OFFICIAL STATEMENT

NEW ISSUE - Book-Entry-Only

In the opinion of Co-Bond Counsel, interest on the Series 1996 Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS " herein including a description of the alternative minimum tax on corporations.

$182,012,480.60
CITY OF SAN ANTONIO, TEXAS
HOTEL OCCUPANCY TAX REVENUE BONDS, SERIES 1996
(HENRY B. GONZALEZ CONVENTION CENTER EXPANSION PROJECT)

Dated: March 1, 1996 **Due: August 15, as shown on Page i.**
(Capital Appreciation Bonds Accrete from Date of Delivery)

The definitive Series 1996 Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof within a maturity, except that the Capital Appreciation Bonds will be issued in the amounts due at maturity of $5,000 or any integral multiple thereof. Interest on the Series 1996 Bonds, other than the Capital Appreciation Bonds, shall be payable initially on August 15, 1996 and each February 15 and August 15 thereafter until the earlier of maturity or redemption. Principal of and interest on the Capital Appreciation Bonds will be payable at maturity. The Series 1996 Bonds will be registered initially in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 1996 Bonds. Purchases will be made in book-entry form through DTC Participants only in denominations or maturity amounts of $5,000 or any integral multiple thereof, and, while the book-entry system is utilized, no physical delivery of Series 1996 Bonds will be made to purchasers. Payments of principal, redemption premium, if any, and interest will be made to purchasers by DTC through its Participants. The City of San Antonio (the "City") reserves the right to discontinue such book-entry system.

The Series 1996 Bonds (other than the Capital Appreciation Bonds) are subject to optional redemption prior to maturity and the Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "DESCRIPTION OF THE SERIES 1996 BONDS" herein. Payment of the principal of and interest on the Series 1996 Bonds when due will be insured by Financial Guaranty Insurance Company. See "Bond Insurance" herein.

FGIC. Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The Series 1996 Bonds are issued pursuant to Article 1269j-4.1, Vernon's Texas Civil Statutes, as amended, and other applicable laws of the State of Texas, and an ordinance (the "Ordinance") to be adopted by the City. The Series 1996 Bond proceeds will be used to fund a debt service reserve fund for the Series 1996 Bonds, to pay costs of issuance and to fund the costs of the Expansion Project with respect to the City's Henry B. Gonzalez Convention Center. The Series 1996 Bonds, together with any Additional Bonds hereafter issued as described herein, are special obligations of the City that are equally and ratably payable from and secured by a first lien on certain Pledged Revenues described herein. The Pledged Revenues consist primarily of revenues derived by the City from its municipal hotel occupancy tax. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage, of any of the physical properties of the City or upon the revenues derived from the City's convention facilities.

THE SERIES 1996 BONDS DO NOT CONSTITUTE OR CREATE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO REVENUES DERIVED FROM A PORTION OF THE HOTEL OCCUPANCY TAX AS SPECIFICALLY DESCRIBED HEREIN) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE SERIES 1996 BONDS. SEE "SECURITY FOR THE SERIES 1996 BONDS" HEREIN.

MATURITY SCHEDULE

(See Maturity Schedule on Page i)

The Series 1996 Bonds are offered for delivery when, as, and if issued, subject to the opinion of the Attorney General of the State of Texas and Akin, Gump, Strauss, Hauer & Feld, L.L.P. and Wickliff & Hall, P.C. Co-Bond Counsel, as to the validity of the issuance of the Series 1996 Bonds under the Constitution and laws of the State of Texas. Certain additional legal matters will be passed on for the Underwriters by McCall, Parkhurst & Horton L.L.P. and Yava D. Scott, Attorney at Law. It is expected that the Series 1996 Bonds will be delivered through the facilities of DTC on or about April 3, 1996.

Smith Barney Inc.

AIBC Investment Services Corporation
M.R. Beal & Co.
Howard Gary & Company
Rauscher Pierce Refsnes, Inc.
Apex Securities, Inc.
Bear, Stearns & Co. Inc.
Goldman, Sachs & Co.
Southwestern Capital Markets, Inc.
Artemis Capital Group, Inc.
A.G. Edwards & Sons, Inc.
Grigsby Brandford & Co., Inc.
J.M. Williams, Inc.

Dated: March 14, 1996

MATURITY SCHEDULE

$41,325,000 SERIAL BONDS

Maturity Date	Principal Amount	Interest Rate	Price or Yield	Maturity Date	Principal Amount	Interest Rate	Yield
2000	$ 410,000	4.50%	100%	2006	$4,255,000	6.00%	5.20%
2001	830,000	4.60%	100%	2007	5,105,000	5.25%	5.30%
2002	1,380,000	4.70%	4.75%	2008	5,995,000	5.30%	5.40%
2003	2,045,000	4.80%	4.90%	2009	6,970,000	5.40%	5.50%
2004	2,785,000	4.90%	5.00%	2010	8,035,000	5.50%	5.60%
2005	3,515,000	5.00%	5.10%				

$21,215,000 5.75% Term Bonds Due August 15, 2019 Priced to Yield 6.00%
$95,910,000 5.70% Term Bonds Due August 15, 2026 Priced to Yield 6.02%

(Accrued Interest from March 1, 1996 to be added)

$23,562,480.60 CAPITAL APPRECIATION BONDS

Principal Amount	Maturity Date	Offering Price per $5,000 Due at Maturity	Approximate Yield	Total Payment at Maturity
$3,736,764.00	2011	$2,030.85	5.95%	$9,200,000
3,784,800.00	2012	1,900.00	6.00%	9,960,000
3,661,905.80	2013	1,775.90	6.05%	10,310,000
3,419,414.60	2014	1,658.30	6.10%	10,310,000
3,189,914.00	2015	1,547.00	6.15%	10,310,000
2,972,888.50	2016	1,441.75	6.20%	10,310,000
2,796,793.70	2017	1,356.35	6.20%	10,310,000

