (Decrease) in NPO	Net Pension Obligation (Asset) at Beginning of Year	Net Pension Obligation (Asset) at End of Year	Percentage of APC Contributed
Fire and Police	2011	$ 67,328	$ -	$ -	$ 67,328	$ (67,328)	$ -	$ -	$ -	100.0%
Pension Plan City	2012	70,389			70,389	(70,389)				100.0%
of San Antonio	2013	73,256			73,256	(73,256)				100.0%
TMRS -	2011	$ 33,883	$ -	$ -	$ 33,883	$ (33,883)	$ -	$ -	$ -	100.0%
City of	2012	29,981			29,981	(28,171)	1,810		1,810	93.9%
San Antonio	2013	30,416	127	(111)	30,432	(30,417)	15	$ 1,810	$ 1,825	100.0%
CPS All	2011	$ 33,921	$ (169)	$ 205	$ 33,957	$ (32,400)	$ 1,557	$ (2,173)	$ (616)	95.4%
Employee Plan [1]	2012	39,703	(54)	58	39,707	(37,687)	2,020	(616)	1,404	94.9%
	2013	41,128	109	(130)	41,107	(39,016)	2,091	1,404	3,495	94.9%
TMRS -	2010	$ 4,703	$ 80	$ (64)	$ (4,719)	$ (4,703)	$ 1,247	$ 1,066	$ 2,313	100.0%
SAWS [2]	2011	4,967	173	(143)	4,997	(4,997)	1,071	2,313	3,384	100.0%
	2012	3,641	237	(204)	3,674	(3,674)	33	3,384	3,417	100.0%
SAWRP -	2010	$ 7,849	$ -	$ -	$ 7,849	$ (7,849)	$ -	$ -	$ -	100.0%
SAWS [2]	2011	9,171			9,171	(9,171)				100.0%
	2012	10,396			10,396	(10,396)				100.0%

[1] Fiscal year-ended January 31, 2013.
[2] Fiscal year-ended December 31, 2012.

Note 8 Pension and Retirement Plans (Continued)

Three-Year Trend Information (Continued)

Funded Status and Funding Progress

	Fire and Police Pension Plan [1]	City of San Antonio TMRS [2]	SAWS TMRS	SAWS SAWSRP	CPS Energy
Actuarial value of plan assets (a)	$ 2,447,588	$ 1,091,706	$ 135,354	$ 107,242	$ 1,146,039
Actuarial accrued liability (b)	2,662,264	1,190,339	156,661	160,674	1,298,936
Unfunded actuarial accrued liability (funding excess) (b) - (a)	$ 214,676	$ 98,633	$ 21,307	$ 53,432	$ 152,897
Funded ratio (a) / (b)	91.9%	91.7%	86.4%	66.7%	88.2%
Covered payroll (c)	$ 293,665	$ 279,728	$ 87,098	$ 89,542	$ 237,823
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) - (a)] / (c))	73.1%	35.3%	24.5%	59.7%	64.3%

[1] Covered payroll presented in this table is as of 10/1/2012.
[2] Covered payroll presented in this table is as of 12/31/2012.

Significant TMRS Actuarial Assumptions and Methods

Significant assumptions used in the actuarial valuation of December 31, 2012, by the Texas Municipal Retirement System's (TMRS) actuary are provided in the following table for both the City and SAWS. The City's actuarial assumptions and methods are based on the restructuring of the TMRS funds as enacted by SB 350.

TMRS Actuarial Assumptions and Methods	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period - SAWS	28 Years - Closed Period
Remaining Amortization Period - City	19.4 Years - Closed Period
Asset Valuation Method	Amortization Cost
Investment Return - City	7.0%
Investment Return - SAWS	7.5%
Projected Salary Increases	Varies by Age and Service
Includes Inflation At	3.0%

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Note 9 Post-employment Retirement Benefits

Primary Government (City)

Plan Description – In addition to the pension benefits discussed in Note 8, Pension and Retirement Plans, the City provides most retired employees with certain health benefits under two post-employment benefit programs. Pursuant to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the City is required to account for and disclose its other post-employment liability for these programs. The City continues to actively review and have actuarial valuations performed for these programs as required.

The first of the two programs is a health insurance plan, which provides benefits for non-uniformed City retirees and for pre-October 1, 1989 uniformed retirees who are not enrolled in Medicare. The program compromises of four self-funded PPO health plans currently administered by United Healthcare. These plans may be amended at any time with approval from the City Council. This program is funded on a pay-as-you-go basis with an aggregate sharing of premium costs based on the following targets: 67.0% by the City and 33.0% by the retiree for those retirees hired prior to October 2007. With the adoption of the fiscal year 2008 Budget, additional changes were made to this retirement health plan. For all non-uniformed employees beginning employment on or after October 1, 2007, a revised schedule for sharing of the costs on a pay-as-you-go basis is effective. The revised schedule is as follows: (1) Employees who separate from the City with less than five years of service are not eligible to participate in the program; (2) Employees who separate with at least five years of service but less than 10 years of service are eligible to participate in the program but without City subsidy; and (3) Employees who separate from employment with 10 years of service or more will pay for 50.0% of the pay-as-you-go contributions to the program and the City will contribute the remaining 50.0%. The ability to participate in the program remains based on meeting retirement criteria for the TMRS Pension Plan.

As of September 30, 2013, there are 6,234 active civilian employees who may become eligible in the future. Employees may become eligible to participate in this program based on eligibility for a retirement benefit under the rules for TMRS Pension Plan and their number of years of service to the City. Under the TMRS Pension Plan, employees may retire at age 60 and above with five or more years of service or with 20 years of service regardless of age. Retiree medical benefits continue for the life of the retiree and their surviving eligible dependents that were covered at the time of the employee's severance of service. Non-uniformed City employees who qualify for a disability pension under TMRS rules are also eligible to receive the retiree medical benefit under this plan. As of September 30, 2013, there were 376 retirees and surviving spouses participating in this program.

The second program with 1,037 participating retirees and surviving spouses is available to eligible retirees who have Medicare coverage. All retirees and dependents are required to apply for and maintain Medicare Parts A & B coverage once they reach age 65 or otherwise become eligible for Medicare in order to participate in the Medicare Advantage PPO or HMO Plan. Of the current 1,037 participating Medicare retirees and surviving spouse, 148 participate in a fully insured Medicare Advantage HMO and the remaining 889 participate in a fully insured Medicare Advantage PPO.

Participant data disclosed above is not expressed in thousands.

Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Funding Policy – The cost of the program is reviewed annually, and the costs of medical claims are funded jointly by the City and retirees on a pay-as-you-go basis, based on the allocations described above. No contributions were made in fiscal year 2013 to prefund benefits. For the fiscal year-ended September 30, 2013, total contributions were as follows:

Total Contributions	
City	$ 5,561
Retiree Premiums	2,022
Total Contributions	$ 7,583

The primary source of payment for the City contributions for pay-go contributions is the General Fund. The Self Insurance Fund assesses funds based on active, non-uniformed employees assigned to the various funds.

Annual OPEB Cost and Net OPEB Obligation – For the fiscal year-ended September 30, 2013, the City's annual post-employment benefits other than pension (OPEB) cost was not equal to its annual required contribution (ARC) to the plan. The City's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial balance over thirty years. The City will not be fully funding the ARC at this time. The City will continue to fund OPEB on a pay-as-you-go basis.

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Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The table below details the actuarial methods and assumptions for the City's OPEB calculation for the fiscal year-ended September 30, 2013:

Assumptions	
Actuarial Valuation Date	1/1/2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30.0 years
Asset Valuation Method	N/A
General Inflation Rate	2.00%
Actuarial Assumptions:	
Investment Rate of Return	3.0%
Projected Salary Increase	N/A
Healthcare Inflation Rate - Medical and Prescription	9.0% initial (2014) 5.0% ultimate (2018)

Below is the health care cost trend assumptions used for the City's January 1, 2013 actuarial study reviewed and updated for the fiscal year-ended September 30, 2013.

City's Health Care Cost Trend Assumptions	
Year	Medical & Prescription Drugs
2014	9.0%
2015	8.0%
2016	7.0%
2017	6.0%
2018+	5.0%

The City's retiree participation rate is estimated to be at 60.0%. This estimate is based on an evaluation of City retiree's enrolled in the City's retiree plan, versus those enrolled in TMRS. Numerous City retirees are former military, or are able to obtain healthcare through spouses insurance, etc.

Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

The required schedule of funding progress immediately follows the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

Fire and Police Retiree Health Care Fund

Plan Description – The second post-employment benefit program of the City, the Fire and Police Retiree Health Care Fund, San Antonio (Health Fund) is a Texas statutory retirement health trust for firefighters and police officers of the City. The trust holds assets and liabilities of the City's Fire and Police Retiree Health Care Plan (Plan). This Plan is a single-employer defined benefit post-employment health care plan that was created in October 1989 in accordance with provisions established by contract with the local fire and police unions to provide post-employment healthcare benefits to police officers and firefighters of the City retiring after September 30, 1989. Authority to establish and amend the Plan's post-employment health care benefits is based on such contracts and the Texas Legislature enacts regulations that control the operation of the Health Fund. The statutory trust is governed by a Board of Trustees that meets on a monthly basis. The Board consists of nine members: the Mayor or his representative; two members of the City Council; one retired and two active duty police officers; and one retired and two active duty firefighters. The City is the only participating employer in the Plan.

WEB-TPA Employer Services, LLC and Catamaran (formerly PTRx, Inc.) serve as the medical and prescription third party administrators for the Health Fund.

Contributions – Since its inception, the Health Fund has been funded primarily by contributions from the City and active firefighters and police officers, as part of the compensation for services rendered by the union members, and by contributions made by retirees for their dependents. Effective October 1, 2007, the Board implemented state-mandated changes to increase contributions from the Plan's single employer, the City, and plan members in order to reduce actuarially determined funding deficits and ensure the existence of the Health Fund for future retired firefighters and police officers. The increased contributions were initiated to take effect over a span of years through October 2011. The state-mandated changes also called for a decrease in the level of benefits.

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Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

The contribution amounts for each fiscal year, beginning October 1, 2007, are based on a statutory contribution rate that is applied to the average member salary expected for that fiscal year, which is to be determined by the Health Fund's actuary. For the year ending September 30, 2013, and years thereafter, the specified employee contribution rate was 4.7%. The City's contributions will be set at 9.4% of the specified wage base. The table below summarizes the actuary's determinations of the contribution amount for the fiscal year-ended September 30, 2013 (not expressed in thousands):

Biweekly Contributions:		
Active Fire and Police Members	$	124.44
City for Each Active Fire and Police Member	$	248.89
Monthly Contributions:		
Retirees with less than 30 years of service	$	269.62
Dependent Children	$	320.50

Total contributions by active firefighters and police officers were $12,639 for the year ended September 30, 2013.

Membership in the Plan consisted of the following at September 30, 2013 (not expressed in thousands):

Retirees and Beneficiaries Receiving Benefits	3,122
Active Plan Members	3,901
Total Membership	7,023

Funding Status and Funding Progress – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the Plan by the City in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. A NPO in the amount of $46,538 is outstanding as of September 30, 2013. This NPO will be funded through future contributions from the City's Fire and Police department, reported in the General Fund.

Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuations follows:

Assumptions	
Valuation Date	10/1/2012
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Projected Pay, Open
Amortization Period	30 Years
Asset Valuation Method	Market Value Smoothed by a 5 year Deferred Recognition Method with a 80%/120% Corridor on Market
Actuarial Assumptions:	
Investment Rate of Return Net of Expense	8.0%
Annual Inflation Rate	4.0%
Projected Annual Salary Increases	4.0% to 14.5%
Health Care Cost Rate Trend	8.0% in FY2013 declining to 5.5% in FY2018
Annual Payroll Growth Rate	4.0%

CPS Energy

CPS Energy provides certain health, life insurance and disability income benefits for employees. Additionally, most CPS Energy employees continue eligibility upon retirement from CPS Energy. Assets of the plans are held in three separate, single-employer contributory plans:

- City Public Service of San Antonio Group Health Plan (Health Plan) – a contributory group health plan that provides health, dental and vision benefits.
- City Public Service of San Antonio Group Life Insurance Plan (Life Plan) – a contributory plan that provides life insurance benefits.
- City Public Service of San Antonio Group Disability Plan (Disability Plan) – an employer funded plan that provides disability income benefits.

The Employee Benefit Plans may be amended at any time by CPS Energy, acting by and through an Oversight Committee, which includes the President and CEO, the Chief Financial Officer and the Audit Committee Chair of CPS Energy's board of trustees.

Note 9 Post-employment Retirement Benefits (Continued)

CPS Energy (Continued)

The Employee Benefit Plans' assets are segregated from CPS Energy's assets and are separately managed by an Administrative Committee whose members are appointed by the Oversight Committee. The plans report results on a calendar-year basis and issue separately audited financial statements that may be obtained by contacting Benefit Trust Administration at CPS Energy. The Health Plan's net assets had a market value of $213,251 at December 31, 2012. The Life Plan's net assets had a market value of $44,457 at December 31, 2012. The Disability Plan's net assets had a market value of $4,051 at December 31, 2012.

Funding Policy – The funding requirements for both the plan participants and the employer are established by and may be amended by CPS Energy. Funding is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by CPS Energy. The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the plans during the fiscal year beginning in the calendar year after the valuation year. The January 1, 2011 valuation was the basis for contributions in fiscal year 2013.

Retired employees contribute to the Health Plan in varying amounts depending upon an equity formula that considers age and years of service. Individuals who retired before February 1, 1993, contribute a base rate plus 2.3% of the difference between that amount and the aggregate rate for each year that the sum of age and service is less than 95. Those who retired on or after February 1, 1993, contribute a base rate plus a percentage of the CPS Energy contribution, based on the number of years of service, if they retired with less than 35 years of service. Retirees and covered dependents contributed $5,230 in fiscal year 2013 for their health insurance benefits.

CPS Energy's contributions in relation to the ARC were 0.5% of covered payroll in fiscal year 2013.

The Medicare Prescription Drug Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D entitled the Health Plan to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by the Health Plan on behalf of certain plan participants. These payments totaled $955 for fiscal year 2013. In accordance with GASB Technical Bulletin 2006-01, *Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D,* future projected payments from the federal government have not been used to lessen total projected obligations under the CPS Energy's Health Plan.

Employees who retired prior to February 1, 1993, contribute to the Life Plan at a rate of $0.13 per $1 of insurance per month on amounts in excess of $20 plus 2.3% of the difference between that amount and the aggregate rate for retiree coverage for each year the sum of retirement age and service is less than 95 (amounts not expressed in thousands). Those who retired on or after February 1, 1993, contribute $0.13 per $1 of insurance per month on amounts in excess of $20 plus a percentage of the CPS Energy contribution, based on number of years of service, if they retired with less than 35 years of service (amounts not expressed in thousands). Retirees and covered dependents contributed $200 in fiscal year 2013 for their life insurance benefits. Based on the funded status of the Life Plan, CPS Energy made no contributions in relation to the ARC in fiscal year 2013.

The Disability Plan is funded completely by CPS Energy. CPS Energy's contributions in relation to the ARC were 0.2% of covered payroll in fiscal year 2013.

Note 9 Post-employment Retirement Benefits (Continued)

CPS Energy (Continued)

Annual OPEB Cost and Net OPEB Obligation – CPS Energy's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost consists of the ARC, interest on the net OPEB obligation and adjustments to the ARC for the Health, Life and Disability Plans. The annual OPEB cost was $7,481 for fiscal year 2013. The net OPEB obligation may be either positive, reflecting a liability, or negative, reflecting an asset. The term net OPEB obligation, as used in this Note, refers to either situation.

Actuarial Methods and Assumptions – Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the ARCs of the employer are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting are based on the substantive plans (the plans as understood by the employer and plan member) and include the types of benefits provided for at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the Health Plan, the actuarial cost method used was the projected unit credit actuarial cost method. For the Life and Disability Plans, the aggregate actuarial cost method was used to determine the cost of benefits. Since this method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age actuarial cost method, which is intended to approximate the funding progress of the plans.

The amortization method used for all three Plans was the level-dollar open method, with an amortization period of 20 years. The asset valuation method used for all three plans was the five-year smoothed market valuation method. The January 1 valuation results each year are used to determine the contributions for the fiscal year commencing in the succeeding calendar year.

Significant actuarial assumptions used in the calculations for the January 1, 2011 actuarial valuation included (a) a rate of return on the investment of present and future assets of 7.8% for the Health, Life and Disability Plans, (b) a Consumer Price Index increase of 3.0% for the Disability Plan, (c) projected salary increases for the Health Plan ranging from 3.6% to 9.9% depending on age for base and other salaries and an inflation rate for salary increases of 3.0% for the Life and Disability Plans, and (d) medical cost increases projected at 8.0% for 2012, decreasing annually to 5.5% in 2017 and thereafter.

San Antonio Water System (SAWS)

SAWS provides certain healthcare and life insurance benefits for eligible retirees, their spouses, and their dependents through a single-employer defined benefit plan administered by SAWS. The authority to establish and amend the OPEB provisions is vested in the SAWS board of trustees.

Note 9 Post-employment Retirement Benefits (Continued)

San Antonio Water System (SAWS) (Continued)

By State law, any employee that retires under either the TMRS or SAWS retirement plans is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Retirees may also purchase coverage for their spouse at group rates partially subsidized by SAWS. After age 65, healthcare benefits under the plan are supplemental to Medicare benefits.

The following is the participant summary as of January 1, 2013 (the most recent actuarial valuation date, not expressed in thousands):

Active employees	1,680
Retired employees	706
Total	2,386

Funding Policy – The contribution requirements of plan members and SAWS are established and may be amended by the SAWS Board of Trustees. Prior to 2012, SAWS funded all obligations arising under these plans on a pay-as-you-go basis. In March 2012, SAWS established the OPEB Trust and contributed $12,000 to the trust. Funds in the trust must be used for the exclusive purpose of providing benefits to eligible retirees and their dependents. SAWS intends to make subsequent annual contributions to the OPEB Trust in accordance with a plan that results in fully funding the actuarially determined annual required contributions for these benefits over a period of time.

Plan members' required contributions vary depending on the health plan selected by the retiree as well as the number of years of service at the time of retirement. For the year-ended December 31, 2012, plan members receiving benefits contributed $570. In addition to the $12,000 contributed to the OPEB Trust in 2012, SAWS contributed the remainder of the pay-as-you-go cost of $6,753. In 2011, the SAWS Board of Trustees approved increases in the required contributions by plan members beginning in 2012. These increases will be phased in over eight years. The expected long-term impact of these increases will result in the plan members eventually contributing one-third of the annual premiums for retiree health insurance.

Annual OPEB Cost and Net OPEB Obligation – For the year-ended December 31, 2012, SAWS' annual OPEB cost is calculated based on the ARC.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

SAWS does not issue a separate financial report for its OPEB plan.

In the January 1, 2013 actuarial valuation, the projected unit credit funding method was used. The investment return assumption used in the calculation of the AAL was 4.8%, which is a blended rate of the estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The investment return assumes SAWS will phase-in fully funding the ARC over the years. There is not an inflation rate projected for this actuarial valuation. As of December 31, 2012, the UAAL is being amortized as a level dollar amount over a 30 year closed period.