CITY OF SAN ANTONIO, TEXAS

CITY ADMINISTRATION

CITY COUNCIL:

Name	Time on Council	Term Expires (May)	Occupation
William E. Thornton, Mayor	4 Years	1997	Oral Surgeon
Roger Flores II, District 1	Elected May, 1995	1997	Restauranteur
Ruth Jones McClendon, District 2	2 Years	1997	Community Relations Coordinator
Lynda Billa-Burke, District 3	4 Years	1997	Public Relations/Marketing
Henry Avila, District 4	2 Years	1997	Businessman
Juan F. Solis III, District 5	4 Years	1997	Graphics Operator
Robert A. Herrera, District 6	Elected May, 1995	1997	Civil Service
Bob Ross, District 7	2 Years	1997	Realtor
Robert Marbut, District 8	Elected May, 1995	1997	Businessman
Howard W. Peak, District 9	2 Years	1997	Private Consultant, Land Development Services
Jeff S. Webster, District 10	Elected May, 1995	1997	Sales/Marketing Professional

APPOINTED OFFICIALS:

Name	Position	Name	Position
Alexander E. Briseño	City Manager	Nora W. Chavez	Director of Finance
J. Rolando Bono	Assistant City Manager	JeLynne Burley	Director of Convention Center Expansion Office
Norma S. Rodriguez	City Clerk	Edward C. Garcia	Director of Convention Facilities
Lloyd Garza	City Attorney	J. Steve Moore	Director of Convention and Visitors' Bureau
Terry Brechtel	Director of Budget and Management Analysis	Ben A.Gorzell, Jr., C.P.A.	Controller

CONSULTANTS AND ADVISORS:

Co-Bond Counsel	Akin, Gump, Strauss, Hauer & Feld, L.L.P. and Wickliff & Hall, P.C.
Co-Certified Public Accountants	KPMG Peat Marwick L.L.P. and Martinez Mendoza & Company, P.C.
Co-Financial Advisors	First Southwest Company and Estrada Hinojosa & Company, Inc.

No dealer, broker, salesman or other person has been authorized by the City or by the Underwriters to give any information or to make any representations, 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 the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 1996 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE SERIES 1996 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth herein has been furnished by the City and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of the opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described herein since the date hereof.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the City or from the Co-Financial Advisors to the City. Any statements made in this Official statement or the Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

IN CONNECTION WITH THE OFFERING OF THE SERIES 1996 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1996 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
DESCRIPTION OF THE SERIES 1996 BONDS	2
THE HOTEL OCCUPANCY TAX	6
SECURITY FOR THE SERIES 1996 BONDS	6
BOND INSURANCE	14
THE HENRY B. GONZALEZ CONVENTION CENTER	15
APPLICATION OF BOND PROCEEDS	16
PLEDGED REVENUES AND DEBT SERVICE COVERAGE	17
TAX MATTERS	18
GENERAL	20
CONTINUING DISCLOSURE OF INFORMATION	21

SCHEDULE I - BOND ACCRETION VALUE TABLE
APPENDIX A - GENERAL INFORMATION REGARDING THE CITY OF SAN ANTONIO, TEXAS
APPENDIX B - SELECTED DEFINITIONS
APPENDIX C - AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1994.
APPENDIX D - FORM OF CO-BOND COUNSEL OPINION
APPENDIX E - UNAUDITED SELECTED FUND INFORMATION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995
APPENDIX F - SPECIMEN BOND INSURANCE POLICY

OFFICIAL STATEMENT

relating to

$182,012,480.60
CITY OF SAN ANTONIO, TEXAS
HOTEL OCCUPANCY TAX REVENUE BONDS, SERIES 1996

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to set forth information in connection with the issuance and sale by the City of San Antonio, Texas (the "City") of its Hotel Occupancy Tax Revenue Bonds, Series 1996, in the original aggregate principal amount of $182,012,480.60 (the "Series 1996 Bonds").

The Series 1996 Bonds are being issued pursuant to Article 1269j-4.1 Vernon's Texas Civil Statutes, as amended, and other applicable laws of the State of Texas and an Ordinance of the City Council (the "Ordinance") adopted on the date of sale of the Series 1996 Bonds.

The Series 1996 Bonds, together with any Additional Bonds (as hereinafter defined) hereafter issued (the Series 1996 Bonds and any Additional Bonds, collectively, the "Bonds"), are special obligations of the City that are equally and ratably payable from and secured by a first lien on the Pledged Revenues (as hereinafter described) and special funds described herein. The Pledged Revenues consist primarily of that portion of the revenues derived by the City from its hotel occupancy taxes levied pursuant to Chapter 351, Tax Code, Vernon's Texas Code Annotated, as amended (the "Tax Act"). Pursuant to an amendment to the Tax Act in 1993, the City was allowed to increase its hotel occupancy tax to 9% from 7% provided that the amount in excess of 7% (the "Expansion Hotel Occupancy Tax") and any interest earnings thereon may be used only for the construction of the expansion of an existing convention center facility or the repayment of bonds issued for such purpose, which includes the Series 1996 Bonds. The City has been collecting the Expansion Hotel Occupancy Tax since January 1, 1994. As additional security the City has also included under Pledged Revenues 75% of the 7% remaining Hotel Occupancy Tax (an additional 5.25%) (the "Pledged General Hotel Occupancy Tax") for a total tax pledge of 7.25%. See "Security for the Series 1996 Bonds" herein. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage of any of the physical properties of the City or on the revenue derived from the City 's convention facilities.

THE SERIES 1996 BONDS DO NOT CONSTITUTE OR CREATE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO THE PLEDGED REVENUES) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE SERIES 1996 BONDS. SEE "SECURITY FOR THE SERIES 1996 BONDS - PLEDGE" HEREIN.