Note 9 Post-employment Retirement Benefits (Continued)

San Antonio Water System (SAWS) (Continued)

Health care cost trend rates are used to anticipate increases in medical benefit costs expected to be experienced by the retiree health plan in each future year. The trend rates used are as follows:

	Annual Rate of Increase	
Year Beginning January 1	Pre-Medicare Medical and Prescription	Medicare Eligible Medical and Prescription
2013	8.5%	6.9%
2014	8.3%	6.7%
2015	8.0%	6.6%
2016	7.8%	6.4%
2017	7.5%	6.2%
2018	7.3%	6.1%
2019	7.0%	5.9%
2020	6.8%	5.8%
2021	6.5%	5.6%
2022	6.3%	5.4%
2023	6.0%	5.3%
2024	5.8%	5.1%
2025	5.5%	5.0%
2026	5.3%	4.8%
2027	5.0%	4.7%
2028	4.5%	4.5%
2029 +	4.5%	4.5%

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Note 9 Post-employment Retirement Benefits (Continued)

Three-Year Trend Information

The City's, CPS Energy's and SAWS' annual OPEB cost, employer contributions, percentage cost contributed to the plan, and net OPEB obligation for the three most recent fiscal years were as follows:

Three-Year Trend Information

OPEB Plan	Fiscal Year	Annual Required Contribution (ARC)	Interest on Net OPEB Obligation	Adjustment To ARC	Annual OPEB Cost	Contributions In Relation to ARC	Increase (Decrease) in Net OPEB	Net OPEB Obligation (Asset) at Beginning of Year	Net OPEB Obligation (Asset) at End of Year	Percentage of OPEB cost Contributed
City of San Antonio	2011	$ 36,012	$ 2,168	$ (3,685)	$ 34,495	$ (7,624)	$ 26,871	$ 76,416	$ 103,287	22.1%
	2012	36,012	2,928	(4,980)	33,960	(6,227)	27,733	103,287	131,020	18.3%
	2013	31,652	3,930	(6,586)	28,996	(5,561)	23,435	131,020	154,455	19.2%
Fire and Police Retiree Health Care Fund[3]	2011	$ 29,733	$ 2,140	$ (1,462)	$ 30,411	$ (23,896)	$ 6,515	$ 26,754	$ 33,269	78.6%
	2012	30,233	2,662	(1,818)	31,077	(24,510)	6,567	33,269	39,836	78.9%
	2013	30,973	3,187	(2,177)	31,983	(25,281)	6,702	39,836	46,538	79.0%
CPS - Health Plan[1]	2011	$ 6,507	$ (3,012)	$ 3,551	$ 7,046	$ -	$ 7,046	$ (37,650)	$ (30,604)	0.0%
	2012	8,152	(2,372)	2,839	8,619		8,619	(30,604)	(21,985)	0.0%
	2013	6,843	(1,704)	2,040	7,179	(1,100)	6,079	(21,985)	(15,906)	15.3%
CPS - Life Plan[1]	2011	$ -	$ (55)	$ 65	$ 10	$ (140)	$ (130)	$ (685)	$ (815)	1400.0%
	2012		(63)	75	12	(137)	(125)	(815)	(940)	1141.7%
	2013		(74)	87	13	-	13	(940)	(927)	0.0%
CPS - Disability Plan[1]	2011	$ 341	$ (40)	$ 47	$ 348	$ (617)	$ (269)	$ (359)	$ (628)	177.3%
	2012	425	(43)	52	434	(735)	(301)	(628)	(929)	169.4%
	2013	275	(72)	86	289	(386)	(97)	(929)	(1,026)	133.6%
SAWS - OPEB[2]	2011	$ 20,722	$ 3,087	$ (4,108)	$ 19,701	$ (6,840)	$ 12,861	$ 64,989	$ 77,850	34.7%
	2012	21,619	3,698	(4,921)	20,396	(18,753)	1,643	77,850	79,493	91.9%
	2012	21,869	3,776	(5,025)	20,620	(12,465)	8,155	79,493	87,648	60.5%

[1] Fiscal year-ended January 31, 2013
[2] Fiscal year-ended December 31, 2013

The City's Health Fund, SAWS' and CPS Energy's funded status for the most recent year are as follows:

Funded Status and Funding Progress

OPEB Plan	City of San Antonio	Fire and Police Health Care Fund	SAWS	CPS Energy Health Plan	CPS Energy Life Plan	CPS Energy Disability Plan
Actuarial value of plan assets (a)	$ -	$ 250,718	$ 255,261	$ 218,555	$ 47,386	$ 4,342
Actuarial accrued liability (b)	332,943	664,425	584,902	222,472	39,076	5,744
Unfunded actuarial accrued liability (funding excess) (b) - (a)	$ 332,943	$ 413,707	$ 329,641	$ 3,917	$ (8,310)	$ 1,402
Funded ratio (a) / (b)	0.0%	37.7%	43.6%	98.2%	121.3%	75.6%
Covered payroll (c)	$ 288,246	$ 268,551	$ 89,542	$ 237,823	$ 206,643	$ 206,643
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) - (a)] / (c))	115.5%	154.1%	368.1%	1.6%	(4.0%)	0.7%

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Note 10 CPS Energy South Texas Project (STP)

Joint Operations

Units 1 and 2 – CPS Energy is one of three participants in STP, currently a two-unit nuclear power plant with each unit having a nominal output of approximately 1,350 MW. The other participants in STP Units 1 and 2 are NRG South Texas LLP, a wholly owned subsidiary of NRG Energy, Inc. ("NRG") and the City of Austin. The units, along with their support facilities and administrative offices, are located on a 12,220-acre site in Matagorda County, Texas. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. CPS Energy's 40.0% ownership in STP Units 1 and 2 represents approximately 1,080 MW of total plant capacity.

Effective November 17, 1997, the Participation Agreement among the owners of STP was amended and restated. At that time, the South Texas Project Nuclear Operating Company ("STPNOC"), a Texas nonprofit, nonmember corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. STPNOC is financed and controlled by the owners pursuant to an operating agreement among the owners and STPNOC. Currently, a four-member board of directors governs STPNOC, with each owner appointing one member to serve with STPNOC's chief executive officer.

On October 28, 2010, STP submitted license renewal applications to the NRC to extend the operating licenses of STP Units 1 and 2 to 2047 and 2048, respectively. The NRC issued a revision to STPNOC's license renewal application schedule due to a scheduling request from the Advisory Committee on Reactor Safeguards and due to continued work on one of the open items. This schedule change lists milestones associated with issuance of the Safety Evaluation Report as "to be determined." In a separate action, a recent decision by the United States Court of Appeals for the District of Columbia vacated the NRC's waste confidence rule update. In response, the Commission issued an order stating that final approval of licenses dependent on the waste confidence rule, such as new reactor licenses and license renewals, would not be granted until the court ruling had been addressed. Subsequently, the Commission directed NRC staff to issue a final Environmental Impact Statement and waste confidence rule by September 2014. CPS Energy expects that STPNOC's license renewal applications will be approved in late 2014. Upon approval of these applications, STP Units 1 and 2 will be licensed for a total of 60 years of operation.

CPS Energy amortizes its share of nuclear fuel for STP to fuel expense on a units-of-production method. Under the Nuclear Waste Policy Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. CPS Energy is charged a fee for disposal of spent nuclear fuel, which is based upon CPS Energy's share of STP generation that is available for sale to CPS Energy customers. This charge is included in fuel expense monthly. On August 31, 2000, in Maine Yankee Atomic Power Company, et. al. v. US, the United States Court of Appeals for the Federal Circuit affirmed that the United States Department of Energy ("DOE") had breached its obligations to commercial nuclear power plant owners for failing to live up to its obligations to dispose of used nuclear fuel. Subsequent to that decision, the DOE has settled with certain commercial nuclear power plant owners and agreed to provide funds to pay for storage costs while the DOE continues to develop a permanent high-level waste repository. In early February 2013, STPNOC, on behalf of the owners of STP, entered into a similar settlement with the DOE. Under the terms of the settlement, the DOE will reimburse STP for certain costs that will be incurred in continuing onsite storage of all of its used nuclear fuel. As with similar settlements throughout the nuclear industry, the settlement will expire at the end of calendar year 2013. In early November 2013, STPNOC and its outside counsel received notice from the Department of Justice that the DOE was offering to extend the terms of the settlement to allow for DOE to reimburse costs incurred through December 2016. CPS Energy expects the settlement extension to be executed by February 2014.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Joint Operations (Continued)

On March 11, 2011, a region of Japan sustained significant loss of life and destruction as a result of a major earthquake and resulting tsunami. Included in the damaged areas were the Fukushima Daiichi nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC convened a Near-Term Task Force to conduct a review of the Commission's processes and regulations in light of the events at Fukushima. The Near-Term Task Force's 90-day report confirmed the safety of U.S. nuclear power plants and included twelve recommendations to the NRC to enhance readiness to safely manage severe events. The NRC Commissioners have directed the staff to implement several of the recommendations that were identified as those that should be implemented without unnecessary delay. In addition, the Commissioners have directed the staff to identify the schedule and resource needs associated with those Near-Term Task Force recommendations that were identified as long-term actions and/or that require additional staff study to inform potential regulatory changes. On March 12, 2012, the NRC issued three Orders and one Request for Information letter. These actions represented the first regulatory activity initiated as a result of the lessons learned from the events at Fukushima. The Orders outline actions that must be taken and also provide a compliance deadline. License holders must complete the actions within two refueling outages or by December 31, 2016 (whichever comes first). The Request for Information letter required specific responses from license holders. To date, STPNOC has submitted the requested information in a timely manner to comply with all deadlines that have come due.

STP Unit 2 Forced Outages – STP Unit 2 completed a scheduled refueling outage in November 2011, returning to full power operation on November 24, 2011. On November 29, 2011, the main generator experienced a fault that resulted in a reactor trip and a forced outage to repair the main generator. STP Unit 2 was returned to 100% power on April 24, 2012. Insurance covered substantially all repairs in excess of the deductible.

On January 4, 2013, STP Unit 2 experienced an outage caused by a failed electrical switch. On January 8, 2013, the unit was returned to 100% power. Approximately 2½ hours after reaching 100% power, the unit experienced an automatic trip due to a Main Transformer lockout associated with an internal fault that ultimately resulted in damage to the turbine (primarily low pressure turbine blades and bearings). STP Unit 2 was returned to 100% power on April 23, 2013. Insurance is expected to cover the majority of the repairs in excess of the deductible and certain non-recoverable costs such as root-cause analysis. At January 31, 2013, insurance proceeds receivable related to both outage claims totaled $4,555.

Units 3 and 4 Project – In September 2007, NRG and CPS Energy signed the South Texas Project Supplemental Agreement ("Supplemental Agreement") under which CPS Energy elected to participate in the development of two new nuclear units at the STP site, STP Units 3 and 4, pursuant to the terms of the participation agreement among the STP owners and agreed to potentially own up to 50% of STP Units 3 and 4. Also in September 2007, STPNOC, on behalf of CPS Energy and NRG, filed with the NRC a combined construction and operating license application ("COLA") to build and operate STP Units 3 and 4. This COLA was the first complete application for new commercial nuclear units to be filed with the NRC in nearly 30 years. On November 29, 2007, the NRC announced it had accepted the COLA for review.

On March 26, 2008, NRG announced the formation of NINA. Upon the formation of NINA, NRG had an 88.0% ownership interest in NINA, while Toshiba America Nuclear Energy Corporation ("TANE") owned the remaining 12.0%. NRG contributed its 50% ownership of, and its development rights to, STP Units 3 and 4 to NINA. As a result, NINA became CPS Energy's partner for the co-development of STP Units 3 and 4.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Joint Operations (Continued)

On September 24, 2008, STPNOC, on behalf of CPS Energy and NINA, filed with the NRC an updated COLA naming TANE as the provider of STP Units 3 and 4. Receipt of the NRC-approved combined operating license is a condition precedent to starting significant project construction.

On November 5, 2008, STPNOC and the DOE executed a Standard Contract in which the DOE undertook the obligation to provide for permanent disposal of used nuclear fuel from the proposed STP Units 3 and 4.

On January 20, 2009, the Board authorized CPS Energy to work with STPNOC to enter into an engineering, procurement and construction ("EPC") agreement with TANE for STP Units 3 and 4. The EPC agreement did not commit CPS Energy to build the new nuclear units. Instead, it enabled CPS Energy to lock in favorable terms and conditions with the contractor prior to a final construction decision once the NRC issues a license for the project. The agreement was subsequently signed by all parties on February 24, 2009.

Following notice published on February 21, 2009, three individuals and three groups joined to file one Petition to intervene against the STP Units 3 and 4 COLA. This initial petition, filed on April 21, 2009, contained 28 contentions. Interveners subsequently filed seven additional contentions. As a result of NRC Atomic Safety and Licensing Board ("ASLB") decisions, most of the contentions were dismissed. However, two contentions were admitted for further consideration.

On October 13, 2009, the Board approved selection of STP Units 3 and 4 as the next baseload generation resource and approved a request for $400,000 in bonds to support the project. However, amid reports that CPS Energy had knowledge that costs of the project might be significantly higher than previously reported, the San Antonio City Council's vote on the bonds was postponed. This higher project cost estimate prompted the City Council to reevaluate CPS Energy's stake in the project and members of CPS Energy's management to engage in negotiations with representatives from TANE in November 2009. Following the postponement of the City Council's vote, the Board undertook an investigation to determine whether CPS Energy's management had knowledge of an increase in the preliminary cost estimate for STP Units 3 and 4 and why that information was not previously communicated to the Board. The results of this investigation were reported to the Board in late 2009 and, based on the report, the Board adopted a resolution finding that there was a failure of communication from certain members of CPS Energy executive management to the Board and the City Council regarding a revised cost estimate. The investigation report also concluded that there was no malicious intent on the part of any member of the management team in connection with the failure of communication. Further, the report found that no member of management instructed any other employee to conceal or withhold any information from the Board.

On December 6, 2009, the Company filed a petition in Bexar County district court to clarify the roles and obligations of CPS Energy and NINA and to define the rights of both parties should either decide to withdraw from the project. NRG escalated the litigation when it sued CPS Energy and claimed the Company should forfeit all investment to date and lose all value in the project's land and water rights. CPS Energy amended its petition on December 23, 2009, and raised significant issues concerning misconduct by NRG and NINA. The Company specified actual and exemplary damages of $32,000,000.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Joint Operations (Continued)

On February 17, 2010, CPS Energy and NINA announced that a proposed settlement had been reached that ended the parties' legal disagreement and allowed the proposed expansion of STP Units 3 and 4 to proceed. As a result of the settlement, CPS Energy's ownership stake in STP Units 3 and 4 was reduced from 50% to 7.6%, while NINA retained 92.4% ownership. CPS Energy is not liable for any project development costs incurred after January 31, 2010. However, once the new units reach commercial operation, CPS Energy will be responsible for its 7.6% share of ongoing costs to operate and maintain the units. Also as a result of the settlement, NINA agreed to pay CPS Energy $80,000, in two $40,000 payments, upon DOE issuance of a conditional loan guarantee. NINA also agreed to make a contribution of $10,000 over a four-year period to the Residential Energy Assistance Partnership ("REAP"), which provides emergency bill payment assistance to low-income customers in San Antonio and Bexar County. The settlement agreement was finalized on March 1, 2010. As of January 31, 2013, CPS Energy had received $7,500 from NINA for REAP.

On March 21, 2011, NINA announced that it was reducing the scope of development in STP Units 3 and 4 to allow time for the NRC to assess the lessons learned from the events in Japan. They further stated that current ongoing work would be limited to activities associated with NRC licensing and with securing a DOE loan guarantee. On April 19, 2011, NRG announced that it would continue to support its current partners but that it would not invest additional capital in the STP Units 3 and 4 development effort. NRG wrote off the entire value of its investment in the project while continuing to own a legal interest. Since then, TANE has funded ongoing costs to move the application process forward for the combined operating and construction license.

In April 2011, interveners filed a contention related to foreign ownership following NRG's announcement that it planned to write down its full investment in the STP Units 3 and 4 project. Subsequently, the ASLB agreed to admit the contention of foreign ownership for further consideration. In August 2011, interveners filed a contention related to the NRC's Fukushima Near-Term Task Force report issued in July 2011. In separate actions, the ASLB subsequently dismissed both of the two original contentions and determined the contention on the Fukushima Near-Term Task Force report to be inadmissible, leaving the foreign ownership contention as the only admitted contention.

On December 13, 2011, the NRC issued a letter to NINA stating that its COLA does not meet the requirements of 10 CFR 50.38 (Ineligibility of Certain Applicants). This section of federal regulation contains restrictions associated with foreign ownership, control and domination. The letter stated that NRC staff is suspending its review of the foreign ownership section of the STP Units 3 and 4 COLA until this matter is resolved by NINA. The NRC letter also stated that review of all remaining portions of the COLA would continue. NINA is currently working with the NRC to resolve this issue.

On January 30, 2013, the NRC issued a letter to NINA providing an updated review schedule for the STP Units 3 and 4 COLA. The revised schedule includes a target date of April 30, 2015, for the release of the final Safety Evaluation Report. As such, CPS Energy expects that the STP Units 3 and 4 COLA could be approved in the late 2015 timeframe.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Joint Operations (Continued)

In February 2013, the ASLB issued an order establishing the "trigger date" for the evidentiary hearing related to the foreign ownership contention as the earlier of April 30, 2013, or the date on which the NRC makes known the results of its foreign ownership, control, and domination review. On April 29, 2013, as part of this review, the NRC staff issued a determination that NINA "continue[s] to be under foreign ownership, control or domination." NINA's management believes that this initial ruling by the NRC staff was a necessary first step in order to move the process forward to an evidentiary hearing by the ASLB and continues to remain optimistic that an evidentiary hearing will result in a determination that NINA is not under foreign ownership, control or domination. Acknowledging that these developments and plans facilitate constructive momentum to continue the project and create a pathway to obtaining more clarity for the project participants, CPS Energy's Management takes no exception to the process being pursued and will continue to monitor NINA's progress along the way. Accordingly, this most recent development is deemed to have no impact on the Company's assessment of the reported value of STP Units 3 and 4.

CPS Energy performed a thorough re-evaluation of its investment in the STP Units 3 and 4 project to reassess the ongoing viability of the project and the appropriateness of continuing to report the cost of the project on its Statements of Net Position. CPS Energy again in fiscal year 2013 reached the conclusion that its investment in the project remains valuable and that the most appropriate treatment is to continue to report this investment on its Statements of Net Position at full historical cost. If it is determined at some point in the future that a full or partial write-down is appropriate, due to the unusual and/or infrequent nature of the circumstances that have to be considered, the impact of writing down the project is expected to be treated as an extraordinary or special item on its Statements of Revenues, Expenses and Changes in Net Position. The write-down would be a noncash transaction that would have no impact on the CPS Energy's debt service coverage ratio; however, it would affect the debt to debt and net position ratio. At January 31, 2013, the impact of a write-down would have been an increase in the debt to debt and net position ratio from 61.3% to 64.1%. CPS Energy continues to maintain regular communication with all stakeholders regarding ongoing assessment of the viability of the project and the impact to its financial position.

Including AFUDC of $20,975, project costs incurred by CPS Energy to date of $391,322 are included on the Statements of Net Position as construction-in-progress. Effective as of FY 2012, AFUDC is not being recorded for the STP Units 3 and 4 project since efforts have been limited primarily to licensing-related activities.

See Note 4, Capital Assets, for more information about CPS Energy's capital investment in STP.

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Note 10 CPS Energy South Texas Project (STP) (Continued)

Nuclear Insurance

The Price-Anderson Act is a comprehensive statutory arrangement for providing limitations on liability and governmental indemnities with respect to nuclear accidents or events. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $111,900, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at $17,500 per year per reactor for each nuclear incident. CPS Energy and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests. For purposes of these assessments, STP has two licensed reactors. The participants have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC in accordance with the financial protection requirements of the Price-Anderson Act. A Master Worker Nuclear Liability policy, with a maximum limit of $375,000 for the nuclear industry as a whole, provides protection from nuclear-related claims. A Master Worker Certificate policy, also with a maximum limit of $375,000 for the nuclear industry as a whole, provides protection from radiation tort claims of workers at nuclear facilities.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage insurance in a minimum amount of approximately $1,100,000. NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

The owners of STP Units 1 and 2 currently maintain approximately $2,800,000 of nuclear property insurance, which is above the legally required amount of $1,100,000. The $2,800,000 of nuclear property insurance consists of $500,000 in primary property damage insurance and $2,300,000 of excess property damage insurance, both subject to a retrospective assessment being paid by all members of Nuclear Electric Insurance Limited (NEIL). A retrospective assessment could occur if property losses, as a result of an accident at any nuclear plant insured by NEIL, exceed the accumulated funds available to NEIL.

During fiscal year 2013, business interruption insurance coverage was afforded as a rider in STP's property insurance at no additional premium cost. This coverage was triggered by the November 29, 2011, outage incident at STP Unit 2 and provided indemnity proceeds totaling $13,000, of which CPS Energy's 40.0% portion totaled $5,200. CPS Energy's proceeds were allocated to partially offset the incremental fuel and related unit variable operation and maintenance costs incurred as a result of the STP Unit 2 outage.

Effective April 1, 2013, a change in STP's insurance program occurred involving the discontinuation of a business interruption coverage endorsement under NEIL's primary property insurance policy. In conjunction with this change, CPS Energy purchased an accidental outage insurance policy through NEIL affording similar indemnity coverage resulting from an accidental outage of a nuclear unit. The accidental outage coverage was purchased through STP's NEIL membership, with a policy structure consisting of an eight-week deductible period, with a $4,500 weekly indemnity option and $490,000 policy limit.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Nuclear Decommissioning

In 1991, CPS Energy started accumulating funds for the decommissioning of its 28.0% ownership in STP Units 1 and 2 in an external trust in accordance with the NRC regulations. The 28% Decommissioning Trust's assets and related liabilities are included in CPS Energy's financial statements as a component unit. Excess or deficient funds related to the 28% Trust will be distributed to or received from CPS Energy's ratepayers after decommissioning is complete.

In conjunction with the acquisition of the additional 12.0% interest in STP Units 1 and 2 in May 2005, CPS Energy also assumed control of a relative portion of the Decommissioning Trust previously established by the prior owner, American Electric Power (AEP). The 12% Decommissioning Trust's assets and related liabilities are also included in CPS Energy's financial statements as a component unit. Subject to PUCT approval as requested in the future, excess or deficient funds related to the 12% Trust will be distributed to or received from AEP customers after decommissioning is complete.

CPS Energy, together with the other owners of STP Units 1 and 2, files a certificate of financial assurance with the NRC for the decommissioning of the nuclear power plant every two years or upon transfer of ownership. The certificate assures that CPS Energy and the other owners meet the minimum decommissioning funding requirements mandated by the NRC. The owners agreed in the financial assurance plan that their estimate of decommissioning costs would be reviewed and updated periodically. The most recent cost study conducted by the owners, dated March 2008, showed that decommissioning costs for CPS Energy's 28.0% ownership in STP Units 1 and 2 were estimated at $386,300 in 2007 dollars. Included in the cost study was a 10.0% contingency component as required to comply with the PUCT. Based on the level of funds accumulated in the 28.0% Trust and an analysis of this cost study, CPS Energy determined that no further decommissioning contributions will be required to be deposited into the Trust.

In fiscal year 2009, CPS Energy determined that some preshutdown decommissioning and spent fuel management activities would be required prior to shutdown of STP Units 1 and 2. As a result, separate trust accounts were created to pay for preshutdown decommissioning activities. Additionally, funds in the Trusts applicable to spent fuel management were transferred to separate spent fuel accounts so that they were not commingled with funds allocable to preshutdown decommissioning costs. Based on projected costs, the spent fuel management accounts are currently fully funded; therefore, no contributions were made to these accounts in fiscal year 2012. Contributions to fund preshutdown decommissioning costs for CPS Energy's 28% ownership in STP amounted to $2,211 in fiscal year 2012, preshutdown decommissioning expenses for the 28% ownership totaled $1,500 for fiscal year 2012. For the 12% ownership, preshutdown costs were funded by AEP's ratepayers; preshutdown decommissioning expenses for this ownership totaled $636 for fiscal year 2012.