Under certain circumstances, the Ordinance permits the issuance of additional bonds (the "Additional Bonds") which will rank on a parity with the Series 1996 Bonds. The Series 1996 Bonds and the Additional Bonds are referred to herein collectively as the "Bonds". See "SECURITY FOR THE SERIES 1996 BONDS - Additional Bonds" herein.

Payment of the principal of and interest on the Series 1996 Bonds when due will be insured by a municipal bond guaranty insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Series 1996 Bonds. See "BOND INSURANCE" herein.

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinance. See Appendix B hereto for selected definitions of terms used in this Official Statement.

DESCRIPTION OF THE SERIES 1996 BONDS

The Series 1996 Bonds on which interest is paid on a current basis (the "Current Interest Bonds") will be dated March 1, 1996 and interest will be payable on August 15, 1996, and each February 15 and August 15 thereafter until the earlier of maturity or redemption. The Series 1996 Bonds will mature on August 15 in the years and in the principal and maturity amounts set forth on page i hereof. Interest on the Capital Appreciation Bonds will accrete from the Date of Delivery and will be payable only at maturity or redemption and will compound on February 15 and August 15 of each year commencing August 15, 1996. The sum of the principal of and interest accreted on the Capital Appreciation Bonds as of each February 15 and August 15 is set forth in Schedule I attached hereto computed on the basis of the original principal amount set forth on the inside of the cover page of this Official Statement as adjusted by semiannual compounding at the interest rate set forth. Principal of the Series 1996 Bonds and interest accreted on the Capital Appreciation Bonds is payable only at maturity or redemption.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 1996 Bonds. The Series 1996 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Series 1996 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 1996 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1996 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1996 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the 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 Series 1996 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 1996 Bonds, except in the event that use of the book-entry system for the Series 1996 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1996 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1996 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1996 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 1996 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1996 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 1996 Bonds. 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 Series 1996 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 1996 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. 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. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1996 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Series 1996 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, Series 1996 Bonds will be printed and delivered. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness, and is not be construed as a representation by, the City or the Underwriters.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Series 1996 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Series 1996 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Ordinance will be given only to DTC.

Redemption

Optional Redemption - Current Interest Bonds. The Current Interest Bonds maturing on and after August 15, 2007 are subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if less than a maturity, by lot by the Paying Agent/Registrar) on August 15, 2006 or on any date thereafter at the following redemption prices:

Redemption Date	Redemption Prices
August 15, 2006 through August 14, 2007	102%
August 15, 2007 through August 14, 2008	101
August 15, 2008 and thereafter	100

Optional Redemption - Capital Appreciation Bonds. The Capital Appreciation Bonds are not subject to optional redemption by the City.

Mandatory Redemption. The Series 1996 Bonds maturing in the years 2019 and 2026 ("Term Bonds") are issued as Term Bonds and will be subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter described) on August 15 of the following years, at a price equal to the principal amount redeemed plus accrued interest thereon to the mandatory redemption date, subject to the conditions described below:

Bonds due August 15, 2019		Bonds due August 15, 2026			
Year	Amount	Year	Amount	Year	Amount
2018	$10,310,000	2020	$11,530,000	2024	$14,395,000
2019	10,905,000 (1)	2021	12,190,000	2025	15,215,000
		2022	12,885,000	2026	16,080,000 (1)
		2023	13,615,000		

(1) Maturity

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of such maturity which, (A) at least 45 days prior to the mandatory redemption date, (1) have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) have been purchased and cancelled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of

purchase, or (3) have been redeemed pursuant to the optional redemption provisions and (B) not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

Not less than thirty (30) days prior to a redemption date for the Series 1996 Bonds, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the City and at the City's expense, to the registered owner of each Series 1996 Bond to be redeemed in whole or in part at the address of the Registered Owner appearing on the Security Register of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Texas Commerce Bank National Association, San Antonio, Texas. The City retains the right to replace the Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Series 1996 Bonds, the City will promptly cause written notice thereof to be given to each registered owner of the Series 1996 Bonds, which notice will also give the address of the new Paying Agent/Registrar. Any Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to act as and perform the duties of Paying Agent/Registrar for the Series 1996 Bonds.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date with respect to the Series 1996 Bonds means the last business day of the month preceding each interest payment date. In the event of a non-payment of interest on the Series 1996 Bonds on one or more maturities on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment for such maturity or maturities (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 (the "Special Payment Date" (which shall be 15 days after the Special Record Date) shall 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 of such maturity or maturities appearing on the Security Register of the Paying Agent/Registrar on the last business day next preceding the date of mailing of such notice.

Registration

In the event the Book-Entry-Only System should be discontinued, both principal and interest on the Series 1996 Bonds would be payable only to the Registered Owners appearing on the Security Register of the Paying Agent/Registrar at the times and in the manner described herein and in the Ordinance. The ownership of the Series 1996 Bonds may be transferred and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration shall be at the expense of the party requesting such a change, including any tax or other governmental charge with respect thereto. A Series 1996 Bond may be assigned by execution of an assignment form on the Series 1996 Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Series 1996 Bond or Series 1996 Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owner) in exchange for such transferred and assigned Series 1996 Bonds not more than three days after receipt of the Series 1996 Bonds to be transferred in proper form. Such new Series 1996 Bond or Series 1996 Bonds must be in the denomination of $5,000, or the maturity amount of $5,000 with regard to Capital Appreciation Bonds, or any integral multiple thereof within a maturity.

The Paying Agent/Registrar is not required to transfer, convert or exchange any Current Interest Bond during the period commencing with the close of business in any Record Date and ending with the opening of business on the next following principal or interest payment date.

Owners' Remedies

The Ordinance provides that it constitutes a contract between the City and the Registered Owners of the Series 1996 Bonds from time to time outstanding and that the Ordinance is and remains irrepealable until the principal of, premium, if any, and interest on the Series 1996 Bonds is fully paid or discharged or provision therefor shall have been made as provided in the Ordinance. In the event of a default in the payment of the principal of, premium, if any, or interest on any of the Series 1996 Bonds or a default in the performance of any duty or covenant provided by law or in the Ordinance, the registered owner or owners of any of the Series 1996 Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided in the Ordinance that any registered owner of any of the Series 1996 Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel

performance of all duties required to be performed by the City under the Ordinance, including the application of the Pledged Revenues in the manner required in the Ordinance; provided, however, that the Registered Owners of the Series 1996 Bonds shall never have the right to demand payment of the principal of, premium, if any, or interest on the Series 1996 Bonds out of any funds raised or to be raised by taxation, other than the Pledged Revenues. No delay or omission by any Owner to exercise the right or power accruing to such Owner upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in the Ordinance shall be available to any Owner of any of the Bonds and shall be cumulative of all other existing remedies. It is specifically provided, however, that the City does not grant, and will not permit, any lien on the Convention Center, and the Owners shall have no rights to foreclose upon the Convention Center or accelerate the debt evidenced by the Bonds.

Defeasance

The Ordinance provides that the City may discharge its obligation to the Registered Owners of any or all of the Series 1996 Bonds to pay principal, premium, if any, and interest thereon, by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement to which the Paying Agent/Registrar is a party, cash and/or direct obligations of, or obligations the principal and interest of which are guaranteed by the United States of America in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Series 1996 Bonds plus interest thereon to the date of maturity or redemption. Upon such deposit, such Series 1996 Bonds shall no longer be regarded to be Outstanding. In case any Series 1996 Bonds are to be redeemed on any date prior to their maturity, the City, shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Series 1996 Bonds to be so redeemed in the manner required in the Ordinance. For any Series 1996 Bonds not to be redeemed or paid in full within the next succeeding sixty (60) days from the date of deposit provided for, the City shall give the Paying Agent/Registrar in form satisfactory to it irrevocable instructions to mail, by first class mail, a notice to the Owner of each such Series 1996 Bond that the deposit required has been made and that said Series 1996 Bonds are deemed paid and stating such maturity or redemption date upon which moneys are to be available for the payment thereof. Any failure, error or delay in giving such notices shall not affect the defeasance of the Series 1996 Bonds.

Amendments

Alteration of Rights and Duties. The rights, duties, and obligations of the City and the Registered Owners of the Series 1996 Bonds are subject in all respects to all applicable federal and state laws including, and without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Amendment of Ordinance Without Consent. The City may, without the consent of or notice to any of the Registered Owners of the Series 1996 Bonds, amend the Ordinance for certain purposes including, but not limited to, (i) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinance or in the Series 1996 Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that such action may not adversely affect the interests of the Owners of the Series 1996 Bonds; (ii) to change the terms or provisions of the Ordinance to the extent necessary to prevent the interest on the Series 1996 Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes; (iii) to grant to or confer upon the Owners of the Series 1996 Bonds any additional rights, remedies, powers or authority; (iv) to add to the covenants and agreements of the City contained in the Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City; (v) to amend any provisions thereof relating to the issuance of Subordinate Lien Bonds, including Variable Rate Obligations, or the incurrence of and security for Reimbursement Obligations or the definition of Variable Rate Obligations provided such amendment does not cause any reduction in any rating assigned to the Bonds by any major municipal securities evaluation services then rating the Series 1996 Bonds; and (vi) to subject to the lien and pledge of the Ordinance additional Pledged Revenues, provided such amendment does not cause any reduction in any rating assigned to the Bonds by any major municipal securities evaluation service then rating the Bonds.

Amendments of Ordinance Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinance, but if such amendment is not of the character described in the Ordinance as permitted without the consent of or notice to any of the Registered Owners of the Series 1996 Bonds, only with the consent of the Registered Owner or Owners of not less than a majority of the aggregate unpaid principal amount of the Bonds then outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that the foregoing shall not permit (a) an extension of the maturity of the principal of or interest on any Bond issued under the Ordinance, or (b) a reduction in the principal amount of any Bond or the rate of interest on any Bond, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such amendment.

Any amendment of the Ordinance is subject to the prior written consent of the Bond Insurer.

THE HOTEL OCCUPANCY TAX

Pursuant to the provisions of Chapter 351, Texas Tax Code (the "Hotel Tax Act"), the City is authorized to impose the Hotel Occupancy Tax on persons, based upon the price paid, for the use or possession, or right of use or possession, of rooms ordinarily used for sleeping at any hotel in the City. Currently, the Hotel Occupancy Tax may be imposed only for rooms for which the cost of occupancy is at the rate of $2 or more per day. The municipal Hotel Occupancy Tax of the City currently equals 9% of the consideration paid to the hotel for the right to use or possess the room. Other provisions of the Tax Code authorize the State and counties meeting certain specified qualifications to impose similar hotel occupancy taxes; therefore the total hotel occupancy tax in San Antonio for all entities including the City is 15% . Under the Hotel Tax Act, "hotel" means any building or buildings in which the public may, for consideration, obtain sleeping accommodations. The term includes hotels, motels, tourist homes, tourist houses, tourist courts, lodging houses, inns, rooming houses or other buildings where rooms are furnished for a consideration, but does not include hospitals, sanitariums or nursing homes. The consideration paid for the room, for purposes of the Hotel Tax Act, includes the cost of the room only if the room is one ordinarily used for sleeping, and does not include the cost of any food served or personal services rendered to the occupant of such room not related to the cleaning and readying of such room for occupancy. To be subject to the Hotel Occupancy Tax, the occupant's use, possession or right to the use or possession of the sleeping room must be for a period of less than 30 consecutive days. The Texas Legislature recently amended the Hotel Tax Act to include bed and breakfasts and exclude certain housing facilities owned or leased and operated by an institution of higher education, effective September 1, 1995. These amendments are not expected to have any significant impact on the amount of Hotel Occupancy Taxes received by the City. Hotels and other eligible vendors of sleeping accommodations are required to collect the Hotel Occupancy Tax at the time the room charges are received from patrons. The Hotel Occupancy Tax collections for the City are to be turned over to the City with reporting forms in the next succeeding month, a 1% discount for submissions prior to the 20th of such succeeding month is given. Penalties and interest are imposed by the City for delinquent payments and the Hotel Tax Act provides for enforcement of collection of the Hotel Occupancy Tax.