Excluding securities lending cash collateral, as of December 31, 2012, CPS Energy had accumulated approximately $340,700 in the 28% Trust. Total funds are allocated to decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC, the 28% Trust funds allocated to decommissioning costs totaled $218,700, which exceeded the calculated financial assurance amount of $168,700.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Nuclear Decommissioning (Continued)

The March 2008 cost study estimated decommissioning costs for the 12.0% ownership in STP Units 1 and 2 at $165,600 in 2007 dollars. Excluding securities lending cash collateral, as of December 31, 2012, approximately $119,400 had been accumulated in the 12% Trust. Total funds are allocated to decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC, the 12% Trust funds allocated to decommissioning costs totaled $75,800, which exceeded the calculated financial assurance amount of $72,300 at December 31, 2012, the date of the most recent calculation.

CPS Energy accounts for decommissioning by recognizing a liability and expense for a pro rata share of projected decommissioning costs as determined by the most recent cost study. A new cost study is performed every five years, and in years subsequent to the latest study, estimated annual decommissioning expense and an increase in the liability is calculated by applying the effects of inflation and the ratio of years of plant usage to total plant life. Additionally, guidance pertaining to regulated operations provided in GASB Statement No. 62 has been followed to retain the zero net position approach for the Decommissioning Trusts.

Both Decommissioning Trusts also have separate calendar-year financial statements, which are separately audited and can be obtained by contacting the Controller at CPS Energy.

STP Pension Plan and Other Postretirement Benefits

STPNOC maintains several pension and other postretirement benefit plans covering most employees, including a noncontributory defined-benefit pension plan, defined-benefit postretirement plan, supplementary nonqualified unfunded pension plan, supplemental retirement plan, deferred compensation program, and a contributory savings plan. The owners of STPNOC, including CPS Energy, share in all plan costs in the same proportion as their respective ownership percentages.

The noncontributory defined-benefit pension plan covers certain employees. Retirement benefits are based on length of service and compensation. Plan assets are invested in various equity and fixed-income securities. Pension contributions totaling $34,200 were made in STP's fiscal year 2012 of which $13,200 related to the 2012 plan year, while $21,000 related to the 2011 plan year. A final contribution of $27,700 for plan year 2012 will be made during STP's fiscal year 2013 in order to meet or exceed minimum funding requirements and maintain the targeted adjusted funding target attainment percentage.

STPNOC also maintains a defined-benefit postretirement plan that provides medical, dental and life insurance benefits for substantially all retirees and eligible dependents. The cost of these benefits is recognized in the project statements during an employee's active working career. STPNOC has a trust to partially meet the obligations of the plan.

Employees whose eligible compensation exceeds the limitations established under the 1974 Employee Retirement Income Security Act, $250 for 2012 are covered by a supplementary nonqualified, unfunded pension plan, which is provided for by charges to operations sufficient to meet the projected benefit obligation. The accruals for the cost of that plan are based on substantially the same actuarial methods and economics as the noncontributory defined-benefit pension plan.

An unfunded supplemental retirement plan and other unfunded deferred compensation programs are maintained by STPNOC for certain key individuals.

Note 10 CPS Energy South Texas Project (STP) (Continued)

STP Pension Plan and Other Postretirement Benefits (Continued)

STPNOC approved a change to the pension plan, effective January 1, 2007, to preclude the eligibility of employees hired after December 31, 2006, in the plan. Employees hired after this date receive enhanced matching contributions under the STP Nuclear Operating Company Savings Plan.

Pursuant to Subtopic 958-715 of the FASB Accounting Standards Codification, the Compensation – Retirement Benefits Subtopic of the Not-for-Profit Entities Topic, STP is required to recognize additional liabilities and eliminate the intangible asset related to certain of its qualified and nonqualified plans. The effect to CPS Energy of funding obligations related to the defined-benefit plans sponsored by STPNOC was $(14,200) for CPS Energy's fiscal year 2013, respectively.

The schedule of funding progress, presented as required supplementary information presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Status (RSI-Unaudited)
Calendar Year 2012

	Pension Benefits	Other Benefits
Change in Benefit Obligation:		
Benefit Obligation - Beginning	$ 354,417	$ 121,454
Service Cost	10,810	10,886
Interest Cost	18,158	6,131
Actuarial Loss	54,170	2,905
Benefits Paid	(6,328)	(3,333)
Benefit Obligation - Ending	431,227	138,043
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning	202,129	10,613
Actual Return on Plan Assets	27,512	1,144
Employer Contributions	34,200	3,006
Benefits Paid	(6,328)	(3,333)
Fair Value of Plan Assets - Ending	257,513	11,430
Funded Status - Ending	(173,714)	(126,613)
Unrecognized Net Actuarial Loss	168,845	44,620
Unrecognized Prior Service Cost	3,239	(7,818)
Unrecognized Transition Obligation		86
Cumulative difference between recognized and unrecognized net expense and funding	$ (1,630)	$ (89,725)
Amount recognized in other liabilities	$ (173,714)	$ (126,613)
Weighted-Average Assumptions:		
Discount Rate	4.4%	4.4%
Expected Return on Plan Assets	7.8%	7.8%
Rate of Compensation Increase	3.0%	3.0%

Note 11 Commitments and Contingencies

Primary Government (City)

Grants

The City has received significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a materially adverse effect on the City's financial position at September 30, 2013. Grant funding received from federal, state, and other governmental agencies but not yet earned as of September 30, 2013 were $76,471.

Capital Improvement Program

The City will be undertaking various capital improvements during fiscal year 2014. The estimated cost of these improvements is $569,826, which consist of the following:

Function/Program	FY 2014
General Government	
Municipal Facilities	$ 140,790
Total General Government	$ 140,790
Public Health & Safety	
Drainage	$ 62,513
Fire Protection	8,757
Law Enforcement	1,950
Total Public Health & Safety	$ 73,220
Recreation & Culture	
Libraries	$ 13,675
Parks	81,602
Total Recreation & Culture	$ 95,277
Transportation	
Air Transportation	$ 87,109
Street	173,430
Total Transportation	$ 260,539
Total Capital Plan	$ 569,826

These projects are scheduled to be funded with a combination of grants, contributions from others, bonds, certificates, notes and other designated City resources.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation

The City is a party to various claims and lawsuits alleging personal and property damages, wrongful death, breach of contract, environmental matters, civil rights violations, and employment matters. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund in the amount $23,710. The City estimates the amounts of unsettled claims under its self-insurance program and believes that the self-insurance reserves recorded as appropriations in the Insurance Reserve Fund are adequate to cover losses for which the City may be liable. Whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the basic financial statements cannot be determined.

Kopplow Development, Inc. v. City of San Antonio Plaintiff contends that the construction of a regional stormwater detention facility was an inverse condemnation of its property by increasing the flood plain elevation on its property. The City also filed a statutory condemnation to acquire an easement involving Plaintiff's property to construct and maintain part of the facility. This matter was tried in July 2008 with a favorable ruling to Plaintiff; but the City's motion for new trial was granted. After a retrial, the jury awarded approximately $600 to Plaintiff for the inverse condemnation and statutory condemnation. The City and Plaintiff have appealed. The Fourth Court of Appeals issued its opinion affirming the trial court's ruling awarding Plaintiff $5 as compensation for the land taken, but reversed the other portion of the judgment for the remainder of the damages. Plaintiff's motion for rehearing was denied on December 29, 2010. Plaintiff filed its brief on the merits in October 2011 and the City filed its reply in December 2011. On March 8, 2012, the Texas Supreme Court issued their opinion, reversing the Fourth Court's opinion and remanding the matter back to state district court for further proceedings consistent with their opinion. The City's Motion for Rehearing was denied in June 2013. On February 5, 2014, the Fourth Court of Appeals issued an opinion finding that the trial court erred in excluding evidence of Kopplow's vested rights status and remanded the case to the trial court for a new trial on the issue of damages.

KGME, Incorporated v. City of San Antonio Plaintiff entered into a contract with the City to provide construction services. The parties determined that work on portions of the contract had become impracticable and further work would cease. Plaintiff sued for breach of contract and violations of the Prompt Payment Act. Damages could exceed $250. The City filed a plea to the jurisdiction, which was denied by the trial court. The Fourth Court of Appeals issued its opinion on February 16, 2011, affirming the trial court's denial of the City's plea to the jurisdiction. The case was remanded back to State Court. This case is set for trial on May 12, 2014.

Abilmelch Garcia v. City of San Antonio Plaintiff claims he was operating his wheelchair at the intersection of East Commerce and Soledad when he was struck by a City of San Antonio Waste Management truck. As a result, he alleges serious and permanent bodily injuries, including loss of both legs. Plaintiff sued under the Texas Tort Claims Act and for violation of Section 552.003 of the Texas Transportation Code (failure to yield right-of-way to a pedestrian). Plaintiff sued for an unknown amount of money for damages to include past and future medical expenses, physical pain, mental anguish and physical impairment which allegations exceed $250. Damages are capped by the Texas Tort Claims Act at $250. This case is set for trial on March 3, 2014.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation (Continued)

Maria Elena Rodriguez v. City of San Antonio Plaintiffs sued under the Texas Tort Claims Act for negligence, gross negligence, and wrongful death alleging that a San Antonio police officer negligently struck and killed the driver, Plaintiff Davila, in a motor vehicle accident on Loop 1604 on March 7, 2010. Plaintiff Rodriguez was riding as a passenger with Plaintiff Davila. Plaintiff Rodriguez allegedly sustained injuries to both knees and her back, and alleges damages in excess of $250. Damages are capped by the Texas Tort Claims Act at $250. This matter was set for trial in February 2012. After unsuccessfully seeking another continuance of the trial, Plaintiff non-suited the case and refiled as a new matter a week later. Additionally, Plaintiff Rodriguez has filed a separate lawsuit against the manufacturer of the automobile in which she was a passenger. This case is set for trial on June 9, 2014.

Barbara Webb, et. al. v. City of San Antonio Plaintiffs sued under the Texas Tort Claims Act for injuries sustained in a motor vehicle accident. A San Antonio police officer was en route to an emergency call when a vehicle turned into the street in front of her. The officer swerved to avoid that vehicle and lost control of her car, moving into the oncoming traffic. The patrol vehicle struck Plaintiffs' car head on. Plaintiff suffered life threatening injuries. This case is in the discovery stages. Damages could reach $250. In May 2013, an insurance company covering one of the non-City defendants was declared insolvent and entered into bankruptcy pleadings. This case has been automatically stayed pending resolution of the bankruptcy proceedings.

Melissa Hopkins, et. al. v. William Karman, et. al Plaintiff's decedent was the victim of armed-robbery. A San Antonio Police Officer arrived on the scene. Shots were exchanged with suspects and Plaintiffs' decedent was killed. Plaintiffs filed suit against the officer and the City alleging violations of civil rights under 42 U.S.C. §1983. Damages could exceed $250. In June 2013, the Court granted summary judgment in favor of the City and the defendant officers, dismissing all claims. Plaintiffs filed an appeal to the Fifth Circuit. On December 24, 2013, the Fifth Circuit issued its opinion upholding the summary judgment in favor of the City and the defendant officers.

Valemas v. City of San Antonio (Valemas I) In 2005, Plaintiff entered into a construction contract with the City for work at the City's Brackenridge Park. Plaintiff alleges that it experienced delays in the work due to actions of the City, resulting in damages to Plaintiff. Plaintiff filed suit alleging breach of contract. The City sought to have some of the claims dismissed for want of jurisdiction which was denied. The City appealed to the Fourth Court of Appeals, which upheld the denial. The City filed a petition for review with the Texas Supreme Court, which was denied. The case has been returned to the trial court, but no trial date has been set. Damages could exceed $250.

Valemas, et. al. v. City of San Antonio (Valemas II) Valemas and subcontract L. Payne performed construction work for the City on W.W. White Road, but there have been issues with subsidence. The City withheld payment of the final invoice and retainage payments, totaling approximately $400. Plaintiffs also allege delay damages. The City accepted the completed project but requires proof of payment to all subs and vendors prior to releasing final payment. The City denies delay damages are owing. This case is not currently set for trial.

L. Payne Construction v. City of San Antonio Plaintiff was a subcontractor to Valemas, Inc. on a construction contract for work on Clark Avenue in San Antonio. Plaintiff alleges that it did not receive final payment and that it is entitled to delay damages in excess of $500. This case is set for trial on September 15, 2014.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation (Continued)

Silverado Brothers v. AT&T, et. al Plaintiff contracted to perform street and sidewalk work for the City. In the contract, the City indicated that utility lines had been identified and marked. When construction began, it was discovered that information from AT&T as to line location was incorrect. Work was delayed while AT&T's contractor, Bay Builders, re-located lines. When work commenced, it was discovered that the lines had not been properly relocated, and work was again delayed. Plaintiff originally filed suit against AT&T and Bay Builders for $800 in delay damages. Plaintiff amended its suit to include the City as a responsible party, based on representations that the lines would be properly marked. Bay Builders was dismissed from suit on a motion for summary judgment. AT&T has settled with Plaintiff. Plaintiff asserts a claim of $600 against the City, which the City denies. This case is set for trial on April 14, 2014.

Shavonda Bailey, et. al. v. City of San Antonio, et. al Defendant San Antonio Police Officers were involved in an altercation with Plaintiffs' decedent, Pierre Abernathy, requiring the use of tasers. Mr. Abernathy suffered an episode of "excited delirium" and died. Plaintiffs' sued the City, one identified and six unidentified police officers under 42 U.S.C. Section 1983, alleging excessive use of force. This case is not yet set for trial.

Anthony Ortega, et. al. v. City of San Antonio, et. al An SAPD police officer was involved in a motor vehicle accident while allegedly in pursuit of a stolen vehicle. Plaintiffs' decedent, Laura Zepeda, was killed as a result of the incident. This lawsuit was recently filed and served on the City. Damages could be at the maximum cap of $250. This case is not yet set for trial.

Pletz Construction L.L.C. v. City of San Antonio, et. al City entered into two contracts with Plaintiff related to work at the Nelson Brush site. Plaintiff claims that the City has caused delays on both contracts preventing their completion and resulting in damages to Plaintiff. Plaintiff claims a total of $630 in damages for both contracts as well as attorneys fees. This case is set for trial on November 3, 2014.

Texas Auto Salvage, et. al. v. City of San Antonio, et. al Plaintiffs operate a salvage yard in the city limits subject to City codes. Plaintiffs allege that the City has not been properly enforcing the code and specifically allege selective enforcement. Plaintiffs have asserted a claim for violation of their civil rights under the Equal Protection Clause of the United States Constitution. If successful, damages as well as attorneys' fees could exceed $250. This case was recently moved to Federal Court and is not yet set for trial.

Cheryl Clancey v. D&R Towing, et. al Plaintiff, in a wheelchair, was attempting to cross the street at Presa and Commerce Streets when she was struck by a tow truck. Plaintiff sued the towing company and driver. She also filed suit against the City, alleging that the crosswalk and ramps were not in conformity with state law accessibility requirements. Plaintiff suffered significant physical injuries including amputation of a portion of her left leg. If Plaintiff is successful, damages could be $250. This case is set for trial on October 20, 2014.

Northern Hills Management Corp. v. City of San Antonio Plaintiff purchased property that had been previously used as a golf course, but which was zoned MF-33, multi-family residential. After their purchase of the property, it was rezoned G-AHOD, limiting its use to golf or recreational related purposes. Plaintiff claims the rezoning of the property was an inverse condemnation or taking of the property without compensation. They allege that the loss in property value is approximately $7,900. This case is currently set for trial on March 24, 2014; however, the parties are considering a continuance.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation (Continued)

Rogers Shavano Ranch, Ltd., et. al. v. City of San Antonio Plaintiffs are the developers of property known as Rogers Shavano Ranch. They claim this property has been under development since 1993, and claim that the City has violated their vested right to develop this property pursuant to ordinances and regulations existing in 1993. The parties have filed cross motions for summary judgment, which have been continued until further depositions are completed. Plaintiffs could recoup attorneys' fees in excess of $250. The City filed a Plea to the Jurisdiction, contesting the Court's jurisdiction to assess attorneys' fees in this case. That plea was denied and this issue is currently on appeal to the Fourth Court of Appeals. This case is not currently set for trial.

Jane Doe v. City of San Antonio, et. al Plaintiff asserts claims against Defendants for violation of her Fourth Amendment Rights of the United States Constitution and for failure to comply with the Civil Rights Act, 42 U.S.C. §1983. Plaintiff alleges that while she was in her automobile in route to a friend's house a San Antonio Police Officer, in uniform, stopped her vehicle and then sexually assaulted her. Plaintiff alleges in her Complaint that the Defendant has been criminally charged with sexual assault, civil right violation, and official oppression. Plaintiff also seeks damages against the City and Police Chief for alleged failure to train its officers and for retaining in its employment an individual not suitable to be a police officer. Plaintiff seeks to recover damages against the Defendant in the amount of $10,000 for violation of her Fourth Amendment Rights and to recover attorney fees and cost of court.

Leases

The City leases City-owned property to others consisting of buildings, real property, and parking spaces. Costs of specific leased components are not readily determinable. The Airport System's revenue is net of Ground Abatement Credits and Building Improvement Credits allowed to lessees per signed contracts. Total rental revenue from operating leases received for the fiscal year-ended September 30, 2013 was $12,603 for Governmental Activities and $50,365 for Business-Type Activities, which consisted of $43,376 for the Airport System and $6,989 for Nonmajor Enterprise. As of September 30, 2013, the leases provide for the following future minimum rentals:

Leases Revenues				
	Governmental Activities	Airport System	Nonmajor Enterprise	Total
Fiscal year ending September 30:				
2014	$ 10,961	$ 36,820	$ 6,657	$ 54,438
2015	9,718	28,940	5,763	44,421
2016	3,684	9,502	2,731	15,917
2017	2,678	9,104	2,392	14,174
2018	2,456	7,662	2,006	12,124
2019-2023	5,661	22,037	6,309	34,007
2024-2028	3,501	11,496	3,121	18,118
2029-2033	2,860	2,987	284	6,131
2034-2038	2,622	1,054		3,676
2039-After	23,100			23,100
Future Minimum Lease Rental	$ 67,241	$ 129,602	$ 29,263	$ 226,106

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Landfill Postclosure Care Costs

In October 1993, the City Council approved closure of the Nelson Gardens Landfill, which immediately stopped accepting solid waste. Subsequent to landfill closure, federal and state laws required the City to incur certain postclosure care costs over a period of 30 years. As of September 30, 1994, the City estimated these costs for postclosure of the Nelson Gardens Landfill at $3,825. The estimate was based on projected costs for installation of a leachate and groundwater collection system, installation of a methane recovery system, geotechnical and environmental engineering services, and monitoring and maintaining the facility for a 30-year period. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost*, the estimated postclosure cost for the Nelson Gardens Landfill is recorded as a liability and expensed in the Solid Waste Management Fund. This cost is an estimate and is subject to changes resulting from inflation/deflation, advances in technology, or changes in applicable laws or regulations. Each fiscal year, the City performs an annual re-evaluation of the postclosure care costs associated with the Nelson Gardens Landfill. The annual re-evaluation conducted for the fiscal year-ended September 30, 2013 resulted in an estimated postclosure care liability for the Nelson Gardens Landfill of $1,887. This represents a decrease of $157 from the prior fiscal year for expenses incurred for geotechnical and environmental engineering services.

Texas Commission on Environmental Quality (TCEQ) Financial Assurance

The City is required under the provision of the Texas Administrative Code to provide financial assurance to the Texas Commission on Environmental Quality (TCEQ) related to the closure of municipal solid waste operations including, but not limited to, storage, collection, handling, transportation, processing, and disposal of municipal solid waste. As such, financial assurance is required to ensure that funds are available, when needed, to meet costs associated with the closure of the City's North East Transfer Station. As of September 30, 2001, the permit for the North East Transfer Station has been transferred from the City, and the new permitee has provided adequate financial assurance and assumes all liabilities for this facility. Additionally, financial assurance is required to demonstrate financial responsibility for underground storage petroleum facilities. Based on the number of underground petroleum storage tanks, the City is required to provide $1,000 of financial assurance related to the underground storage facilities. The City completes and submits its financial assurance to TCEQ annually.

Brooks City-Base – Electric and Gas Utilities

The Brooks City-Base Project is a collaborative effort between the U.S. Air Force (the Air Force) and the City designed to retain the Air Force missions and jobs at Brooks Air Force Base, improve mission effectiveness, assist in reducing operating costs, and promote and enhance economic development at Brooks City-Base. On July 22, 2002, the land and improvements were transferred to the Brooks Development Authority (BDA) for the purpose of creating the Brooks Technology and Business Park, a facility that will foster the development of key targeted industries.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Brooks City-Base – Electric and Gas Utilities (Continued)

In fiscal year 2003, CPS Energy entered into a 20-year agreement with BDA to upgrade the electric and gas utility systems located within the Brooks City-Base. CPS Energy and BDA have each committed to invest $6,300 ($4,200 in year 2002 dollars, which accumulates interest at the rate of 3.7% compounded annually) to upgrade the infrastructure at that location. Annual reductions to BDA's obligation are made from incremental revenues to the City for electric and gas sales to customers that reside on the BDA-developed property. Annual reductions to BDA's obligation are also made in accordance with contract terms for economic development at Brooks City-Base that benefits CPS Energy's systems.

To the extent that the capital renewals and upgrades do not total $12,600 by September 2022, BDA's and CPS Energy's committed investments each will be reduced equally. To date, investment totals of $13,300 have been received; CPS Energy has invested $9,100 and BDA has met its $4,200 obligation, net of annual interest.

Arbitrage

The City has issued certain tax-exempt obligations that are subject to IRS arbitrage regulations. Noncompliance with these regulations, which pertain to the utilization and investment of proceeds, can result in penalties, including the loss of the tax-exempt status of the applicable obligations retroactive to the date of original issuance. In addition, the IRS requires that interest income earned on proceeds in excess of the arbitrage rate on applicable obligations be rebated to the federal government. The City monitors its bond proceeds in relation to arbitrage regulations, and "arbitrage rebate" is estimated and recorded in the government-wide and proprietary financial statements when susceptible to accrual, and in the governmental fund type when matured. As of September 30, 2013, the City has no arbitrage liability for its governmental or proprietary funds.

CPS Energy

Litigation

In the normal course of business, CPS Energy is involved in legal proceedings related to alleged personal and property damages, breach of contract, condemnation appeals, and discrimination cases. In addition, CPS Energy's power generation activities and other utility operations are subject to extensive state and federal environmental regulation. In the opinion of CPS Energy's management, the outcome of such proceedings will not have a material adverse effect on the financial position or results of operations of CPS Energy.

Leases

Capital Leases – CPS has no capital leases for fiscal year 2013.

Operating Leases – CPS Energy has entered into operating lease agreements to secure the usage of railroad cars, natural gas storage facilities, land, a building, office space, parking lot space and engineering equipment. The building lease was terminated in February 2012 when CPS Energy purchased the building. The lease for the parking lot space and several of the leases for office space contain a provision for a slight escalation in the monthly payment amount after the first year of each lease.

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Leases (Continued)

The future minimum lease payments made by CPS Energy for noncancelable operating leases with terms in excess of one year were as follows:

Year Ended January 31,	Operating Lease Payments
2014	$ 9,521
2015	5,900
2016	1,520
2017	239
2018	199
Later years	1,162
Total future minimum lease payments	$ 18,541

CPS Energy's minimum lease payments for all operating leases for which CPS Energy was the lessee amounted to $9,083 in fiscal year 2013. There were no contingent lease or sublease payments in fiscal year 2013.

CPS Energy has entered into operating lease agreements allowing cable and telecommunication companies to attach telephone, cable and fiber-optic lines to CPS Energy's electric poles. Operating leases also exist between CPS Energy and telecommunication companies allowing the companies to attach communication equipment to CPS Energy's communication towers. New leases pertaining to the use of CPS Energy's communication towers contain an escalation clause whereby the annual lease payments will increase by 4.0% per year after the first year of each lease.

Additionally, CPS Energy has three operating leases for the use of land that CPS Energy owns, and it has entered into multiple agricultural leases allowing the lessees to use CPS Energy's land for sheep and cattle grazing. The majority of the operating leases pertaining to the use of CPS Energy's communication towers contain a provision for contingent lease receipts that will equal the lesser of a 15.0% increase in the prior five-year lease payment or the percentage increase in the Consumer Price Index over the same five-year period. Furthermore, the three land leases also contain a provision for contingent lease receipts based on the Consumer Price Index.

The future minimum lease receipts to CPS Energy for noncancelable operating leases with terms in excess of one year were as follows:

Year Ended January 31,	Operating Lease Receipts
2014	$ 3,269
2015	2,940
2016	2,941
2017	3,001
2018	2,548
Later years	6,110
Total future minimum lease receipts	$ 20,809

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Leases (Continued)

CPS Energy's minimum lease receipts for all operating leases for which CPS Energy was the lessor amounted to $9,648 in fiscal year 2013. Contingent lease receipts amounted to $1,151 for fiscal year 2013. There were no sublease receipts in fiscal year 2013.

Lease/Leaseback – In June 2000, CPS Energy entered into a lease/leaseback transaction with an affiliate of Exelon involving CPS Energy's Spruce 1 coal-fired electric generating unit. The transaction included a lease for a term of approximately 65 years in combination with a leaseback of the facility by CPS Energy for approximately 32 years.

CPS Energy retains fee simple title to, and operating control of, the facility and retains all revenues generated from sales of electricity produced from the facility. CPS Energy received the appraised fair value of the unit, $725,000, which is being amortized over 381 months. The transaction expenses and leaseback costs of $628,300 were recorded as prepaid items in 2001 and are being amortized over 381 months.

CPS Energy has the option to cancel the leaseback after it expires by making a payment to Exelon's affiliate. CPS Energy entered into a collateralization payment-undertaking agreement that will generate amounts sufficient to fund the cancellation option.

CPS Energy's net benefits associated with the transaction were approximately $88,000. The City was paid $12,300 in accordance with the provisions of the New Series Bond Ordinance that permit 14.0% of this net benefit to be distributed. The distribution was recorded as a prepayment in 2001 and is being amortized over 381 months. As a result, net proceeds from the transaction of approximately $75,700 are being reported over the 32-year leaseback term. In fiscal year 2013, the net amount recorded as income by CPS Energy was $2,800.

On January 17, 2013, Moody's Investors Service, Inc. downgraded the Insurance Financial Strength rating of Assured Guaranty Municipal Corp. ("AGM") to "A2" from "Aa3." AGM is the legal successor in interest to Financial Security Assurance Inc., the original provider of the surety policy covering any out-of-pocket early termination amounts not covered under the agreements associated with the lease/leaseback transaction ("Transaction Documents"). As a result of the ratings downgrade, CPS Energy had until February 28, 2013, by which to replace the surety policy. CPS Energy has entered into two letter agreements with the other parties to the applicable Transaction Documents to extend the period of time allowed for CPS Energy to meet its obligations under those agreements with respect to the surety policy. CPS Energy anticipated that the parties would agree to a mutual resolution with respect to the downgrade-related noncompliance by November 30, 2013. Please see Note 19 Subsequent Events for further information.

Other

Purchase and construction commitments amounted to approximately $9,343,515 at January 31, 2013. This amount includes construction commitments, provisions for coal purchases through December 2021, coal transportation through December 2014 and natural gas purchases through June 2027; the actual amount to be paid will depend on CPS Energy's actual requirements during the contract period and the price of gas. Also included, are provisions for wind power through December 2037, solar power through December 2040, landfill power through December 2028 and raw uranium associated with STP fabrication and conversion services needed for refueling through May 2026.

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Other (Continued)

On January 20, 2009, the Board approved a policy statement on sustainability. The basis of the policy is to affirm that CPS Energy's strategic direction centers on transforming from a company focused on providing low-cost power from traditional generation sources to a company providing competitively priced power from a variety of sources. To be sustainable, CPS Energy has to balance its financial viability, environmental commitments and social responsibility as a community-owned provider. Further, the objective of sustainable energy development is to meet current needs without compromising the ability of future generations to meet their needs.

In fiscal year 2008, CPS Energy entered into a Natural Gas Supply Agreement with the SA Energy Acquisition Public Facility Corporation ("PFC"), a component unit of the City, to purchase, to the extent of its gas utility requirements, all natural gas to be delivered under a Prepaid Natural Gas Sales Agreement. Under the Prepaid Natural Gas Sales Agreement between the PFC and a third-party gas supplier, the PFC has prepaid the cost of a specified supply of natural gas to be delivered over 20 years. CPS Energy's 20-year commitment under the Natural Gas Supply Agreement is included in the aforementioned purchase and construction commitments amount.

Refer to Note 19, Subsequent Events for additional information regarding CPS Energy's agreement with the PFC.

In December 2007, CPS Energy and Exelon signed an agreement granting CPS Energy an option to participate in a possible joint investment in a nuclear-powered electric generation facility in Southeast Texas (the "Exelon Project"). Preliminary plans indicated that the Exelon Project would be located in Victoria County, Texas, and would involve the development of two Economic Simplified Boiling Water Reactors ("ESBWR"), nominally rated at 1,520 MW each. Under this agreement, CPS Energy had the option to acquire between a 25% and a 40% ownership in the Exelon Project. On August 28, 2012, Exelon announced that it had notified the NRC that it will withdraw its Early Site Permit application for this project. Exelon cited that the action was in response to low natural gas prices and economic and market conditions that have made construction of new merchant nuclear power plants uneconomical in competitive markets. As a result, CPS Energy's total investment in the Exelon Project of $2,700 was written off in fiscal year 2013.

In fiscal year 2003, CPS Energy entered into a 20-year agreement with BDA to upgrade the electric and gas utility systems located within the Brooks City-Base. CPS Energy and BDA have each committed to invest $6,300 ($4,200 in year 2002 dollars, which accumulates interest at the rate of 3.7% compounded annually) to upgrade the infrastructure at that location. Annual reductions to BDA's obligation are made from incremental revenues to the City for electric and gas sales to customers that reside on the BDA-developed property. Annual reductions to BDA's obligation are also made in accordance with contract terms for economic development at Brooks City-Base that benefits CPS Energy's systems. To the extent that the capital renewals and upgrades do not total $12,600 by September 2022, BDA's and CPS Energy's committed investments each will be reduced equally. To date, investment totals of $13,300 have been received; CPS Energy has invested $9,100 and BDA has met its $4,200 obligation, net of annual interest.

On June 8, 2010, CPS Energy committed to partner in the Texas Sustainable Energy Research Institute at the University of Texas at San Antonio for sustainable energy research. The agreement calls for CPS Energy to invest up to $50,000 over 10 years in the institute. The investment made through January 31, 2013 was $2,900 from funds currently allocated to research and development. Future funding will be developed by the scope of the projects defined by the partnership and subject to annual approval by the Board.

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Other (Continued)

CPS Energy sells its excess power into the wholesale market. While the majority of these transactions are conducted in the short-term market, from time to time, CPS Energy enters into long-term wholesale power supply agreements with other public power entities. CPS Energy currently has agreements with six public power entities to provide either full or partial energy requirements. These agreements have varying terms expiring in 2016, 2021 and 2023. The volumes committed under these agreements represent approximately 6.5% of current capacity. CPS Energy regularly monitors the market values of these transactions to manage contract provisions with the counterparties.

CPS Energy entered into two contractual obligations, referred to as heat rate call options ("HRCO"), with Morgan Stanley Group Inc ("Morgan Stanley"). The HRCOs give Morgan Stanley the right to purchase specified amounts of MW per hour generated from the Rio Nogales plant, based on a pricing schedule set forth in each. One of these agreements expired in December 2012, and the remaining HRCO will expire in September 2015. The volumes committed under the remaining agreement represent approximately 31.3% of the Rio Nogales plant's generating capacity.

On June 20, 2011, CPS Energy announced its New Energy Economy initiative. The program is designed to focus on more clean energy sources rather than traditional energy sources and includes several major initiatives to which CPS Energy has committed (current commitments are included in the aforementioned $9,343,515):

- CPS Energy's customers will have the opportunity to manage their home energy use through a Home Area Network system referred to as Home Manager. A program was launched in fiscal year 2012 with plans to enroll up to 140 homes and businesses by 2015. Home area networks work with smart meters to provide up-to-the-minute energy use information and allow demand-side management to reduce energy consumption on the customer premise. The deployment may be partially funded through the Save for Tomorrow Energy Program (STEP) and has the potential to reduce electrical demand by 250 megawatts ("MW") over a four-year period that began in fiscal year 2012.

- CPS Energy will replace 25 San Antonio street lights with light-emitting diode ("LED") street lights. The lights have been purchased from GreenStar, a worldwide supplier of LED lighting. The street lights use 60.0% less energy than standard sodium lights and are designed to last 12 to 15 years, reducing maintenance costs. Approximately $2,200 of the deployment costs will be funded through STEP, with the remainder funded by the City.

- In November 2011, CPS Energy entered into a $77,000 prepaid agreement with SunEdison for purchased power equal to approximately 60.0% of the anticipated output from 30 MW of solar energy facilities in the San Antonio area. The purchase of the balance of the output will be on a pay-as-you-go basis. As part of the agreement, CPS Energy has the right to purchase the facilities in the future. Construction was completed in fiscal year 2013.

- In December 2011, a contract was entered into with Summit Texas Clean Energy, LLC to provide CPS Energy with 200 MW of clean-coal power utilizing integrated gasification combined cycle technology along with 90.0% carbon capture from the first-of-its-kind power plant in West Texas. Construction on the power plant is expected to begin in 2013 and is projected to reach commercial operation in late 2016.

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Other (Continued)

- In July 2012, CPS Energy and OCI Solar Power entered into an agreement for CPS Energy to purchase solar power produced by OCI. OCI created a consortium of partners to deliver 400 MW of solar energy, produced at solar farms primarily in and around San Antonio, to CPS Energy throughout the life of the 25-year power purchase agreement. Also as part of the agreement, Nexolon America, LLC, the anchor manufacturer in the consortium, will build a high-tech manufacturing facility to produce components for solar power generation and will relocate its headquarters to San Antonio, in total creating over 400 jobs. The first 50 MW hours are expected to be on line in fiscal year 2014.

Save for Tomorrow Energy Program (STEP)

CPS Energy has projected to spend approximately $849,000 over a 12-year period on energy efficiency and conservation through STEP. Contributing towards its goal to save 771 MW by 2020, CPS Energy's programs include home weatherization, higher efficiency light bulbs, solar rebates, peak saver thermostats, home area networks and other such initiatives.

Annually, approximately $8,000 of the STEP expenses are funded through the electric base rate and reported as CPS Energy operation and maintenance expenses. STEP expenses over this initial amount per year are recovered through the fuel adjustment factor over a 12-month period beginning in the subsequent fiscal year after they are incurred and have been independently validated. These STEP recoveries are accrued as a regulatory asset referred to as STEP net costs recoverable in accordance with guidance provided by GASB Statement No. 62. This guidance requires that certain costs be capitalized as a regulatory asset until they are recovered through future rates.

San Antonio Water System (SAWS)

Litigation

SAWS is the subject of various claims and potential litigation, which arise in the ordinary course of its operations. Management, in consultation with legal counsel, makes an estimate of potential costs that are expected to be paid in the future as a result of known claims and potential litigation and records this estimate as a contingent liability.

In connection with a desalination injection well permit obtained by SAWS from the Texas Commission on Environmental Quality (TCEQ), SAWS has an obligation to plug the injection well once the well is no longer in service. At December 31, 2012, SAWS has recorded a liability of $198 related to this post-closure obligation.

Note 11 Commitments and Contingencies (Continued)

San Antonio Water System (SAWS) (Continued)

Other

In March 2007, SAWS was notified by the Environmental Protection Agency (EPA) of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows. The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for an enforcement action. On June 4, 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas. On September 13, 2013, the United States of America filed its Motion for Entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013.

During the course of the Consent Decree negotiations, SAWS increased its level of investment in the wastewater collection system with the intent to decrease the number of sanitary sewer overflows. Over the five year period 2008–2012, SAWS operating and capital expenditures associated with the reduction of sewer overflows averaged approximately $60,000 per year. The cost to perform the requirements of the Consent Decree are anticipated to be approximately $500,000 more than the total of the average annual expenditures SAWS would have made in its sewer system to reduce sanitary sewer overflows during the 10 to 12 year term of the Consent Decree. In addition, the Consent Decree required SAWS to pay a civil penalty of $2,600 which was included in Accrued Claims Payable at December 31, 2012.

As of December 31, 2012, SAWS has entered into various water leases to obtain rights to pump water from the Edwards Aquifer. The term of these agreements vary, with some expiring as early as 2013 and others continuing until 2022. Some of the leases include price escalations and the average annual cost per acre foot ranges from $115 to $140 (these figures are not in thousands). The future commitments under these leases are as follows:

	2013	2014	2015	2016	2017	Thereafter
Lease obligations	$ 3,534	$ 2,947	$ 2,953	$ 2,857	$ 2,999	$ 11,609
Lease obligations (acre feet)	30,676	24,933	24,733	23,157	23,157	82,812

SAWS has various commitments relating to the production of water supplies. A summary of these commitments is provided in the following table. As with any estimates, the actual amounts paid could differ materially.

	2013	2014	2015	2016	2017	Thereafter
Firm purchased water obligations	$ 5,009	$ 5,106	$ 5,205	$ 5,544	$ 5,644	$ 114,303
Firm purchased water obligations (acre feet)	6,700	6,700	6,700	6,700	6,700	93,500
Variable purchased water obligations	$ 6,349	$ 9,460	$ 13,164	$ 13,638	$ 13,920	$ 193,167
Variable purchased water obligations (acre feet)	8,475	12,850	15,525	15,500	15,500	187,050

SAWS' firm and variable purchased water obligations relate to the contractual commitments made in connection with SAWS' wholesale water contracts with Guadalupe Blanco River Authority (GBRA) and three other wholesale agreements for the supply of raw water from the Trinity Aquifer. All water provided under these contracts is subject to availability. Under the contract with GBRA, SAWS will receive between 4,000 and 10,000 acre feet of water annually during the years 2013-2037 at prices ranging from $904 to approximately $1,377 per acre foot. SAWS has an option to extend this contract until 2077 under new payment terms. (Figures in this paragraph are not in thousands.)

Note 11 Commitments and Contingencies (Continued)

San Antonio Water System (SAWS) (Continued)

Other (Continued)

Under a contract with the Massah Development Corporation, SAWS has a minimum take or pay commitment to purchase 100 acre-feet per month or 1,200 acre-feet per year of raw water from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County at prices ranging from $591 to $847 per acre foot. This agreement expires in 2025 and SAWS has an option to extend the contract for 10 years. (Figures in this paragraph are not in thousands.)

Under a contract with Sneckner Partners, Ltd., SAWS has a take or pay commitment to purchase 1,500 acre-feet of water annually from the Trinity Aquifer at a minimum annual cost of $225 per acre-foot through 2020 (figures in this sentence are not in thousands.) SAWS has an option to extend the contract through 2026. As part of this contract, SAWS agreed to make quarterly defined payments for any residential customers that are connected to the system within a defined geographical area that begin taking water service from SAWS. SAWS began making these payments during 2012 as the area has begun to experience some development. While it is impossible to estimate the exact amount of any potential future payments associated with this provision of the agreement, management estimate of this potential contingent liability is less than $5,000.

In July 2012, SAWS entered into an agreement with Water Exploration Company, Ltd. (WECO) to purchase groundwater produced by WECO from the Trinity Aquifer. In connection with this agreement, two water purchase agreements between SAWS DSP and WECO were terminated. The new agreement has a term of 15 years, with two optional 5 year extensions. The purchase obligation is limited to 3,750 acre-feet during the first twelve months of the agreement. Beginning in July 2013 SAWS was obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet if water is available to be produced. SAWS only pays for delivered water meeting all state and federal drinking water standards. Pumping by WECO may not reduce the Trinity Aquifer below 600 feet Mean Sea Level at test wells on the tracts. The price paid for the raw water is $685 per acre-foot until January 2014, when the price increases to $880 per acre-foot. The cost will escalate annually thereafter by the greater of two percent or the percentage increase in the Producer Price Index for Commodities Finished Goods. (Figures in this paragraph are not in thousands.)

In July 2010, SAWS was granted a permit by the Gonzales County Underground Water Conservation District (the District) to produce 11,688 acre feet from the Carrizo Aquifer. Although initially contested by third parties, SAWS permit was finalized in May 2012 upon a ruling of the 13th District Court of Appeals. SAWS has entered into 23 separate agreements to produce up to a maximum of 11,688 acre feet of water from the Carrizo Aquifer. SAWS is currently making minimum water payments under the terms of these agreements until such time as the necessary infrastructure to produce and transport the water has been completed. Minimum water payments range from 20.0% - 30.0% of the applicable water rate assuming full production of the contracted water rights. Once water production begins, SAWS must make payments equal to the greater of the applicable water rate for the actual water produced or the minimum water payment due under the agreement. These agreements remain in force indefinitely as long as SAWS continues to make payments in accordance with the terms of the agreements. SAWS expects to begin producing water under these agreements in 2014. The minimum water payments due under these agreements are estimated to be $847 in 2013 assuming no water is produced and payments for producing the full amount of permitted water in 2014 are estimated to be $1,155. The agreements include annual price escalations based on the average of the increase in the Consumer Price Index and Producers Price Index.

Note 11 Commitments and Contingencies (Continued)

San Antonio Water System (SAWS) (Continued)

Other (Continued)

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately $309,000 as of December 31, 2012. Funding of this amount will come from excess revenues, contributions from developers, restricted assets and available commercial paper capacity.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. A liability is recorded once payment appears to be probable. As of December 31, 2012, SAWS has no arbitrage rebate liability associated with any outstanding bonds.

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Note 12 Pollution Remediation Obligation

Primary Government (City)

The City follows the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

The general nature of existing pollution that has been identified on City property is consistent with City operations of acquiring properties for infrastructure and improvement development. Under most circumstances, the triggering event relevant to the City is the voluntary commencement of activities to clean up the pollution. Costs were estimated using the expected cash flow technique prescribed under GASB Statement No. 49 utilizing information provided by the City's respective departments which included previous knowledge of clean-up costs, existing contracts, etc. Depending on the length of time it takes the City to remediate the pollution, costs may be different from that estimated below as a result of market rate changes, improvements to technology, etc.