SECURITY FOR THE SERIES 1996 BONDS

Pledge

The Series 1996 Bonds are special obligations of the City and are payable from and are equally and ratably secured by a first lien on the Pledged Revenues. "Pledged Revenues" consist of (i) the revenues from the Expansion Hotel Occupancy Tax (hereinafter defined); (ii) the revenues from the Pledged General Hotel Occupancy Tax (hereinafter defined); and (iii) earnings of the investment of the Expansion Hotel Occupancy Tax Fund, Debt Service Fund and Debt Service Reserve Fund. The "Expansion Hotel Occupancy Tax" is that portion of the Hotel Occupancy Tax in excess of 7% which is 2%. See Table One herein. The Pledged General Hotel Occupancy Tax is equal to three quarters of the remaining 7% municipal Hotel Occupancy Tax which is 5.25%. The Hotel Tax Act requires that the revenues of the Expansion Hotel Occupancy Tax only be used for expansion of existing convention facilities or the payment of bonds issued for such purpose. The Hotel Tax Act allows up to three quarters of the General Hotel Occupancy Tax to be pledged to the payment of bonds issued to finance convention center facilities and such moneys may also be used to equip, operate, maintain and repair convention facilities. See "Funds and Flow of Funds" below. The City will also fund the Debt Service Reserve Fund from the proceeds of the Series 1996 Bonds in an amount equal to maximum annual debt service with respect to the Series 1996 Bonds which is estimated to be approximately $16,999,830.00.

The City further covenants and represents in the Ordinance that, except for parity Additional Bonds, the Pledged Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Bonds. A limited pledge of 1% of the 7% General Hotel Occupancy Tax has been made with respect to the 1988 Certificates. See "Other Obligations" below.

The City, pursuant to the Ordinance, further grants a first lien on the Pledged Revenues and the Expansion Hotel Occupancy Tax Fund, the Debt Service Fund and the Debt Service Reserve Fund and the Pledged Account to secure the payment of principal of, premium, if any, and interest on the Bonds. The City does not grant any lien on or security interest in, or any mortgage of any of the physical properties of the City. See "SECURITY FOR THE SERIES 1996 BONDS -Funds and Flow of Funds" herein.

THE SERIES 1996 BONDS DO NOT CONSTITUTE OR CREATE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO THE PLEDGED REVENUES) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE SERIES 1996 BONDS.

Levy of Hotel Occupancy Tax

Pursuant to the Ordinance, the City levies and covenants that it shall continue to levy, while any Bonds remain Outstanding, the Hotel Occupancy Tax on the cost of occupancy of any Qualified Hotel Room at a rate of at least 9% of the consideration paid by the occupant of a Qualified Hotel Room to the hotel, all as authorized by the Hotel Tax Act. The City further covenants that it shall enforce the provisions of the Ordinance, or any other ordinance levying a Hotel Occupancy Tax, concerning the collection, remittance and payment of the Hotel Occupancy Tax. Of the 9%, 2% represents the Expansion Hotel Occupancy Tax pledged to the payment of the Bonds as set forth below in Table One and 7% represents the General Hotel Occupancy Tax the collection history of which is set forth in Table Two below, of which three quarters is pledged to the payment of the Bonds.

Historical Municipal Hotel Occupancy Tax Receipts

TABLE ONE
EXPANSION HOTEL OCCUPANCY TAX REVENUES
2% COLLECTION RATE (1)

Month	FY1994	FY1995	FY1996
October		$571,402.85	$583,921.87
November		606,819.15	733,173.98
December		475,315.45	357,531.03
January		316,069.40	343,590.91
February		395,821.94	538,194.74
March		704,085.98	
April	$1,551,787.53 (1)	786,753.52	
May	1,169,801.30 (1)	554,329.46	
June	552,120.59	666,868.33	
July	654,480.55	616,446.61	
August	658,761.67	734,632.03	
September	476,259.69	496,019.98	
	$5,063,211.33	$6,924,564.70	$2,556,412.53 (2)

(1) Collection of the Expansion Hotel Occupancy Tax began January 1, 1994. The revenues were not booked by the City until April and May 1994 and such amounts reflect the receipts from January 1, 1994. Revenues to date have been applied to costs of the Expansion Project or will be deposited to the Facilities Fund at the time of delivery of the Series 1996 Bonds.