	Balance at 10/1/2012	Additions	Deletions	Balance at 9/30/2013
Governmental Activities:				
Liabilities	$ 1,533	$ 1,127	$ (1,106) `	$ 1,554
Construction in Progress	1,183	781	(923)	1,041
Business-Type Activities:				
Liability	$ 1,040	$ -	$ -	$ 1,040

The Governmental Activities' liabilities were a result of cost estimates to clean existing pollution found on land acquired by the City's Capital Improvement Management Services and Parks Departments for the construction of streets and drainage and parks, respectively. Any net changes in the Governmental Activities pollution liability that was not capitalized under Construction in Progress was expensed under the City's public works activities.

The City foresees receiving $40 in recoveries from third parties for the costs associated with cleaning up these pollution obligations.

The Business-Type Activities' liability was a result of cost estimates to clean existing pollution found on land acquired by the Airport System for the construction of airport structures. As the City acquired this property in the early 1940s, the liability did not meet the criteria to be capitalized, and as such was expensed in fiscal year 2009. The City had no additional pollution remediation costs in Business-Type Activities as of September 30, 2013.

CPS Energy

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. The general nature of existing pollution that has been identified at CPS Energy sites is consistent with that experienced within the electric and gas utilities industry. Under most circumstances, the triggering event most relevant to CPS Energy is the voluntary commencement of activities to clean up pollution.

Note 12 Pollution Remediation Obligation (Continued)

CPS Energy (Continued)

Under the FERC guidance, reserves have been established for dismantling and closure costs. In fiscal year 2008, in preparation for implementation of GASB Statement No. 49, a portion of those reserves were reclassified to remediation and dismantling reserve accounts reported on the balance sheet within other liabilities and deferred credits. When a triggering event occurs, those reserves will be reclassified as a pollution remediation liability also reported within other liabilities and deferred credits.

The pollution remediation liability was $2,815 as of January 31, 2013. Costs were estimated using the expected cash flow technique prescribed under GASB Statement No. 49 utilizing information provided by CPS Energy's environmental staff and consultants.

San Antonio Water System (SAWS)

SAWS had no material pollution remediation liabilities at December 31, 2012.

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Note 13 Risk Financing

Primary Government (City)

Property and Casualty Liability

FM Global Insurance Company provides coverage for the City's real property and contents. The City's deductible for property damage is $100 and the insurance will reimburse up to $1,000,000. There was a reduction in the policy limit for property coverage of $1,500,000. The risk of a loss exceeding $1,000,000 in one year was deemed negligible and was balanced by the more advantageous terms and conditions offered by this carrier.

As of September 30, 2013, the City maintains excess liability insurance coverage through Starr Indemnity & Liability Company. The policy provides coverage in excess of the City's self-insured retention of $2,000 for general liability, law enforcement legal liability, public official's liability, and employee benefits liability. The City utilizes a third-party administrator to adjust its claims. Obligations for claims under these programs are accrued in the City's Self-Insurance Reserve Fund based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported. The departments are assessed contributions to cover expenditures.

As of October 1, 2013 the City will no longer have excess coverage for General Liability. The City has not carried auto liability excess coverage since the end of 2008.

Workers' Compensation

As of May 1, 2013, the City is completely self insured for workers' compensation claims. The City utilizes a third-party administrator to adjust its claims.

Obligations for claims under these programs are accrued in the City's Self-Insurance Workers' Compensation Fund based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported. The departments are assessed contributions to cover expenditures.

Employee Health Benefits

The City offers employees and their eligible dependents a comprehensive employee benefits program including medical, dental, vision and basic and supplemental life insurance. Employees may also participate in healthcare or dependent care spending accounts through our Section 125 Cafeteria Plan. The City's health program is self-insured and the City's vision plan is fully-insured. The City offers two dental plans: one is self-insured and one is fully-insured. Obligations for benefits are accrued in the Employee Health Benefits Fund based upon the City's estimates of the aggregate liability for unpaid benefits.

Retiree Health Benefits

The City offers medical coverage for its retirees and their dependents. The City offers both self insured and fully insured plans to participating employees who are eligible to retire from the TMRS Pension Plan immediately following severance from the City. Self-Funded obligations for benefits are accrued in the City's Retiree Health Benefits Insurance Fund (a subfund of the Employee Health Benefits Fund) based upon the City's estimates of the aggregate liability for unpaid benefits. The City additionally, determined and accrued OPEB liabilities based on an actuarial assessment of historical self-funded claims data performed bi-annually and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the OPEB liability as additional contributions.

Note 13 Risk Financing (Continued)

Primary Government (City) (Continued)

Unemployment Compensation Program

The Unemployment Compensation Program provides a central account for payment of unemployment compensation claims. As of the fiscal year-end, claims were being administered externally and are paid to the Texas Workforce Commission on a reimbursement basis. All costs incurred are recorded on a claim paid basis in the Employee Health Benefits Fund.

Extended Sick Leave Program

The Extended Sick Leave Program is used to pay benefits associated with short term disability, long term disability and continued long term disability. Benefits are administered by the City. Actual costs are incurred when extended leave is taken. The Extended Sick Leave Program is currently administered out of the Employee Health Benefits Fund.

Employee Wellness Program

The Employee Wellness Program is designed to mitigate future health and productivity loss costs by creating awareness of health risks and providing education about healthy lifestyle choices. In 2008, the City opened the City's Health and Wellness Center in partnership with Gonzaba Medical Group. The Wellness Center is available to provide primary care, pre-employment and promotional exams to active employees. Additionally, the City provides every employee and member of their household an Employee Assistance Program to assist employees with basic situational and behavioral counseling, as well as, financial counseling and legal referral services. The Employee Wellness Program is managed out of the Employee Health Benefits Fund.

Claims Liability

The liability for the Employee Health Benefits Program is based on the estimated aggregate amount outstanding at the statement of net position date for unpaid benefits. Liabilities for the Insurance Reserve and Workers' Compensation Programs are reported when it is probable that a loss has occurred as of the statement of net position date, and the amount of the loss can be reasonably estimated. These liabilities include allocable loss adjustment expenses, specific incremental claim adjustment expenses such as the cost of outside legal counsel, and a provision for claims that have been incurred but not reported (IBNR). Unallocated claim adjustment expenses have not been included in the calculation of the outstanding claims liability, as management of the City feels it would not be practical or cost beneficial. In addition, based on the difficulty in determining a basis for estimating potential recoveries and the immateriality of prior amounts, no provision for subrogation or salvage has been included in the calculation of the claims liability. The claims liability reported in the accompanying financial statements for both the Insurance Reserve and Workers' Compensation Programs is based on a 2.0% discount rate due to the multi-year life cycle to close out these claims and the average historical as well as forecasted yield on the City's investments.

Note 13 Risk Financing (Continued)

Primary Government (City) (Continued)

Claims Liability (Continued)

The following is a summary of changes in claims liability for the City's Insurance Reserve, Employee Health Benefits, and Workers' Compensation Programs Funds for the fiscal year-ended September 30, 2013:

Fund	October 1,	Change in Estimate	Claims Incurred	Claims Payments	September 30,
Insurance Reserve[1]:					
Fiscal Year 2012	$ 21,545	$ 5,454	$ 2,308	$ (3,252)	$ 26,055
Fiscal Year 2013	26,055	(80)	1,374	(3,639)	23,710
Employee Health Benefits[2]:					
Fiscal Year 2012	$ 7,869	$ 1,704	$ 90,138	$ (90,751)	$ 8,960
Fiscal Year 2013	8,960	946	95,719	(96,832)	8,793
Workers' Compensation:					
Fiscal Year 2012	$ 29,454	$ 3,936	$ 8,782	$ (8,938)	$ 33,234
Fiscal Year 2013	33,234	431	8,870	(8,715)	33,820

[1] Fiscal Year 2013 fund financial claims expense reflects an additional $51 paid for claims handled outside of reserves.
[2] Fiscal Year 2013 fund financial claims expense reflects an additional $284 paid for Unemployment Claims that are not included in the calculation of claims liability.

CPS Energy

Insurance and Reserves – CPS Energy is exposed to various risks of loss including, but not limited to, those related to torts, theft or destruction of assets, errors and omissions, and natural disasters. CPS Energy maintains property and liability insurance programs that combine self-insurance with commercial insurance policies to cover major risks. The property insurance program provides $6,800,000 of replacement-value coverage for property and boiler machinery loss, including comprehensive automobile coverage, fire damage coverage for construction equipment, and valuable papers coverage. The deductible for the property insurance policy is $5,000 per occurrence with a secondary deductible of $1,000 per occurrence applicable to non-power-plant property locations. The liability insurance program includes:

- $100,000 of excess general liability coverage over a retention amount of $3,000;
- $25,000 of fiduciary liability coverage;
- $100,000 of employment practice liability coverage; and
- Other property and liability insurance coverage, which includes commercial crime, employee travel and event insurance.

CPS Energy also manages its own workers' compensation program. Additionally, to support this program, $35,000 of excess workers' compensation coverage over a retention amount of $3,000 is maintained. No claims settlements exceeded insurance coverage and there were no decreases in the last three fiscal years.

Actuarial studies are performed periodically to assess and determine the adequacy of CPS Energy insurance reserve retentions. Actuarial valuations include nonincremental claims expenses. An actuarial study was performed during the fourth quarter of fiscal year 2013.

Note 13 Risk Financing (Continued)

CPS Energy (Continued)

In the following table, the remaining balance under the property reserves column at January 31, 2013, relates to estimated obligations for the cleanup, closure, and post-closure care requirements of CPS Energy's landfills. CPS Energy has seven landfill sites, four of which are at full capacity. The estimates for landfill liability are based upon capacity to date and are subject to change due to inflation or deflation, as well as new developments in technology, applicable laws or regulations.

Under CPS Energy's reserve program, all claims are recorded against the reserve.

Schedule of Changes in Claims Liability

Fund	Liability February 1,	Claims Adjustments	Claims Payments	Liability January 31,
Property Reserves:				
Fiscal Year 2012	$ 4,248	$ 258	$ -	4,506
Fiscal Year 2013	4,506	304		4,810
Employee and Public Liability Claims:				
Fiscal Year 2012	$ 12,279	$ 7,549	$ (5,413)	$ 14,415
Fiscal Year 2013	14,415	3,281	(2,831)	14,865

Counterparty Risk – CPS Energy is exposed to counterparty risk associated with various transactions primarily related to debt, investments, fuel hedging, a lease/leaseback transaction, suppliers and wholesale power. Counterparty risk is the risk that a counterparty will fail to meet its obligations in accordance with the terms and conditions of its contract with CPS Energy. CPS Energy has policies and practices in place to ensure the solvency of counterparties is assessed accurately, monitored regularly and managed actively through its Enterprise Risk Management & Solution Division.

Fuel Hedging – The 1999 Texas utility deregulation legislation, Senate Bill 7, contained provisions modifying the Texas PFIA to allow municipal utilities the ability to purchase and sell energy-related financial instruments in order to hedge or mitigate the effect of market price fluctuations of natural gas, fuel oil, and electric energy. In 2002, CPS Energy began hedging its exposure to changes in natural gas prices, with the goal of controlling fuel costs to native load customers and stabilizing the expected cash flows associated with wholesale power transactions.

In fiscal year 2010, CPS Energy implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses recognition, measurement and disclosures related to derivative instruments. CPS Energy does not use derivative instruments for speculative purposes. The only derivative instruments entered into are for the purposes of risk mitigation; therefore, these instruments are considered potential hedging derivative instruments under GASB Statement No. 53.

On April 30, 2012, the Board reaffirmed the Energy Price Risk Management Policy, which sets forth the guidelines for the purchase and sale of certain financial instruments and certain physical products, collectively defined as hedge instruments. The essential goal of the Energy Price Risk Management Policy is to provide a framework for the operation of a fuel and energy price hedging program to better manage CPS Energy's risk exposure in order to stabilize pricing and costs for the benefit of CPS Energy and its customers.

Note 13 Risk Financing (Continued)

CPS Energy (Continued)

In accordance with the requirements of GASB Statement No. 53, all fuel hedges are reported on the balance sheet at fair value. The fair value of option contracts is determined using New York Mercantile Exchange (NYMEX) closing settlement prices as of the last day of the reporting period. For futures and basis swap contracts, the fair value is calculated by deriving the difference between the closing futures prices on the last day of the reporting period and the futures or basis swap purchase prices at the time the positions were established, less applicable commissions.

All potential hedging derivative instruments were evaluated for effectiveness at January 31, 2013, and were determined to be effective in substantially offsetting the changes in cash flows of the hedgeable items. These hedging derivative instruments utilize natural gas forwards and options that are priced based on the underlying Henry Hub natural gas price, while the physical gas is typically purchased at prices based on either the Western Area Hub Association (WAHA) or the Houston Ship Channel (HSC). Therefore, effectiveness testing was based on the extent of correlation between the first of the month index prices of natural gas at each of these locations and the settlement price at Henry Hub. The correlation coefficient was established at the critical term to be evaluated, with 0.89 established as the minimum standard tolerated. The testing, based on two different location hubs (WAHA and HSC), demonstrated a substantial offset in the fair values, as evidenced by their calculated R values, 0.97 and 0.99, respectively, indicating that the changes in cash flows substantially offset the changes in cash flows of the hedgeable item. Additionally, the substantive characteristics of the hedge have been considered, and the evaluation of this effectiveness measure has been sufficiently completed and documented such that a different evaluator, using the same method and assumptions, would reach substantially similar results.

In the second category, hedges utilize both Henry Hub based natural gas forwards and locational basis swaps to the appropriate natural gas hub (WAHA or HSC) with volumes matching the underlying expected physical transaction. Considering the substantive characteristics of these hedge transactions, these instruments were determined to be effective utilizing the consistent critical terms method prescribed under GASB Statement No. 53.

As of January 31, 2013, the total fair value of outstanding hedge instruments was a net liability of $9,058. Fuel hedging instruments with a fair value of $(10,102) are reported as a current liability and classified on the balance sheet as a component of accounts payable and accrued liabilities. Long-term fuel hedging instruments with a fair value of $1,044 are reported as a noncurrent liability and classified as a component of other liabilities and deferred credits.

Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred (inflows) outflows of resources on the Statements of Net Position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense.

The deferred outflows of resources related to fuel hedges totaled $17,384 at January 31, 2013.

Note 13 Risk Financing (Continued)

CPS Energy (Continued)

Following is information related to CPS Energy's outstanding fuel hedging derivative instruments:

Type of Transaction		Duration	Volumes in MMBTU	Fair Value	Changes in Fair Value
Long	Call	Apr 2013 - Mar 2016	9,329,064	$ 2,580	$ (528)
Long	Fixed Price Natural Gas	Feb 2013 - Mar 2016	15,939,424	(15,325)	25,480
Long	Put	Feb 2013 - Mar 2014	7,892,215	3,696	(8,764)
Long	Basis Swap	Feb 2013 - Oct 2013	1,054,465	(9)	(9)
				$ (9,058)	$ 16,179

In the event purchased options are allowed to expire, the related premiums paid to acquire those options will be lost. When a short position is established and options are sold, premiums are received and an obligation to honor the terms of the option contract, if exercised, is created. The decision to exercise the options or let them expire rests with the purchasing party.

Futures contracts represent a firm obligation to buy or sell the underlying asset. If held to expiration, the contract holder must take delivery of, or deliver, the underlying asset at the established contract price. Basis swap contracts represent a financial obligation to buy or sell the underlying delivery point basis. If held to expiration, the financial difference determined by mark-to-market valuation must be settled on a cash basis. Only if expressly requested in advance may an exchange for physical assets take place.

Preassigned Congestion Rights – In the normal course of business, CPS Energy acquires Preassigned Congestion Revenue Rights (PCRR) and Congestion Revenue Rights (CRR) as a hedge against unexpected congestion costs. The CRRs are purchased at auction, annually and monthly, at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at a percentage of the cost of CRRs. While PCRRs exhibit the three characteristics of derivatives as defined in GASB Statement No. 53, they are generally used by CPS Energy as factors in the cost of transmission. Therefore, these PCRRs meet the normal purchases and sales scope exception and are reported on the balance sheets at cost and classified as prepayments. From time to time, CPS Energy purchases PCRRs and sells them at the same auction at market price. In this case, the PCRRs are considered investments, and the gain is reported as investment income. In fiscal year 2013, gains on the sale of PCRRs totaled $1,000.

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Note 13 Risk Financing (Continued)

CPS Energy (Continued)

Credit Risk – CPS Energy began executing over-the-counter hedge transactions directly with approved counterparties in April 2010. These counterparties are generally highly rated entities that are leaders in their respective industries. CPS Energy monitors the creditworthiness of these entities on a daily basis and manages the resulting financial exposure via a third-party, vertically integrated risk system. Contractual terms with each existing counterparty vary, but each is structured so that should the counterparty's credit rating fall below investment grade, no unsecured credit would be granted and the counterparty would be required to post collateral for any calculated credit exposure. In the event of default or nonperformance by counterparties, brokers or NYMEX, the operations of CPS Energy could be materially affected. However, CPS Energy does not expect these entities to fail to meet their obligations given the level of their credit ratings and the monitoring procedures in place with which to manage this risk. As of January 31, 2013, the exposure to all hedge-related counterparties was such that no counterparty credit risk existed.

Termination Risk – For CPS Energy's fuel hedges that are executed over the counter directly with approved counterparties, the possibility exists that one or more of these derivative instruments may end earlier than expected, thereby depriving CPS Energy of the protection from the underlying risk that was being hedged or potentially requiring CPS Energy to make a significant termination payment. This termination payment between CPS Energy and its counterparty is determined based on current market prices. In the event a transaction is terminated early, CPS Energy would likely be able to replace the transaction at current market prices with similar, although not exact, terms with one of its other approved counterparties.

Basis Risk – CPS Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a pricing point (HSC or WAHA) different than that at which the contracts are expected to settle (Henry Hub). For January 2013, the HSC price was $3.32 per MMBtu, the WAHA price was $3.28 per MMBtu, and the Henry Hub price was $3.35 per MMBtu.

San Antonio Water System (SAWS)

Risk Management – SAWS provides health care benefits to eligible employees and retirees through a self-insured plan that includes medical, prescription drug and dental benefits. The payment of claims associated with these benefits is handled by third party administrators. Plan participants contribute a portion of the cost of providing these benefits through payroll deductions or monthly premiums, annual deductibles and other co-payments. SAWS was self-insured for the first $200 of medical claims per person during 2012.

SAWS is exposed to various risks of financial loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAWS is self-administered and self-insured for the first $500 of each workers' compensation, general liability, automobile liability and public official's liability claim and for the first $250 for each pollution remediation, legal liability and commercial property claim. Claims that exceed the self-insured retention limit are covered through SAWS' comprehensive commercial insurance program. For the year-ended December 31, 2012, there were no reductions in insurance coverage from the previous year. Settled claims during the last three years have not exceeded the insurance coverage in any year.

Note 13 Risk Financing (Continued)

San Antonio Water System (SAWS) (Continued)

The claims liability for health care benefits and other risks, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. Changes in the liability amount for the last two fiscal years were as follows:

San Antonio Water System
Schedule of Changes in Claims Liability

Year Ended	Balance at Beginning of Fiscal Year	Estimates	Claims and Payments	Balance at End of Fiscal Year	Estimated Due Within One Year
December 31, 2012	$ 10,565	$ 23,506	$ (24,115)	$ 9,956	$ 9,956
December 31, 2011	$ 8,526	$ 24,691	$ (22,650)	$ 10,567	$ 10,565

Pay-Fixed, Receive-Variable Interest Rate Swap – In 2003, SAWS entered into an interest rate swap agreement in connection with its City of San Antonio, Texas, Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the "Series 2003 Bonds") issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for SAWS' Capital Improvements Program and to refund certain outstanding commercial paper notes.

The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower interest rate cost than a traditional long term fixed rate bond issued at that time. In August 2008, SAWS used commercial paper notes to redeem $110,615 of the $111,615 outstanding principal of the Series 2003 Bonds due to unfavorable market conditions relating to the ratings downgrade of the 2003 Bond insurer, MBIA Insurance Corporation. In 2009, SAWS redeemed the remaining $1,000 of the Series 2003 Bonds through the issuance of additional commercial paper. The interest rate swap agreement was not terminated upon the redemption of the 2003 Bonds and instead serves as an off-market hedge for that portion of the commercial paper notes outstanding which pertain to the redemption of the 2003 Bonds. SAWS currently intends to maintain a portion of its outstanding commercial paper in amounts matching the notional amounts of the swap. SAWS did not recognize any economic gain or loss as a result of this refunding since the debt service requirements of the commercial paper notes are expected to closely match the debt service requirements of the refunded debt. At December 31, 2012 $100,970 of commercial paper notes are hedged by the interest rate swap agreement.

Terms – The swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow the original scheduled reductions in the Series 2003 Bonds. The Series 2003 Bonds were issued on March 27, 2003, with a principal amount of $122,500. The swap agreement matures on May 1, 2033. At the time the swap was entered into, the counterparty was Bear Stearns Financial Products, Inc. (Bear Stearns FPI), with the index for the variable rate leg of the swap being the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

Note 13 Risk Financing (Continued)

San Antonio Water System (SAWS) (Continued)

In March 2008, JP Morgan Chase & Co. announced its acquisition of The Bear Stearns Companies, Inc., the parent of Bear Stearns FPI. JP Morgan Chase & Co. has guaranteed the trading obligations of Bear Stearns and its subsidiaries. Effective June 16, 2009, the swap agreement was amended between SAWS, JP Morgan Chase & Co. , and MBIA to provide for JP Morgan Chase Bank N.A. to become the swap counterparty and allow for the remainder of outstanding Series 2003 Bonds to be redeemed, while maintaining the swap agreement as an obligation to all parties. The amendment provides for the conditional release of MBIA's swap insurance policy upon the occurrence of certain future events. The combination of commercial paper notes and a floating-to-fixed swap creates a synthetic fixed-rate of 4.2%. The synthetic fixed-rate protects against the potential of rising interest rates.