(2) Partial year

Source: City of San Antonio Finance Department

TABLE TWO
GENERAL MUNICIPAL HOTEL OCCUPANCY TAX REVENUES (1)

Fiscal Year	Total Revenue	Tax Rate (1)	% Change Between Years (2)
74-75	$ 870,546	3%	N/A
75-76	1,057,221	3%	21.44%
76-77	1,131,117	3%	6.99%
77-78	1,861,673	4%	23.44%
78-79	2,250,840	4%	20.90%
79-80	2,924,985	4%	29.95%
80-81	3,873,596	4%	32.43%
81-82	4,446,054	4%	14.78%
82-83	4,461,303	4%	0.34%
83-84	7,541,146	6%	12.69%
84-85	8,827,764	6%	17.06%
85-86	8,594,295	6%	-2.64%
86-87	10,245,610	7%	2.18%
87-88	12,102,399	7%	18.12%
88-89	14,486,352	7%	19.70%
89-90	16,145,200	7%	11.45%
90-91	16,774,313	7%	3.90%
91-92	18,572,317	7%	10.72%
92-93	22,064,501	7%	18.80%
93-94	22,661,797 (1)	7%	2.71%
94-95	24,240,718 (1) (3)	7%	6.97%
AVERAGE ANNUAL RATE OF INCREASE			13.60%

(1) General Hotel Occupancy Tax of 7% only, does not reflect the 2% Expansion Hotel Occupancy Tax. See Table One. Three quarters of the 7% General Hotel Occupancy Tax or 5.25% has been pledged to the payment of the Bonds. The total hotel occupancy tax collected in San Antonio for all entities is 15%, 9% of which is the City's municipal Hotel Occupancy Tax. The remaining 6% is imposed by and payable to the State of Texas.

(2) Adjusted for changes in tax rate so as to show true growth based on single tax rate.

(3) Total revenues for the five months of its 95-96 Fiscal Year were $8,951,326.07 as compared to $8,279,171.95 for the first five months of the 94-95 Fiscal Year.

Source: City of San Antonio Finance Department

TABLE THREE
MUNICIPAL HOTEL OCCUPANCY TAX
TOP TEN HOTELS (1)
FISCAL YEAR 1995

Hotel	Rooms	Total Tax Paid (2)
Marriott Rivercenter*	1000	$ 3,330,495
Hyatt Regency*	633	1,994,422
Hyatt Hill Country Resort**	500	1,704,746
Hilton Palacio Del Rio*	481	1,504,724
Marriott Riverwalk*	500	1,491,002
La Mansion Del Rio*	337	959,784
Holiday Inn Riverwalk*	313	761,585
Menger*	313	742,447
Plaza San Antonio*	250	710,155
Embassy Suites Northwest	217	584,888
Totals	4,545	$13,784,248

* Within walking distance of the Convention Center.
** Near Sea World

(1) Represents approximately 19.9% of total rooms available in the City and approximately 44.2% of the City's Hotel Occupancy Tax receipts for Fiscal Year 1995.

(2) Municipal Hotel Occupancy Taxes are less a 1% discount for payment by the 20th of the following month and include delinquency charges.

Source: City of San Antonio Finance Department

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TABLE FOUR
SAN ANTONIO HOTEL OCCUPANCIES
AND AVERAGE DAILY RATES/HISTORY

CALENDAR YEAR	ROOM COUNT	INCREASE/ DECREASE	AVG. DAILY ROOM RATE	INCREASE/ DECREASE	HOTEL OCCUPANCY	INCREASE/ DECREASE
1987	18,622	-------	$48.51	-------	60.7%	-------
1988	19,662	+5.4%	$50.17	+3.4%	67.8%	+11.7%
1989	19,764	+0.1%	$54.08	+7.8%	68.8%	+1.5%
1990	19,973	+.01%	$59.14	+9.4%	69.7%	+1.3%
1991	19,973	+.00%	$60.83	+2.9%	70.1%	+0.6%
1992	20,362	+2.0%	$65.50	+7.7%	73.4%	+4.7%
1993	20,974	+3.0%	$71.41	+ 9.0%	72.8%	-0.8%
1994	21,841	+4.1%	$73.63	+ 3.0%	71.1%	-1.9%
1995	22,800	+4.4%	$75.63	+3.2%	67.2%	- 5.0%

Source: San Antonio Convention and Visitors' Bureau

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Funds and Flow of Funds

The Expansion Hotel Occupancy Tax Fund and the General Hotel Occupancy Tax Fund are each required pursuant to the Ordinance to be maintained as a separate fund or account on the books of the City. The Debt Service Fund , the Debt Service Reserve Fund and the Facilities Fund are required to be maintained at an official depository bank of the City separate and apart from all other funds and accounts of the City . The Debt Service Fund and the Debt Service Reserve Fund will constitute trust funds held in trust for the Registered Owners of the Bonds.

The Expansion Hotel Occupancy Tax Fund. The Expansion Hotel Occupancy Tax revenues are required to be credited to the Expansion Hotel Occupancy Tax Fund and transferred on or before the last Business Day of each month in the following order of priority:

(a) First, to transfer to the Debt Service Fund in equal monthly proportionate segments an amount to pay debt service on the Bonds on the next payment date so that on any payment date the amount accumulated in the Debt Service Fund will be sufficient to make the payments then due.

(b) Second, to the Debt Service Reserve Fund the amount described below under "Debt Service Reserve Fund" to the extent such fund does not contain the Reserve Fund Requirement (as hereinafter described).

(c) Third, to transfer all amounts necessary to provide for the payment of (including Reimbursement Obligations incurred in connection therewith) Subordinate Lien Bonds or to provide reserves for such payment, as may be required by any ordinance authorizing the issuance of Subordinate Lien Bonds.

(d) Fourth, to the Facilities Fund.

The Debt Service Fund. In the Ordinance the City covenants and agrees that prior to each interest payment date, stated maturity date, and mandatory redemption date for the Bonds there must be transferred into the Debt Service Fund from the Pledged Revenues or from other lawfully available funds an amount equal to the amount required to fully pay the amount then due and payable on the Bonds. The City also covenants and agrees in the Ordinance that by each Transfer Date, the Debt Service Fund, plus any amounts retained in the Pledged Account, will be in an amount equal to the accumulation of monthly payments of proportionate monthly payments of the Debt Service Requirement due on the next respective interest or principal payment date of the Bonds. Moneys credited to the Debt Service Fund are required to be used solely for the purpose of paying principal (at maturity or prior redemption or to purchase Bonds issued as term bonds in the open market to be credited against mandatory sinking fund redemption requirements), interest and redemption premiums on the Bonds, plus all paying agent/registrar charges and other costs and expenses relating to such payment.

Debt Service Reserve Fund. The Ordinance requires that an amount equal to the Reserve Fund Requirement (hereinafter defined in Appendix B - Selected Definitions) be accumulated and maintained therein in accordance with the Ordinance. The Reserve Fund Requirement is required to be recomputed upon the issuance of each series of Additional Bonds. The City may substitute a Debt Service Reserve Fund Surety Bond for cash in the Debt Service Fund upon written notice to the Bond Insurer.

The Reserve Fund Requirement will initially be funded from Series 1996 Bond proceeds. The Ordinance also provides for the use of a Debt Service Reserve Fund Surety Bond in lieu of a cash deposit under certain circumstances. Each increase in the Reserve Fund Requirement resulting from the issuance of Additional Bonds will be funded at the time of issuance and delivery of such series of Additional Bonds by depositing to the credit of the Debt Service Reserve Fund either (A) proceeds of such Additional Bonds or other lawfully appropriated funds, including the Facilities Fund, in not less than an amount to fund fully the Reserve Fund Requirement, (B) a Debt Service Reserve Fund Surety Bond sufficient to provide such portion of the Reserve Fund Requirement or (C) retaining revenues in the Debt Service Reserve Fund from the Expansion Hotel Occupancy Tax over a period of time not to exceed twelve months from the date of delivery of such Additional Bonds. The City may not employ any Debt Service Reserve Fund Surety Bond unless the rating either for long term unsecured debt of the provider of such Debt Service Reserve Fund Surety Bond or for obligations insured, secured or guaranteed by, such provider have a rating in the highest letter category by at least two major municipal securities evaluation services.

If the balance of the Debt Service Reserve Fund contains less than the Reserve Fund Requirement (or so much thereof as then be required to be therein if the City has elected to accumulate the Reserve Fund Requirement for any series of Additional Bonds as described above), or in the event that the City is obligated to repay or reimburse any provider of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), the Ordinance requires the City to transfer such amounts as shall be necessary to reestablish in the Debt Service Reserve Fund to the Reserve Fund Requirement and satisfy any repayment obligations to the provider of any Debt Service Reserve Fund Surety from the Pledged Revenues, or any other lawfully available funds, in twelve equal monthly installments. After such amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond provider and so long thereafter as such fund contains such amount and all such repayment

obligations have been satisfied, no further transfers are required to be made, and any earnings on the Debt Service Reserve Fund will be transferred to the Debt Service Fund; provided that if and whenever the balance in the Debt Service Reserve Fund is reduced below such amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, transfers to such Fund must be resumed and continued in the manner described above to restore the Debt Service Reserve Fund to such amount and to pay such reimbursement obligations.

If as a result of the annual valuation of investments in the Debt Service Reserve Fund, the value of the Debt Service Reserve Fund does not equal the Reserve Fund Requirement, the City will be required to replace such investments or transfer Pledged Revenues, or transfer from other lawfully available money or money in the Pledged Account to the Debt Service Reserve Fund to bring the Debt Service Reserve Fund to the Reserve Fund Requirement over a 12 month period in equal monthly deposits.

Moneys in the Debt Service Reserve Fund must be used to pay the principal of and interest on the Bonds at any time when there is not sufficient money available in the Debt Service Fund for such purpose, to make any payments required to satisfy repayment obligations to providers of Debt Service Reserve Fund Surety Bonds, and to make the final payments for the retirement or defeasance of the Bonds.

The Ordinance establishes certain requirements to substitute a Debt Service Reserve Fund Surety Bond other than a credit instrument issued by the Bond Insurer.

Facilities Fund. On the Issuance Date of the Series 1996 Bonds the City will deposit to the Facilities Fund, established at a depository bank of the City, an amount representing proceeds of the Expansion Hotel Occupancy Tax which have not been spent on the Expansion Project. After making all required deposits to the Debt Service Fund, the Debt Service Reserve Fund, and the funds and accounts with respect to Subordinate Lien Obligations, any remaining proceeds of the Expansion Hotel Occupancy Tax will be transferred into the Facilities Fund. The Facilities Fund, and all interest income thereon, may be used for any purpose authorized by law. There is no lien on the Facilities Fund to secure payment of the Bonds.

General Hotel Occupancy Tax. The City covenants and agrees that all revenues of the General Hotel Occupancy Tax must be deposited as received to the General Hotel Occupancy Tax Fund and immediately upon receipt allocated between the Pledged Account, 75% of the General Hotel Occupancy Tax revenues, and the General Account, 25% of the General Hotel Occupancy Tax revenues.

Money in the General Account may be used by the City for any lawful purpose and is not a part of the Pledged Revenues.

Money in the Pledged Account may be used on a parity basis (A) to the extent of revenue derived from 1% of the General Hotel Occupancy Tax for the payment of the Outstanding Obligations and (B) for the payment of the Bonds as hereinafter described, and after providing for (A) and (B), to restore the Debt Service Reserve Fund to the Reserve Fund Requirement as required by Section 3.06(b) and (c), and to make transfers to the General Account as hereinafter described. As often as the City shall deem necessary, but at least once a month on or before the penultimate Business Day of each month the City must determine the amounts necessary from the Pledged Revenues to pay the Outstanding Obligations and the amounts necessary to pay the Bonds taking into consideration the money accumulated as of such date in the Debt Service Fund and the amount necessary to be transferred to the Debt Service Reserve Fund as required by Section 3.06(b) and (c). After making the aforementioned determination, the City will transfer the amounts so determined to be necessary to the debt service fund for the Outstanding Obligations and shall retain any amount necessary for the timely payment of the Debt Service Requirements on the Bonds in the Pledged Account, and, to the extent funds are available, shall make transfers to the Debt Service Reserve Fund as required by Section 3.06(b) or (c). Any money remaining in the Pledged Account after such transfers and the retention for Debt Service Requirements on the Bonds may be transferred to the General Account to be used by the City for any lawful purpose. Any money retained in the Pledged Account for Debt Service Requirements on the Bonds needed for such purpose on any Transfer Date shall be immediately transferred to the Debt Service Fund on such Transfer Date.