Fair Value – The swap had a negative fair value of approximately $25,100 at December 31, 2012. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap agreement meets the criteria of an effective hedge under GASB Statement 53 and therefore qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a non-current liability. Changes in the swap's fair value are recorded as a deferred outflow. At the time the 2003 Bonds were redeemed in 2008, the fair value of the swap was $6,200. The deferred outflow at the time of redemption was included in the carrying value of the 2003 Bonds and resulted in a loss on redemption of $6,200. This loss is amortized over the remaining life of the 2003 Bonds.

Credit Risk – As of December 31, 2012, SAWS was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, SAWS would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, JP Morgan Chase Bank, N.A. was rated 'Aa3' by Moody's Investors Service, 'A+' by Standard & Poor's, and 'A+' by Fitch Ratings as of December 31, 2012. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair market value of the swap reach applicable thresholds as stated in the amended swap agreement.

Basis Risk – SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by (a) matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

Termination Risk – SAWS may terminate the swap at any time for any reason. JP Morgan Chase may terminate the swap if SAWS fails to perform under the terms of the agreement. The ongoing payment obligations under the swap are insured as provided for in the swap amendment and JP Morgan Chase cannot terminate as long as the insurer does not fail to perform. Also, if at the time of the termination the swap has a negative fair value, SAWS would be liable to the counterparty for a payment equal to the swap's fair value.

Note 13 Risk Financing (Continued)

San Antonio Water System (SAWS) (Continued)

Market-access Risk – SAWS is subject to market-access risk as $100,970 of variable-rate debt hedged by the swap is outstanding commercial paper notes with current maturities less than 100 days. As previously noted, SAWS intends to reissue the commercial paper notes in amounts matching the notional amounts.

Swap Payments and Associated Debt – As of December 31, 2012, debt service requirements of the hedged commercial paper notes and net swap payments, assuming current interest rates remain the same, are detailed in the following table. As rates vary, variable-rate interest payments and net swap payments will vary. Principal payments assume that commercial paper will be repaid in accordance with the amortization schedule of the swap.

Pay-Fixed, Receive-Variable Interest Rate Swap
Estimated Debt Service Requirements of Variable-Rate
Debt Outstanding and Net Swap Payments

Year	Principal	Interest Paid on Debt	Interest Rate Swap, Net	Total
2013	$ 2,970	$ 190	$ 4,009	$ 7,169
2014	3,105	184	3,885	7,174
2015	3,245	178	3,755	7,178
2016	3,395	172	3,620	7,187
2017	3,550	165	3,478	7,193
2018-2022	20,320	713	15,032	36,065
2023-2027	25,405	493	10,386	36,284
2028-2032	31,740	217	4,580	36,537
2033	7,240	5	98	7,343
Total	$ 100,970	$ 2,317	$ 48,843	$ 152,130

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Note 14 Interfund Transfers

The following is a summary of interfund transfers for the City for the fiscal year-ended September 30, 2013:

Summary Table of Interfund Transfers
for Fiscal Year-Ended September 30, 2013

	Transfers From Other Funds	Transfers To Other Funds
General Fund:		
General Obligation Project Fund	$	$ 112
Nonmajor Governmental Funds	13,163	33,513
Airport System Fund	165	
Nonmajor Enterprise Funds	3,340	5,119
Internal Service Funds	673	3,925
Total General Fund	**17,341**	**42,669**
Debt Service Fund:		
Texas Public Facility Corporation	228,975	
2007 General Obligation Bonds	37	
2012 General Obligation Bonds	40	
Nonmajor Governmental Funds	15,506	158
Internal Service Funds	1,040	
Total Debt Service Fund	**245,598**	**158**
Home Program Fund:		
Nonmajor Governmental Funds	17	8
Total Home Program Fund	**17**	**8**
Pre K 4 SA Fund:		
Nonmajor Governmental Funds	7,262	
Total Pre K 4 SA Fund	**7,262**	
Texas Public Facility Corporation Fund:		
Debt Service Fund		228,975
Nonmajor Governmental Funds	8,502	26,195
Total Texas Public Facility Corporation Fund	**8,502**	**255,170**
2007 General Obligation Bonds:		
Debt Service Fund		37
General Obligation Project Fund		55,528
Nonmajor Governmental Funds	14	3,573
Total 2007 General Obligation Bonds	**14**	**59,138**
2012 General Obligation Bonds:		
Debt Service Fund		40
General Obligation Project Fund		24,656
Total 2012 General Obligation Bonds		**24,696**

(Continued)

Note 14 Interfund Transfers (Continued)

Summary Table of Interfund Transfers (Continued)
Year-Ended September 30, 2013

	Transfers From Other Funds	Transfers To Other Funds
General Obligation Project Fund:		
General Fund	112	
2007 General Obligation Bonds	55,528	
2012 General Obligation Bonds	24,656	
Nonmajor Governmental Funds	15,738	76
Total General Obligation Project Fund	**96,034**	**76**
Nonmajor Governmental Funds:		
General Fund	33,513	13,163
Debt Service Fund	158	15,506
2007 General Obligation Bonds	3,573	14
Home Program Fund	8	17
Pre K 4 SA		14,484
Texas Public Facility Corporation Fund	26,195	8,502
General Obligation Project Fund	76	15,738
Nonmajor Governmental Funds	249,503	249,503
Airport System Fund		1
Nonmajor Enterprise Funds	6,129	136
Internal Service Funds	536	
Total Nonmajor Governmental Funds	**319,691**	**317,064**
Airport System Fund:		
General Fund		165
Nonmajor Governmental Funds	1	
Total Airport System Fund	**1**	**165**
Nonmajor Enterprise Funds:		
General Fund	5,119	3,340
Nonmajor Governmental Funds	136	6,129
Nonmajor Enterprise Funds	288	288
Internal Service Funds	27	
Total Nonmajor Enterprise Funds	**5,570**	**9,757**
Internal Service Funds:		
General Fund	3,925	673
Debt Service Fund		1,040
Nonmajor Governmental Funds		536
Nonmajor Enterprise Funds		27
Internal Service Funds	85	85
Total Internal Service Funds	**4,010**	**2,361**
Total	**$ 704,040**	**$ 711,262**

Transfers are made to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds. These transfers are in the form of operating subsidies, grant matches, and funding for capital projects. In addition, transfers are routinely made from other funds to fund debt service payments, indirect cost reimbursement assessments and for other restricted purposes. All transfers are in accordance with budgetary authorizations.

Note 14 Interfund Transfers (Continued)

Different fiscal year ends exist between the City and Pre-K 4 SA, September 30 and June 30, therefore interfund transfers do not eliminate by $7,222. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City's transfer to Pre K 4 SA represents its obligation to provide the 1/8 cents sales tax collected 60 days after September 30, 2013; however, Pre K 4 SA's due from other funds illustrates the City's 1/8 cents sales tax collected 60 days after June 30, 2013. These transfers are in accordance with legislative and contractual requirements.

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Note 15 Fund Balance Classifications

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented in the following table. Please see the definitions of the various fund balance classifications in Note 1, Summary of Significant Accounting Policies.

	General Fund	Debt Service Fund	HOME Program	Pre-K 4SA	Texas Public Facilities Corp.	2007 General Obligation Bonds	2012 General Obligation Bonds	General Obligation Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:										
Nonspendable:										
In nonspendable form:										
Materials and Supplies	$ 6,190	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,251	$ 7,441
Prepaid, Deposits and Other	48								42	90
Legally or contractually intact:										
Permanent Fund Corpus									3,650	3,650
Total Nonspendable	6,238								4,943	11,181
Restricted for:										
Education				6,475					19,319	25,794
Social Services									64	64
Parks & Recreation	463								67,389	67,852
Health Services	134								1,409	1,543
Welfare	14								200	214
Convention and Tourism									13,806	13,806
Urban Redevelopment and Housing	30								-	30
Economic Development & Opportunity	77								9,921	9,998
Law Enforcement									2,863	2,863
Debt Service		53,980							6,248	60,228
Other Purposes									3,787	3,787
Drainage - Capital Projects						61,342	33,964		43,853	139,159
Municipal Facilities - Capital Projects					298,879	65	19,268		23,544	341,756
Parks - Capital Projects						1,260	32,532		8,561	42,353
Streets - Capital Projects						84,911	87,370		26,916	199,197
Other Capital Projects									38,263	38,263
Total Restricted	718	53,980		6,475	298,879	147,578	173,134		266,143	946,907
Committed:										
Parks & Recreation	1,441								929	2,370
Health Services	101									101
Welfare	5,376									5,376
Convention and Tourism	22								61,329	61,351
Economic Development & Opportunity	1,157								1,119	2,276
Law Enforcement	66								71	137
Fire Protection	7									7
Other Purposes	6,175								88	6,263
Municipal Facilities - Capital Projects									12,567	12,567
Parks - Capital Projects	49									49
Streets - Capital Projects	24,642									24,642
Other Capital Projects	567								8,957	9,524
Total Committed	39,603								85,060	124,663
Assigned:										
Education									66	66
Parks & Recreation	6								495	501
Library									321	321
Health Services	506								7	513
Welfare	16									16
Convention and Tourism									4,653	4,653
Urban Redevelopment and Housing									12,102	12,102
Economic Development & Opportunity	6								1,226	1,232
Law Enforcement	4									4
Fire Protection	11									11
Other Purposes	7									7
Streets - Capital Projects									996	996
Other Capital Projects	2,674									2,674
Total Assigned	3,230								19,866	23,096
Unassigned	135,375							(17,731)	(12,968)	104,676
Total Fund Balance	$ 185,164	$ 53,980	$ -	$ 6,475	$ 298,879	$ 147,578	$ 173,134	$ (17,731)	$ 363,044	$ 1,210,523

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Note 15 Fund Balance Classifications (Continued)

The City utilizes encumbrance accounting to ensure specified remaining unspent balances are adequately carried forward into the next fiscal year. Encumbrances are created for purchase order, grant match requirements, and capital project funding. The City further carries forward available unspent uncommitted funds identified through the Closing Ordinance into the next fiscal year as authorized by City Council. The encumbrance and carryforward amounts are reported in fund balance as follows:

General Fund	2007 General Obligation Bonds	2012 General Obligation Bonds	General Obligation Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 37,081	$ 112,775	$ 172,886	$ 201,267	$ 216,552	$ 740,561

The City further maintains a 9.0% of General Fund expenditures' Budgeted Financial Reserve which was adopted by City Council. This Reserve is reviewed and adopted by City Council annually in the City's Budget Ordinance. Additions to the balance are considered annually as part of the City's overall budget adoption process and are contingent upon the General Fund's overall estimated expenditures and related funding.

The Reserve may be utilized to meet one of more of the following events upon subsequent adoption by the City Council.

- Unforeseen operational or capital requirements which arise during the course of the fiscal year;
- Unforeseen or extraordinary occurrence such as a natural disaster, catastrophic change in the City's financial position, or the occurrence of a similar event; or
- To assist the City in managing fluctuations in available General Fund resources from year to year in stabilizing the budget.

The balance within the Budgeted Financial Reserve as of September 30, 2013 was $88,166. This Reserve balance is presented in the General Fund under the unassigned fund balance classification. The City does not have a minimum fund balance policy.

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Note 16 Deficits in Fund Balances / Net Position

Capital Projects Funds

As of September 30, 2013, deficit fund balances are reported in the General Obligation Projects Fund, Certificates of Obligation Projects Fund, Improvement Projects, and Convention Center Expansion Fund in the amounts of $17,731, $5,333, $6,117 and $1,137 respectively. The deficit balances in these funds are a result of a one year reimbursement clause allowing departments to spend up to one year in advance of debt obligations being sold and proceeds transferred in to fund the work efforts. Another contribution to this deficit is the timing of invoices billed to third party contributors. The deficits will be addressed by identifying the appropriate funding source and transferring funds from a debt authorization (when sold), operating funds, grants, and/or by billing and collecting contributions from third party contributors.

Internal Service Funds

As of September 30, 2013, a deficit fund balance is reported in the CIMS Fund in the amount of $5,220. The deficit in CIMS is due to the fund not including long-term liabilities (OPEB and Accrued Leave) in its rate assessments. Due to the fund's GASB Statement No. 54 reclassification, the long-term liabilities not previously recorded in the fund are now included, and resulted in a negative net position. Reevaluation of assessments, fees, and other funding sources will be reviewed to determine future capacity.

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Note 17 Other Disclosures

Primary Government (City)

Donor Restricted Endowment

The City has five Permanent Funds: the City Cemeteries Fund, the Carver Cultural Center Endowment Fund, the San Antonio Housing Trust Fund, the William C. Morris Endowment Fund, and the Boza Becica Endowment Fund. The City is only allowed to spend interest proceeds generated from the principal amount for each of these funds. The City's endowments' spending policy for authorizing and spending investment income is a total return policy. Income will include not only interest and dividends, but also include increase and/or decreases in the market value of the endowed assets, if applicable. Market value fluctuations are included as an integral part of investment returns. The net assets from these endowment funds are reported in the government-wide financial statements.

The City Cemeteries Fund generated $14 in investment earnings to be expended for specified purposes. Chapter 713 of the Texas Health and Safety Code governs what expenditures the City may incur when spending the interest income. Per Chapter 713, the revenue can be spent for the maintenance and care of the graves, lots, and burial places, and to beautify the entire cemetery. The principal amount of this fund is increased each year by sales of lots from the San Jose Cemetery. The principal is required to be retained in perpetuity.

The Carver Cultural Center Endowment Fund generated $2 in investment earnings. These earnings can be used for the Carver Community Cultural Center's operating program, or reinvestment expenses (as detailed in the grant agreement). This fund is managed in accordance with the Uniform Prudent Management of Institutional Funds Act, which is codified as Section 163.001 in the Texas Property Code. The principal portion of the fund came from a one-time grant from the National Endowment for the Arts.

The San Antonio Housing Trust Fund generated $27 in investment earnings. These earnings may be disbursed to projects with particular emphasis on housing programs as grants or secured loans. All distributions or disbursements of San Antonio Housing Trust shall be made for the primary purpose of providing additional and continuing housing opportunities for low and moderate income families. This trust shall at all times be governed, regulated, and administered in all respects under the laws of the State of Texas.

The William C. Morris Endowment Fund generated $2 in investment earnings. These earnings are used on an annual basis to enhance the City Library's Educational Programming and Services for Children. The earnings of the funds will be expended in accordance with the spending policy of the Library's board of directors or trustees.

The Boza Becica Endowment Fund generated $3 in investment earnings. These earnings will be used for the acquisition of books and materials for the San Antonio Public Library in accordance with the terms and conditions of the Last Will and Testament of Boza Becica. The principal is required to be retained in perpetuity.

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Note 17 Other Disclosures (Continued)

Primary Government (City) (Continued)

Service Concession Agreements

The City has a fixed term agreement with Mission Park in which Mission Park pays the City a percentage of the gross revenue for the life of the contract (December 2035 with option to renew). All capital improvements become property of the City and the City retains ownership of the property after the contract expires. All permanent improvements of material nature have to be approved by the City. The City approves the rates and services Mission Park will provide. Mission Park collects all fees and pays the City its portion. The assets include 84 acres book valued at $1,820. The City received an upfront payment of $130 in fiscal year 2011. In fiscal year 2013, the City received $216 in revenue from Mission Park.

The City has a Management Agreement with MGA-SA. In the agreement, MGA-SA manages the City's golf courses and in return, the City received $150 in profit-sharing in fiscal year 2013. All permanent structures existing on the Golf Courses and those added during the term of the agreement are property of the City. The City determines and/or approves of the services provided to the public. The assets include seven golf courses book valued at $19,601.

CPS Energy

Special Items

CPS Energy distributed $7,132 of Community Infrastructure and Economic Development Fund (CIED) funds to multiple municipalities. The CIED fund was restricted funds that were to be used for qualified capital projects. In February 2012, CPS Energy's board found that the objectives underlying the establishment of the CIED Fund had been successfully accomplished and authorized termination of the policy providing for annual contributions to the fund. Balances remaining in the CIED Fund at January 31, 2012, could continue to be earmarked to support qualified capital projects for up to three years. Any funds designated for use by a municipality that cannot be used for approved projects were paid to the respective municipality following execution of an Agreement Incident to Termination. CPS Energy expects the remaining undesignated funds in the program to be distributed by January 31, 2014.

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Note 18 Prior Period Restatement

Primary Government (City)

San Antonio Library Foundation

San Antonio Library Foundation was a blended component unit in fiscal year 2012. With the implementation of GASB 61 in fiscal year 2013, San Antonio Library Foundation was removed from the City's financials. The City adjusted the beginning net position by $(7,203) and the beginning fund balance by $(2,884).

City South Management Authority

CSMA was a discretely presented component unit in fiscal year 2012. With the implementation of GASB 61 in fiscal year 2013, CSMA was reclassified as a blended component unit. As a result the City restated the beginning balance for fiscal year 2013 by $(1,781) to include CSMA in the governmental financials as a blended component unit.

Municipal Golf Association-San Antonio

MGA-SA was a discretely presented component unit in fiscal year 2012. With the implementation of GASB 61 in fiscal year 2013, MGA-SA was reclassified as a blended component unit. The City restated the beginning net position and fund balance for fiscal year 2013 by $2,785 and $525, respectively, to include MGA-SA in the governmental financials. This includes an increase in capital assets and accumulated depreciation of $5,111 and $1,723, respectively. In addition there is also an increase in capital leases payable of $1,127. To eliminate the intergovernmental loan from the City to MGA-SA, net position for MGA-SA was increased $1,060, as well.

San Antonio Housing Trust Foundation, Inc.

HTF was a discretely presented component unit in fiscal year 2012. With the implementation of GASB 61 in fiscal year 2013, HTF was reclassified as a blended component unit. The City restated the beginning net position and fund balance for fiscal year 2013 by $5,316 and $1,108, respectively, to include HTF in the governmental financials. This includes an increase in capital assets and accumulated depreciation of $62 and $62, respectively.

Urban Renewal Agency (OUR SA)

OUR SA was a discretely presented component unit in fiscal year 2012. With the implementation of GASB 61 in fiscal year 2013, OUR SA was reclassified as a blended component unit. The City restated the beginning net position and fund balance for fiscal year 2013 by $397 and $46, respectively, to include OUR SA in the governmental financials. This includes an increase in assets held for sale and notes payable of $382 and $31, respectively.

San Antonio Economic Development Corporation

EDC is a blended component unit. In fiscal year 2012, the City received draft financials from EDC which changed subsequent to release of the City's CAFR when the final report was issued. The City restated its beginning net position by $104 in the governmental financials. This includes an increase in accounts receivable of $175 and an increase in accounts payable of $71.

Note 18 Prior Period Restatement (Continued)

Primary Government (City) (Continued)

Main Plaza Conservancy

Main Plaza Conservancy was a discretely presented component unit in fiscal year 2012. With the implementation of GASB 61 in fiscal year 2013, Main Plaza Conservancy was removed from the City's financials. The City removed $680 from the beginning balance for component units.

SAWS District Special Project

DSP was created when Bexar Metropolitan Water District was dissolved. The audit for the new unit was not completed until December 31, 2012. The net position restatement of $82,227 was the beginning balance at February 1, 2012.

Brooks Development Authority

BDA restated the beginning net position for $438 to correct lease income that was not recognized when previously earned.

The City's Statement of Net Position and Fund Balance restatements for the Governmental Funds are as follows:

	Net Position	Fund Balance
Fiscal Year 2013 Beginning Balances, as previously reported	$ 2,509,657	$ 940,683
San Antonio Library Foundation	(7,203)	(2,884)
City South Management Authority	(1,781)	(1,781)
Municipal Golf Association-San Antonio	2,785	525
San Antonio Housing Trust Foundation, Inc.	5,316	1,108
Urban Renewal Agency (OUR SA)	397	46
San Antonio Economic Development Corporation	104	104
Restated Fiscal Year 2013 Beginning Balances	$ 2,509,275	$ 937,801

The Discretely Presented Component Units' Statement of Net Position restatements are as follows:

	Net Position
Fiscal Year 2013 Beginning Balances, as previously reported	$ 5,397,272
City South Management Authority	1,781
Municipal Golf Assocociation-San Antonio	(1,725)
San Antonio Housing Trust Foundation, Inc.	(5,316)
Urban Renewal Agency (OUR SA)	(397)
Main Plaza Conservancy	(680)
SAWS District Special Project	82,227
Brooks Development Authority	438
Restated Fiscal Year 2013 Beginning Balances	$ 5,473,600

CPS Energy

Capital assets, net were restated from $7,275 to $7,278 because of an intangible asset related to the CIED fund that was previously included in other deferred costs that was reclassified to capital assets.

Note 19 Subsequent Events

Primary Government (City)

Long-Term Debt

On October 17, 2013, the City issued $17,500 in Public Property Finance Contractual Obligations, Series 2013. The Obligations were issued for the purpose of funding the acquisition of personal property and equipment for the Fire, Police, Library Departments, as well as City vehicles for various departments. The Obligations have maturities ranging from 2015 to 2016, with an interest rate of 0.5%.

On December 5, 2013, the City issued $20,900 in Revenue Notes, Taxable Series 2013A. The Notes were issued for the purpose of funding the acquisition, improvement, and equipping of certain facilities for Pre-K 4 SA program. The Notes have maturities ranging from 2014 to 2020, with an interest rate of 2.3%.

Conduit Debt

On December 2, 2013, the City of San Antonio, Texas Empowerment Zone Development Corporation issued $39,900 in aggregate in Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B. The proceeds of the Bonds were loaned to Alamo National Building Development, LP to provide funds to refund the Corporation's outstanding Contract Revenue Empowerment Zone Bonds (Drury Southwest Hotel Project), Series 2005 and Series 2007, which were issued to finance the redevelopment of the former Alamo National Bank Building into a hotel. The Bonds are not debt of the City, and will mature in 2035 and 2037, respectively. The bonds are multimodal instruments and will be initially issued in a variable rate mode, with interest rates set monthly.

On January 7, 2014, the City of San Antonio, Texas Education Facilities Corporation issued $48,540 in Higher Education Revenue Improvement Bonds (Trinity University Project), Series 2014. The proceeds of the Bonds were loaned to Trinity University, and will be used to finance a portion of the costs to construct and equip new science facilities, generally known as the Center for Science and Innovation complex, at Trinity University's campus located in the City. The Bonds are not debt of the City, and have maturities ranging from 2015 to 2043, with interest rates ranging from 3.0% to 5.0%.

BABs Subsidy Sequestration

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government will reduce the BABs subsidy by 8.7% for payments to be made during the period beginning March 1, 2013, through the end of their fiscal year (September 30, 2013). There is still uncertainty regarding whether or not the reduction will continue after that date. The subsidy reduction for fiscal year 2014 will result in an approximate $333 increase in the City's debt-related interest expense.

City South Management Authority

The City South Management Authority (CSMA), a political subdivision of the State of Texas, was established by the City in 2005 in order to encourage balanced growth by promoting sustainable development and economic growth in the 63 square mile City South area, located in the southernmost part of San Antonio as well as in unincorporated Bexar County. CSMA was dissolved effective January 19, 2014, through Council action in conjunction with the City's modified annexation program.

Note 19 Subsequent Events (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund

The Pension Fund had their actuarial study as of October 1, 2013 completed and issued in January 2014. The results of the study include an increase in the Fund's Unfunded Actuarially Accrued Liability (UAAL) from $214,677 as of October 1, 2013 to $232,889. The years to amortize the UAAL are at 7.3 years as a level percent of payroll.

As is the case with most public pension plans, the Pension Fund has incurred substantial investment losses due to financial market conditions. The actuarial valuation includes a smoothed market approach for the value of assets which provides for asset gains or losses to be smoothed over a five-year period. Smoothing of the Pension Fund's investment returns as of September 30, 2013 resulted in the deferral of $123,629 in investment losses. These investment losses will be recognized in future year's actuarial valuations to the extent they are not offset by recognition of investment gains above the Fund's assumed investment return of 7.5% or other actuarial gains.

Contribution rates for the members of the Pension Plan and the City are established under Texas state statutes and do not change with the results of the annual actuarial valuations. Staff of the Pension Fund and the City will continue to monitor the situation closely. Please see Note 8 Pension and Retirement Plans for more information on the Fire and Police Pension Plan.

Fire and Police Retiree Health Care Fund

The Health Fund's actuarial study as of October 1, 2013 was not completed as of release of the City's CAFR. The Health Fund's actuarial study dated October 1, 2012, included an increase in the Fund's Unfunded Actuarially Accrued Liability (UAAL) from $403,614 as of October 1, 2011 to $413,707. In order to maintain an amortization of the UAAL over a period of 30 years, contribution and benefit rates would have to increase beyond those currently included in the Fund's governing statue. However, these contribution and benefit rates would only be required to be implemented if the amortization period of the UAAL exceeds 30 years with the actuarial valuation to be conducted in 2017.

Fire and Police Collective Bargaining Agreement

In 2014, the City and the International Association of Fire Fighters Local 624 and the San Antonio Police Officers' Association will begin negotiations on their respective collective bargaining agreements. The current agreements expire September 30, 2014, and both agreements contain an evergreen clause effective through September 30, 2024.

CPS Energy

BABs Subsidy Sequestration

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government will reduce the BABs subsidy by 8.7% for payments to be made during the period beginning March 1, 2013, through the end of their fiscal year (September 30, 2013). The federal government will reduce the BABs subsidy by 7.2% for payments made during the period beginning October 1, 2013, through their fiscal year ended September 30, 2014. The subsidy reduction for fiscal year 2014 will result in an approximate $1,100 increase in CPS Energy's debt-related interest expense.

Note 19 Subsequent Events (Continued)

CPS Energy (Continued)

Purchase Commitments Related to the PFC Prepaid Gas Transaction

On February 25, 2013, CPS Energy's commitment to purchase natural gas under a Natural Gas Supply Agreement with the PFC was reduced due to the surrender for cancellation of $111,100 aggregate principal amount of the SA Energy Acquisition Public Facility Corporation Gas Supply Revenue Bonds, Series 2007 owned by J. Aron & Company; Goldman, Sachs & Co.; or affiliates. On that date, the PFC executed amendments to the Prepaid Natural Gas Sales Agreement entered into with J. Aron in 2007 and other related documents with respect to the 2007 prepayment transaction between the PFC and J. Aron. Under the amendments, the PFC has agreed to reduce future required natural gas delivery volumes from 104.6 million MMBtu to 81.3 million MMBtu, thus reducing CPS Energy's natural gas purchase commitment. In conjunction with the transaction, a portion of the savings related to the purchase of natural gas from the PFC that would have been realized by CPS Energy over the 20-year life of the original agreement is being accelerated and will instead be realized over the next three years.

Leases

Due to a rating downgrade in January 2013 CPS Energy replaced the surety policy by entering into five letter agreements with the other parties to the applicable Transaction Documents to extend the period of time allowed for CPS Energy to meet its obligations under those agreements with respect to the surety policy. In January 2014, the parties agreed in principle on the necessary terms to terminate the transaction in its entirety. Although approvals by all parties were obtained in January 2014, the transaction will not be closed and finalized until the actual documentation is executed, which is expected to occur in the February/March 2014 timeframe. The termination agreement is expected to specify the final agreed upon payment amount and thus is not subject to market fluctuations prior to final document execution. Once such documentation has been completed and executed, CPS Energy should be released from all scheduled payment and security obligations under the Lease transaction, including any obligation to replace the AGM financial guarantee. Further, CPS Energy does not anticipate incurring any material negative financial consequences as a result of the lease termination.

Rate Increase

In November 2013, the City Council approved an approximately 4.3% rate increase for CPS Energy. The rate increase will be used to address customer growth, environmental compliance, and system maintenance. Additionally, CPS Energy is undertaking infrastructure projects over the next five years that includes capital investments in the following areas: (1) upgrade and modernization of several power plant facilities; (2) expansion of and upgrades to the electrical transmission and distribution systems; (3) grid optimization; (4) expansion of the gas distribution system; and (5) investment in civic improvements, pole replacements, and cable rehabilitation.

San Antonio Water System (SAWS)

Long-Term Debt

On February 21, 2013, the City Council approved three ordinances authorizing SAWS to issue additional bonds. The first ordinance authorized SAWS to issue $2,975 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013 to be sold to the Texas Water Development Board through the Clean Water State Revolving Fund Program. This bond was not issued, as the project was postponed.

Note 19 Subsequent Events (Continued)

San Antonio Water System (SAWS) (Continued)

The second ordinance authorized SAWS to issue $50,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013A to be sold to the Texas Water Development Board through the Water Infrastructure Fund Program. In May 2013, SAWS issued the bonds, the proceeds from which were used to finance certain qualified capital improvement projects and pay the cost of issuance.

The third ordinance authorized SAWS to issue $99,265 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2013B (No Reserve Fund). SAWS issued $82,885 in June 2013. The proceeds of the bonds were used to refund the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2003, advance refund the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series, 2004, and pay the cost of issuance. The refunding reduced SAWS' total debt service payments over the next 21 years by approximately $15,700.

On September 19, 2013, the City Council approved four ordinances authorizing SAWS to issue additional bonds. The first ordinance authorized SAWS to issue $26,370 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013C to be sold to the Texas Water Development Board through the Clean Water State Revolving Fund. In December 2013, SAWS issued the bonds, the proceeds from which were used to finance certain qualified capital improvement projects and pay the cost of issuance.

The second ordinance authorized SAWS to issue $60,100 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013D to be sold to the Texas Water Development Board through the Drinking Water State Revolving Fund. In October 2013, SAWS issued the bonds, the proceeds from which were used to finance certain qualified capital improvement projects and pay the cost of issuance.

The third and fourth ordinances authorized SAWS to issue City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (No Reserve Fund), (the "Series 2013E Bonds") and City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund), (the "Series 2013F Bonds") in a combined par amount not to exceed $185,000. In November 2013, SAWS issued $79,350 in fixed-rate Series 2013E Bonds to fund capital improvements, refund outstanding tax-exempt commercial paper notes, and pay the cost of issuance. In November 2013, SAWS issued $100,000 in variable rate Series 2013F Bonds to fund capital improvements, refund outstanding tax-exempt commercial paper notes, and pay the cost of issuance. The Series 2013 F Bonds were issued as multi-model variable rate bonds, initially issued in a SIFMA Index Mode for a term of three years, expiring October 31, 2016. At the end of the term, the Series 2013F Bonds will be remarketed or refunded for another term or will be converted into another mode as provided for in the ordinance. A delay or failed remarketing will result in an increase in interest rates up to a maximum of 8.0%.

Rate Increase

In November 2013, City Council approved a two year rate increase for SAWS. A 5.1% rate increase will begin in January 2014. In January 2015, the next rate increase will not exceed 5.3%. Approximately 84.0% of the new revenues generated will be used to bring non-Edwards Aquifer water supplies to San Antonio, and will ensure SAWS is compliant with wastewater regulations required by the Environmental Protection Agency.

Required Supplementary Information

Budgetary Comparison Schedule
General Fund
Year-Ended September 30, 2013
(In Thousands)

	2013			
	BUDGETED AMOUNTS		BUDGETARY BASIS	VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
Resources (Inflows):				
Taxes	$ 504,712	$ 510,442	$ 516,689	$ 6,247
Licenses and Permits	8,463	8,139	8,343	204
Intergovernmental	6,725	6,651	6,892	241
Revenues from Utilities	296,711	296,134	307,300	11,166
Charges for Services	49,615	50,114	50,094	(20)
Fines and Forfeits	14,455	14,271	13,508	(763)
Miscellaneous	10,978	11,179	13,911	2,732
Investment Earnings	1,045	761	785	24
Transfers from Other Funds	31,678	14,824	17,341	2,517
Amounts Available for Appropriation	924,382	912,515	934,863	22,348
Charges to Appropriations (Outflows):				
General Government	103,306	95,333	93,374	1,959
Public Safety	633,263	640,483	642,221	(1,738)
Public Works	38,694	43,097	40,899	2,198
Health Services	16,233	16,630	16,422	208
Sanitation	5,786	5,786	5,860	(74)
Welfare	44,691	47,228	46,052	1,176
Culture and Recreation	82,208	83,111	82,677	434
Economic Development and Opportunity	9,233	10,190	15,406	(5,216)
Transfers to Other Funds	52,787	62,654	60,382	2,272
Total Charges to Appropriations:	986,201	1,004,512	1,003,293	1,219
Surplus (Deficiency) of Resources Over (Under) Charges to Appropriations	(61,819)	(91,997)	(68,430)	23,567
Fund Balance Allocation	61,819	91,997	68,430	(23,567)
Excess (Deficiency) of Resources Over (Under) Charges to Appropriations	$ -	$ -	$ -	$ -

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 934,863
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(17,341)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 917,522
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,003,293
Differences - budget to GAAP:	
Encumbrances for supplies, equipment, and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but in the year the supplies, equipment and services are received for financial reporting purposes	(19,368)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(60,382)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 923,543

General Fund Budgetary Information

The City Charter establishes requirements for the adoption of budgets and budgetary control. Under provisions of the Charter, expenditures of each City function and activity within individual funds cannot legally exceed the final budget approved by the City Council. Amendments to line items within a departmental budget may be initiated by Department Directors.

The City's prepares an annual budget for the General Fund on a modified accrual basis which is consistent with generally accepted accounting principles. The annual budgetary data reported for the General Fund represents the original appropriation ordinance and amendments thereto as adopted by the City Council, adjusted for encumbrances outstanding at the beginning of the fiscal year. All annual appropriations lapse at fiscal year-end.

The City noted budget violations within Public Safety, Sanitation, and Economic Development and Opportunity. However, as sufficient fund balances covered individual functional excesses these were not deemed to be material violations.

(unaudited - see accompanying auditors' report)

Budgetary Comparison Schedule

Pre-K 4 SA

Year-Ended June 30, 2013

(In Thousands)

	2013		
Revenues:	**FINAL BUDGET**	**ACTUAL**	**VARIANCE WITH FINAL BUDGET**
Sales & Use Tax [1]	$ 7,262	$ 7,262	$ -
Miscellaneous		135	135
Investment Earnings		1	1
Total Revenues	7,262	7,398	136
Expenditures:			
Education:			
Administration	207	97	110
Pre-K Centers	575	818	(243)
Professional Development	46	8	38
Total Expenditures	828	923	(95)
Excess of Revenues Over Expenditures	6,434	6,475	41
Fund Balances, July 1			
Fund Balances, June 30	$ -	$ -	

[1] For financial reporting presentation the revenue is reported as transfers in; however the above schedule reflects the fund schedule from the City's 2013 Adopted Budget.

Pension and Post-employment Schedules

Required Supplementary Information - (Unaudited)
Pension Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

FIRE AND POLICE PENSION PLAN - CITY OF SAN ANTONIO

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
10-01-12	$ 2,447,588	$ 2,662,264	$ 214,676	91.9%	$ 293,665	73.1%
10-01-11	2,330,520	2,573,262	242,742	90.6%	286,327	84.8%
10-01-10	2,250,549	2,481,624	231,075	90.7%	271,533	85.1%

TEXAS MUNICIPAL RETIREMENT SYSTEM - CITY OF SAN ANTONIO

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12-31-12	$ 1,091,706	$ 1,190,339	$ 98,633	91.7%	$ 279,728	35.3%
12-31-11	1,031,749	1,126,876	95,127	91.6%	264,088	36.0%
12-31-10	973,554	1,073,980	100,426	90.6%	259,455	38.7%

CPS ENERGY - ALL EMPLOYEE PLAN

ACTUARIAL VALUATION DATE [1]	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-11	$ 1,146,039	$ 1,298,936	$ 152,897	88.2%	$ 237,823	64.3%
01-01-10	1,097,147	1,243,118	145,971	88.3%	228,525	63.9%
01-01-09	1,067,841	1,183,961	116,120	90.2%	227,427	52.2%

[1] Beginning with the 2010 Plan year, the January 1 valuation results were used to determine the contributions for the fiscal year commencing in the succeeding calendar year.

Amounts are expressed in thousands

Required Supplementary Information - (Unaudited)
Pension Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

SAN ANTONIO WATER SYSTEM - TMRS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12-31-12	$ 135,354	$ 156,661	$ 21,307	86.4%	$ 87,098	24.5%
12-31-11	125,424	149,640	24,216	83.8%	84,611	28.6%
12-31-10	116,123	140,565	24,442	82.6%	83,660	29.2%

SAN ANTONIO WATER SYSTEM - SAWSRP

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-13	$ 107,242	$ 160,674	$ 53,432	66.7%	$ 89,542	59.7%
01-01-12	90,496	144,552	54,056	62.6%	85,394	63.3%
01-01-11	83,320	128,700	45,380	64.7%	83,505	54.3%

(unaudited - see accompanying auditor's report)

Amounts are expressed in thousands

Required Supplementary Information - (Unaudited)
Post-employment Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

CPS ENERGY - HEALTH PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-11	$ 218,555	$ 222,472	$ 3,917	98.2%	$ 237,823	1.6%
01-01-10	209,894	219,929	10,035	95.4%	228,525	4.4%
01-01-09	199,195	198,286	(909)	100.5%	222,427	(0.4)%

CPS ENERGY - DISABILITY PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) [1]	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-11	$ 4,342	$ 5,744	$ 1,402	75.6%	$ 206,643	0.7%
01-01-10	3,902	6,567	2,665	59.4%	200,649	1.3%
01-01-09	3,631	6,945	3,314	52.3%	200,342	1.7%

CPS ENERGY - LIFE PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) [1]	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-11	$ 47,386	$ 39,076	$ (8,310)	121.3%	$ 206,643	(4.0)%
01-01-10	47,092	37,266	(9,826)	126.4%	200,649	(4.9)%
01-01-09	46,815	36,091	(10,724)	129.7%	200,342	(5.4)%

[1] CPS Energy has selected the aggregate cost method for determining Disability and Life Plans' funding amounts. Since this method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status and funding progress has been prepared using the entry age actuarial cost method, which approximates the funding progress of the Plan.

Amounts are expressed in thousands

Required Supplementary Information - (Unaudited)
Post-employment Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

CITY OF SAN ANTONIO RETIREE HEALTH BENEFITS FUND

ACTUARIAL VALUATION DATE [1]	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-13	$ -	$ 332,943	$ 332,943	0.0%	$ 288,246	115.5%
01-01-11		324,516	324,516	0.0%	276,095	117.5%
01-01-09		342,018	342,018	0.0%	259,224	131.9%

FIRE AND POLICE RETIREE HEALTH CARE FUND

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
10-01-12	$ 250,718	$ 664,425	$ 413,707	37.7%	$ 268,551	154.1%
10-01-11	236,239	639,853	403,614	36.9%	259,797	155.4%
10-01-10	219,404	606,861	387,457	36.2%	255,010	151.9%

SAN ANTONIO WATER SYSTEM - OPEB PLAN

ACTUARIAL VALUATION DATE [2]	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-13	$ 255,261	$ 584,902	$ 329,641	43.6%	$ 89,542	368.1%
01-01-12	215,920	536,580	320,660	40.2%	85,394	375.5%
01-01-11		242,388	242,388	0.0%	83,505	290.3%

[1] City will perform actuarial studies bi-annually and review annually assumptions and changes in plan design to compute OPEB liability for the Retiree Health Benefits Fund.

[2] SAWS will perform actuarial studies bi-annually and review annually assumptions and changes in plan design to compute OPEB liability.

Amounts are expressed in thousands

Supplementary Budget and Actual Schedules for Legally Adopted Funds

Schedules of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes	$ 510,442	$ 516,689	$ 6,247
Licenses and Permits	8,139	8,343	204
Intergovernmental	6,651	6,892	241
Revenues from Utilities	296,134	307,300	11,166
Charges for Services	50,114	50,094	(20)
Fines and Forfeits	14,271	13,508	(763)
Miscellaneous	11,179	13,911	2,732
Investment Earnings	761	785	24
Total Revenues	897,691	917,522	19,831
Expenditures:			
General Government	95,333	93,374	1,959
Public Safety	640,483	642,221	(1,738)
Public Works	43,097	40,899	2,198
Health Services	16,630	16,422	208
Sanitation	5,786	5,860	(74)
Welfare	47,228	46,052	1,176
Culture and Recreation	83,111	82,677	434
Economic Development and Opportunity	10,190	15,406	(5,216)
Total Expenditures	941,858	942,911	(1,053)
(Deficiency) of Revenues (Under) Expenditures	(44,167)	(25,389)	18,778
Other Financing Sources (Uses):			
Transfers In	14,824	17,341	2,517
Transfers Out	(62,654)	(60,382)	2,272
Total Other Financing Sources (Uses)	(47,830)	(43,041)	4,789
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(91,997)	(68,430)	$ 23,567
Fund Balances, October 1	216,513	216,513	
Add Encumbrances		37,081	
Fund Balances, September 30	$ 124,516	$ 185,164	

Schedule of Revenues Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes:			
Property:			
Current	$ 243,167	$ 243,462	$ 295
Delinquent	2,714	3,584	870
City Sales	226,916	230,971	4,055
Alcoholic Beverages	5,139	5,799	660
Telecommunication Access Lines Fees	15,139	15,130	(9)
Cablevision Franchise	14,253	14,527	274
Bingo	1,054	1,087	33
Other	102	96	(6)
Penalties and Interest on Delinquent Taxes	1,958	2,033	75
Total Taxes	510,442	516,689	6,247
Licenses and Permits:			
Alcoholic Beverages Licenses	659	741	82
Health Licenses	4,293	4,342	49
Amusement Licenses	126	120	(6)
Professional and Occupational Licenses	2,113	2,042	(71)
Animal Licenses	197	179	(18)
Street Permits	751	919	168
Total Licenses and Permits	8,139	8,343	204
Intergovernmental:			
Library Aid from Bexar County	3,784	3,784	
Bexar County - Child Support	40	46	6
Magistration and Detention - Bexar	1,117	1,343	226
Health Aid from Bexar County	1,352	1,349	(3)
VIA Contributions	315	315	
Hotel/Motel Tax Collection Fee	43	55	12
Total Intergovernmental	6,651	6,892	241
Revenues from Utilities:			
CPS Energy	284,105	295,311	11,206
San Antonio Water System	12,029	11,989	(40)
Total Revenues from Utilities	$ 296,134	$ 307,300	$ 11,166

(Continued)

Schedule of Revenues Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Charges for Services:			
General Government	$ 6,797	$ 7,295	$ 498
Public Safety:			
Police Department	6,820	7,133	313
Fire Department	23,535	23,006	(529)
Sanitation:			
Abatement of Nuisances	344	365	21
Health	1,769	1,715	(54)
Culture and Recreation:			
Tower of the Americas	786	856	70
Hemisphere Plaza	116	119	3
La Villita	615	570	(45)
Recreation Fees	1,560	1,556	(4)
Concessions in Other Parks	57	52	(5)
River Boats	5,977	5,777	(200)
Swimming Pools	88	79	(9)
Community Centers	390	421	31
Library	1,024	951	(73)
Miscellaneous Recreation Revenue	236	199	(37)
Total Charges for Services	50,114	50,094	(20)
Fines and Forfeits:			
Municipal Court Fines	14,271	13,508	(763)
Miscellaneous:			
Sales	4,158	3,921	(237)
Recovery of Expenditures	2,676	5,188	2,512
Interfund Charges	1,443	1,474	31
Rents, Leases, and Concessions	1,734	1,836	102
Other	1,168	1,492	324
Total Miscellaneous	11,179	13,911	2,732
Investment Earnings:			
Interest	761	785	24
Total Revenues	$ 897,691	$ 917,522	$ 19,831

(End of Schedule)

Schedule of Expenditures Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Expenditures:			
General Government:			
Legislative:			
Personal Services	$ 2,094	$ 1,961	$ 133
Contractual Services	3,066	3,403	(337)
Commodities	194	161	33
Other Expenditures	3,601	2,911	690
Total Legislative	8,955	8,436	519
Judicial:			
Personal Services	10,712	10,535	177
Contractual Services	754	977	(223)
Commodities	199	310	(111)
Other Expenditures	1,357	1,362	(5)
Capital Outlay		27	(27)
Total Judicial	13,022	13,211	(189)
Executive:			
Personal Services	37,890	37,354	536
Contractual Services	27,086	25,812	1,274
Commodities	2,727	3,090	(363)
Other Expenditures	5,402	5,138	264
Capital Outlay	251	333	(82)
Total Executive	73,356	71,727	1,629
Total General Government	95,333	93,374	1,959
Public Safety:			
Police:			
Personal Services	285,301	289,774	(4,473)
Contractual Services	7,710	7,775	(65)
Commodities	1,062	903	159
Other Expenditures	19,041	18,691	350
Capital Outlay		21	(21)
Total Police	313,114	317,164	(4,050)
Fire:			
Personal Services	201,484	204,929	(3,445)
Contractual Services	7,583	7,041	542
Commodities	5,516	6,775	(1,259)
Other Expenditures	22,831	20,331	2,500
Capital Outlay	1,170	482	688
Total Fire	$ 238,584	$ 239,558	$ (974)

(Continued)

Schedule of Expenditures Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Public Safety (Continued):			
Building Inspection and Regulations:			
Personal Services	$ 234	$ 234	$ -
Contractual Services	9	30	(21)
Commodities	1	2	(1)
Other Expenditures	21	21	
Total Building Inspection and Regulations	265	287	(22)
Administration:			
Personal Services	18,466	17,297	1,169
Contractual Services	2,072	1,626	446
Commodities	1,495	1,127	368
Other Expenditures	11,639	11,131	508
Total Administration	33,672	31,181	2,491
Other Protection:			
Personal Services	29,695	29,348	347
Contractual Services	6,693	5,774	919
Commodities	3,810	4,241	(431)
Other Expenditures	14,650	14,668	(18)
Total Other Protection	54,848	54,031	817
Total Public Safety	640,483	642,221	(1,738)
Public Works:			
Streets:			
Personal Services	10,693	10,730	(37)
Contractual Services	6,489	5,817	672
Commodities	5,136	5,408	(272)
Other Expenditures	5,662	5,515	147
Capital Outlay	1,721	46	1,675
Total Streets	29,701	27,516	2,185
Lighting:			
Commodities	13,396	13,383	13
Total Lighting	13,396	13,383	13
Total Public Works	$ 43,097	$ 40,899	$ 2,198

(Continued)

Schedule of Expenditures Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Health Services:			
Personal Services	$ 10,082	$ 9,721	$ 361
Contractual Services	2,486	2,643	(157)
Commodities	1,270	1,030	240
Other Expenditures	2,792	3,028	(236)
Total Health Services	16,630	16,422	208
Sanitation:			
Personal Services	4,424	4,589	(165)
Contractual Services	599	597	2
Commodities	236	205	31
Other Expenditures	527	469	58
Total Sanitation	5,786	5,860	(74)
Welfare:			
Personal Services	15,032	14,453	579
Contractual Services	25,242	24,553	689
Commodities	660	860	(200)
Other Expenditures	6,178	5,736	442
Capital Outlay	116	450	(334)
Total Welfare	47,228	46,052	1,176
Culture and Recreation:			
Libraries:			
Personal Services	20,815	20,946	(131)
Contractual Services	3,757	3,949	(192)
Commodities	4,837	4,982	(145)
Other Expenditures	3,946	3,698	248
Total Libraries	33,355	33,575	(220)
Parks:			
Personal Services	28,002	27,607	395
Contractual Services	8,604	8,827	(223)
Commodities	3,109	2,959	150
Other Expenditures	9,958	9,629	329
Capital Outlay	83	80	3
Total Parks	49,756	49,102	654
Total Culture and Recreation	83,111	82,677	434
Economic Development and Opportunity:			
Personal Services	3,619	3,492	127
Contractual Services	6,059	10,944	(4,885)
Commodities	264	301	(37)
Other Expenditures	248	669	(421)
Total Economic Development and Opportunity	10,190	15,406	(5,216)
Total Expenditures	$ 941,858	$ 942,911	$ (1,053)

(End of Schedule)

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Debt Service Fund
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Property Taxes:			
Current	$ 144,202	$ 145,358	$ 1,156
Delinquent	1,718	2,140	422
Penalties and Interest on Delinquent Taxes	1,143	1,214	71
Miscellaneous	3,665	3,749	84
Investment Earnings	289	77	(212)
Total Revenues	151,017	152,538	1,521
Expenditures:			
General Government:			
Contractual Services	303	739	(436)
Debt Service:			
Principal Retirement	109,780	109,780	
Interest	67,065	67,065	
Issuance Costs	696	677	19
Total Expenditures	177,844	178,261	(417)
Excess of Revenues Over Expenditures	(26,827)	(25,723)	1,104
Other Financing:			
Transfers In	245,598	245,598	
Transfers Out	(158)	(158)	
Long-Term Debt Issued	70,685	70,685	
Premium on Long-Term Debt	12,350	12,350	
Payment to Refunded Bond Escrow Agent	(335,132)	(335,132)	
Total Other Financing	(6,657)	(6,657)	
Excess of Revenues Over Expenditures	(33,484)	(32,380)	$ 1,104
Fund Balances, October 1	86,360	86,360	
Fund Balances, September 30	$ 52,876	$ 53,980	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Advanced Transportation District
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
General Sales and Use:			
City Sales Tax	$ 13,198	$ 13,573	$ 375
Investment Earnings	45	64	19
Total Revenues	13,243	13,637	394
Expenditures:			
General Government:			
Other Expenditures		13	(13)
Total General Government		13	(13)
Public Works:			
Personal Services	1,607	1,616	(9)
Contractual Services	857	925	(68)
Commodities	48	54	(6)
Other Expenditures	318	461	(143)
Capital Outlay	19	36	(17)
Total Public Works	2,849	3,092	(243)
Total Expenditures	2,849	3,105	(256)
Excess of Revenues Over Expenditures	10,394	10,532	138
Other Financing Sources (Uses):			
Transfers In		644	644
Transfers Out	(16,904)	(20,561)	(3,657)
Total Other Financing Sources (Uses)	(16,904)	(19,917)	(3,013)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(6,510)	(9,385)	$ (2,875)
Fund Balances, October 1	14,826	14,826	
Add Encumbrances		7,648	
Fund Balances, September 30	$ 8,316	$ 13,089	

The City noted budget violations of excess expenditures, transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community and Visitor Facilities
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes:			
Occupancy	$ 55,535	$ 56,626	$ 1,091
Penalties and Interest on Delinquent Taxes	30	22	(8)
Intergovernmental	11,077	10,836	(241)
Charges for Services	16,721	20,761	4,040
Miscellaneous	372	202	(170)
Investment Earnings	37	461	424
Total Revenues	83,772	88,908	5,136
Expenditures:			
General Government:			
Other Expenditures		84	(84)
Total General Government		84	(84)
Culture & Recreation:			
Arts & Cultural Affairs:			
Personal Services	956	796	160
Contractual Services	882	1,033	(151)
Commodities	9	8	1
Other Expenditures	91	138	(47)
Total Arts & Cultural Affairs	1,938	1,975	(37)
Convention Facilities:			
Personal Services	16,936	17,188	(252)
Contractual Services	3,940	4,822	(882)
Commodities	968	1,108	(140)
Other Expenditures	10,634	13,771	(3,137)
Capital Outlay	46	20	26
Total Convention Facilities	32,524	36,909	(4,385)
Nondepartmental:			
Personal Services	173	172	1
Contractual Services	2,368	2,653	(285)
Commodities			
Other Expenditures	7	7	
Total Nondepartmental	2,548	2,832	(284)
Contributions to Other Agencies	5,197	5,063	134
Total Cultural and Recreation	42,207	46,779	(4,572)
Convention and Tourism:			
Convention and Visitors Bureau:			
Personal Services	7,393	7,192	201
Contractual Services	10,430	10,546	(116)
Commodities	237	331	(94)
Other Expenditures	504	504	
Capital Outlay	130	108	22
Total Convention and Tourism	18,694	18,681	13
Total Expenditures	60,901	65,544	(4,643)
Excess of Revenues Over Expenditures	22,871	23,364	493
Other Financing Sources (Uses):			
Transfers In	7,385	69,964	62,579
Transfers Out	(32,001)	(52,997)	(20,996)
Total Other Financing Sources (Uses)	(24,616)	16,967	41,583
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(1,745)	40,331	$ 42,076
Fund Balances, October 1	41,961	41,961	
Add Encumbrances		785	
Fund Balances, September 30	$ 40,216	$ 83,077	

The City noted budget violations of excess expenditures, transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Note: Includes revenues and expenditures generated from Convention and Tourism activities relating to the promotion of City of San Antonio owned facilities to be used for conventions, community and entertainment venues; the marketing and promotion of San Antonio through the Convention and Visitors Bureau and support for arts and cultural organizations in the Department of Cultural and Creative Development.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Confiscated Property
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Miscellaneous	$ 1,039	$ 1,436	$ 397
Contributions		157	$ 157
Investment Earnings	5	13	8
Total Revenues	1,044	1,606	562
Expenditures:			
General Government:			
Other Expenditures		3	(3)
Total General Government		3	(3)
Public Safety:			
Personal Services	370	326	44
Contractual Services	489	378	111
Commodities	292	342	(50)
Other Expenditures	198	384	(186)
Capital Outlay	219	455	(236)
Total Public Safety	1,568	1,885	(317)
Total Expenditures	1,568	1,888	(320)
(Deficiency) of Revenues (Under) Expenditures	(524)	(282)	242
Other Financing (Uses):			
Transfers Out	(378)	(378)	
Total Other Financing (Uses)	(378)	(378)	
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(902)	(660)	$ 242
Fund Balances, October 1	3,263	3,263	
Add Encumbrances		5	
Fund Balances, September 30	$ 2,361	$ 2,608	

The City noted budget violations of excess expenditures, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Hotel/Motel 2% Revenue
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes:			
Occupancy	$ 15,867	$ 16,144	$ 277
Penalties and Interest on Delinquent Taxes	26	33	7
Investment Earnings	9	7	(2)
Total Revenues	15,902	16,184	282
Expenditures:			
Convention and Tourism:			
Other Expenditures		11	(11)
Total Expenditures		11	(11)
Excess of Revenues Over Expenditures	15,902	16,173	271
Other Financing Sources (Uses):			
Transfer In	60,885	41,883	(19,002)
Transfers Out	(77,401)	(74,913)	2,488
Total Other Financing Sources (Uses)	(16,516)	(33,030)	(16,514)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(614)	(16,857)	$ (16,243)
Fund Balances, October 1	18,721	18,721	
Fund Balances, September 30	$ 18,107	$ 1,864	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Parks Development and Expansion - 2010, 2005, and 2000 Venue Projects
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
General Sales and Use:			
City Sales Tax	$ 27,714	$ 28,902	$ 1,188
Miscellaneous		9	9
Investment Earnings	65	299	234
Total Revenues	27,779	29,210	1,431
Expenditures:			
General Government:			
Other Expenditures	42	57	(15)
Total General Government	42	57	(15)
Culture and Recreation:			
Contractual Services	539	572	(33)
Total Culture and Recreation	539	572	(33)
Total Expenditures	581	629	(48)
Excess of Revenues Over Expenditures	27,198	28,581	1,383
Other Financing (Uses):			
Transfers Out	(49,594)	(38,451)	11,143
Total Other Financing (Uses)	(49,594)	(38,451)	11,143
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(22,396)	(9,870)	$ 12,526
Fund Balances, October 1	54,221	54,221	
Add Encumbrances		22,479	
Fund Balances, September 30	$ 31,825	$ 66,830	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Right of Ways
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services	$ 1,669	$ 1,501	$ (168)
Investment Earnings		4	4
Total Revenues	1,669	1,505	(164)
Expenditures:			
General Government:			
Other Expenditures		1	(1)
Total General Government		1	(1)
Public Works:			
Personal Services	1,261	1,236	25
Contractual Services	117	113	4
Commodities	17	55	(38)
Other Expenditures	341	300	41
Total Public Works	1,736	1,704	32
Total Expenditures	1,736	1,705	31
(Deficiency) of Revenues (Under) Expenditures	(67)	(200)	$ (133)
Fund Balances, October 1	1,143	1,143	
Add Encumbrances		53	
Fund Balances, September 30	$ 1,076	$ 996	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Stormwater Operations
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services	$ 41,165	$ 42,357	$ 1,192
Miscellaneous	11	67	56
Investment Earnings	66	129	63
Total Revenues	41,242	42,553	1,311
Expenditures:			
General Government:			
Other Expenditures		26	(26)
Total General Government		26	(26)
Public Works:			
Administration:			
Personal Services	2,594	1,836	758
Contractual Services	4,905	5,240	(335)
Commodities	330	358	(28)
Other Expenditures	526	216	310
Capital Outlay	40	9	31
Total Administration	8,395	7,659	736
Vegetation Control:			
Personal Services	2,844	2,464	380
Contractual Services	1,846	603	1,243
Commodities	241	484	(243)
Other Expenditures	947	954	(7)
Capital Outlay		2	(2)
Total Vegetation Control	5,878	4,507	1,371
River Maintenance:			
Personal Services	3,900	3,875	25
Contractual Services	652	2,060	(1,408)
Commodities	430	179	251
Other Expenditures	2,238	2,186	52
Total River Maintenance	7,220	8,300	(1,080)
Street Sweeping:			
Personal Services	2,551	2,373	178
Contractual Services	530	807	(277)
Commodities	173	346	(173)
Other Expenditures	1,301	1,271	30
Capital Outlay		2	(2)
Total Street Sweeping	4,555	4,799	(244)
Tunnel Maintenance:			
Personal Services	1,252	1,207	45
Contractual Services	1,403	931	472
Commodities	238	159	79
Other Expenditures	679	852	(173)
Capital Outlay	382	436	(54)
Total Tunnel Maintenance	3,954	3,585	369
Design Engineering:			
Personal Services	1,101	1,831	(730)
Contractual Services	93	64	29
Commodities	8	15	(7)
Other Expenditures	132	458	(326)
Capital Outlay	17	72	(55)
Total Design Engineering	1,351	2,440	(1,089)
Total Expenditures	31,353	31,316	37
Excess of Revenues Over Expenditures	9,889	11,237	1,348
Other Financing Sources (Uses):			
Transfers In		33	33
Transfers Out	(38,006)	(12,963)	25,043
Total Other Financing Sources (Uses)	(38,006)	(12,930)	25,076
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(28,117)	(1,693)	$ 26,424
Fund Balances, October 1	29,941	29,941	
Add Encumbrances		1,014	
Fund Balances, September 30	$ 1,824	$ 29,262	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Tax Increment Financing
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Administrative Fee	$ 576	$ 653	$ 77
Total Revenues	576	653	77
Expenditures:			
Economic Development and Opportunity:			
Personal Services	431	371	60
Contractual Services	10	8	2
Commodities	1		1
Other Expenditures	26	27	(1)
Total Expenditures	468	406	62
Excess of Revenues Over Expenditures	108	247	139
Excess of Revenues Over Expenditures	108	247	$ 139
Fund Balances, October 1	(232)	(232)	
Fund Balances, September 30	$ (124)	$ 15	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Child Safety
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Parking Fines	$ 155	$ 161	$ 6
Moving Violations	256	256	
Intergovernmental	1,730	1,753	23
Total Revenues	2,141	2,170	29
Expenditures:			
Public Safety:			
Personal Services	1,421	1,429	(8)
Contractual Services	11	10	1
Commodities	12	13	(1)
Other Expenditures	435	618	(183)
Total Expenditures	1,879	2,070	(191)
Excess of Revenues Over Expenditures	262	100	(162)
Excess of Revenues Over Expenditures	262	100	$ (162)
Fund Balances, October 1	(59)	(59)	
Fund Balances, September 30	$ 203	$ 41	

The City noted budget violations of excess expenditures over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Services Funds - Golf Course Operating and Maintenance

Year-Ended September 30, 2013

(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Miscellaneous [1]	$ 254	$ 254	$ -
Transfer from General Fund	210	210	
Total Revenues	464	464	
Other Financing:			
Transfers Out	(104)	(104)	
Total Other Financing	(104)	(104)	
Excess of Revenues Over Expenditures	360	360	$ -
Fund Balances, October 1	(1,789)	(1,789)	
Fund Balances, September 30	$ (1,429)	$ (1,429)	

[1] For financial reporting presentation the revenue is reported as transfers in; however the above schedule reflects the fund schedule from the City's 2013 Adopted Budget.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Juvenile Case Manager

Year-Ended September 30, 2013

(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Juvenile Case Manager Fee	$ 768	$ 782	$ 14
Investment Earnings	1	4	3
Miscellaneous	2		(2)
Total Revenues	771	786	15
Expenditures:			
General Government:			
Personal Services	587	561	26
Contractual Services	3	1	2
Other Expenditures	34	35	(1)
Total Expenditures	624	597	27
Excess of Revenues Over Expenditures	147	189	42
Excess of Revenues Over Expenditures	147	189	$ 42
Fund Balances, October 1	554	554	
Fund Balances, September 30	$ 701	$ 743	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Municipal Court Security
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Building Security	$ 494	$ 492	$ (2)
Total Revenues	494	492	(2)
Expenditures:			
General Government:			
Personal Services	466	460	6
Contractual Services	5	24	(19)
Commodities	6	3	3
Other Expenditures	32	30	2
Total Expenditures	509	517	(8)
(Deficiency) of Revenues (Under) Expenditures	(15)	(25)	(10)
Other Financing (Uses):			
Transfers Out	(23)	(23)	
Total Other Financing (Uses)	(23)	(23)	
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(38)	(48)	$ (10)
Fund Balances, October 1	50	50	
Fund Balances, September 30	$ 12	$ 2	

The City noted budget violations of excess expenditures over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Municipal Court Technology
Year-Ended September 30, 2013
(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Technology Fee	$ 657	$ 656	$ (1)
Investment Earnings	2	9	7
Total Revenues	659	665	6
Expenditures:			
General Government:			
Personal Services	59	59	
Contractual Services	632	554	78
Commodities	2	78	(76)
Other Expenditures	13	22	(9)
Capital Outlay	44	139	(95)
Total Expenditures	750	852	(102)
(Deficiency) of Revenues (Under) Expenditures	(91)	(187)	(96)
Other Financing (Uses):			
Transfers Out	(10)	(122)	(112)
Total Other Financing (Uses)	(10)	(122)	(112)
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(101)	(309)	$ (208)
Fund Balances, October 1	1,733	1,733	
Fund Balances, September 30	$ 1,632	$ 1,424	

The City noted budget violations of excess expenditures, and transfers out over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Tree Canopy Preservation and Mitigation Fund
Year-Ended September 30, 2013

(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Mitigation Fee	$ 240	$ 263	$ 23
Canopy Fee - Residential	61	66	5
Canopy Fee - Commercial	128	166	38
Certification Credits	2	2	
Investment Earnings		2	2
Total Revenues	431	499	45
Expenditures:			
Culture and Recreation:			
Personal Services	81	78	3
Contractual Services	119	116	3
Commodities	200	198	2
Other Expenditures	53	51	2
Capital Outlay	1		1
Total Expenditures	454	443	11
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23)	56	56
Other Financing (Uses):			
Transfers Out	(17)	(17)	
Total Other Financing (Uses)	(17)	(17)	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	(40)	39	$ 56
Fund Balances, October 1	360	360	
Add Encumbrances		6	
Fund Balances, September 30	$ 320	$ 405	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Permanent Fund
City Cemeteries
Year-Ended September 30, 2013

(In Thousands)

	2013		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Sales	$ 194	$ 216	$ 22
Investment Earnings	6	14	8
Total Revenues	200	230	30
Expenditures:			
General Government:			
Other Expenditures		3	(3)
Total General Government		3	(3)
Culture and Recreation:			
Personal Services			
Contractual Services	92	78	14
Commodities	15	9	6
Other Expenditures	3	1	2
Capital Projects	1	2	(1)
Total Culture and Recreation	111	90	21
Total Expenditures	111	93	18
Excess of Revenues Over Expenditures	89	137	48
Excess of Revenues Over Expenditures	89	137	$ 48
Fund Balances, October 1	2,666	2,666	
Add Encumbrances		1	
Fund Balances, September 30	$ 2,755	$ 2,804	