Construction Fund. The Construction Fund is created by the Ordinance and established as a separate and distinct account at the City's depository bank. From the proceeds of the Series 1996 Bonds there shall be deposited to the Construction Fund all of the proceeds of the Series 1996 Bonds other than accrued interest and the cost of the insurance policy. From the proceeds of any Additional Bonds issued to finance expansions of the Convention Center there must be deposited into a special account in the Construction Fund for such series of Additional Bonds amounts as shall be provided in the ordinance authorizing such series of Additional Bonds. If insufficient money is available in the Debt Service Fund, the Debt Service Reserve Fund, and the Facilities Fund to pay the Debt Service Requirement on any principal or interest payment date, the City shall immediately transfer any available money in the Construction Fund to the Debt Service Fund to make such payment when due.

Investment of Funds; Transfer of Investment Income

Moneys in all funds and accounts created under the Ordinance are permitted to be invested in the manner provided by Texas law in Permitted Investments provided that the money required to be expended from any fund or account will be available at the proper time or times, Moneys in such funds may be subjected to further investment restrictions imposed from time to time by ordinances authorizing the issuance of Additional Bonds and Subordinate Lien Bonds. All such investments shall be valued by the City's auditor at least once a year no later than the last business day of the City's Fiscal Year at market value, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. If requested by the Bond Insurer, such investments shall be valued at any time by a person selected by the City and acceptable to the Bond Insurer. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of such money or funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such funds are held by or on behalf of each such fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default. Investments of money in the Debt Service Reserve Fund shall have a term of maturity of not greater than five years; provided, however, that investments under any investment agreement may exceed five years if the Bond Insurer has approved the issuer, form, and substance of such investment agreement.

The City covenants and agrees that the earnings of the investment of the funds created by the Ordinance will be used as follows: (1) Expansion Hotel Occupancy Tax Fund earnings shall be transferred to the Debt Service Fund; (2) Debt Service Fund earnings shall be retained in the Debt Service Fund; (3) Debt Service Reserve Fund earnings shall be retained in the Debt Service Reserve Fund to the extent necessary to restore the Reserve Fund Requirement therein and thereafter transferred to the Debt Service Fund; (4) Facilities Fund earnings shall be retained in the Facilities Fund; (5) General Hotel Occupancy Tax Fund earnings shall be retained in the General Hotel Occupancy Tax Fund; (6) Construction Fund earnings shall be retained in the Construction Fund until the Expansion Project is complete and thereafter any surplus in the Construction Fund shall be transferred to the Debt Service Fund.

However, notwithstanding the foregoing, any interest and income derived from deposits and investments of any amounts credited to any fund or account created under the Ordinance may be (1) transferred into any rebate account or subaccount and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in the Ordinance or required in order to prevent interest on any Bonds or Subordinate Lien Bonds from being includable within the gross income of the Registered Owners thereof for federal income tax purposes.

So long as any Bonds remain Outstanding, all uninvested moneys on deposit in, or credited to, the above described funds and accounts shall be secured by the pledge of security, as provided by Texas law.

Additional Bonds

The City reserves the right to issue, for expansion of the Convention Center or any other purpose then authorized by law, one or more installments of Additional Bonds payable from and secured on a parity with the Series 1996 Bonds; provided, however, that pursuant to the Ordinance, no such Additional Bonds shall be issued unless:

(a) No Default; Proper Fund Balances. The City's Director of Finance shall certify that, upon the issuance of such Additional Bonds, (i) the City will not be in default under any term or provision of any Bonds then Outstanding or any ordinance pursuant to which any of such Bonds were issued and (ii) the Debt Service Fund will have the required amounts on deposit therein and the Debt Service Reserve Fund will contain the applicable Reserve Fund Requirement or so much thereof as is required to be funded at such time.

(b) Coverage for Additional Bonds. The City's Director of Finance shall provide a certificate showing that, for the City's most recent complete Fiscal Year or for any consecutive 12-month period out of the most recent 18 months, (A) the Pledged Revenues for the above period were equal to at least 150% of the maximum annual Debt Service Requirements on all Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Bonds proposed to be issued, and (B) the Pledged Revenues for the above period were equal to at least 100% of the combined maximum annual Debt Service Requirements on all Bonds and Subordinate Lien Bonds then Outstanding scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Bonds proposed to be issued. The Additional Bonds test shall be based on historical Pledged Revenues; no forecasts or projections are permitted to be included in the Additional Bonds test. In determining if the Additional Bonds test has been met, (A) investment income on the Debt Service Reserve Fund shall be assumed to be the lesser of 5.986% per annum or the actual earnings thereon and (B) any Variable Rate Obligations shall be assumed to bear interest at the tax-exempt municipal bond index rate available at the time of making such determination selected by the City that is acceptable to the Bond Insurer. If any Additional Bonds are proposed to be issued with a balloon maturity, unless otherwise agreed to

by the Bond Insurer, the full amount of each balloon payment shall be included as a Debt Service Requirement in the Fiscal Year payable, without giving effect to any assumed amortization.

(c) Bond Ordinance Requirements. In all cases, provision is made in the bond ordinance authorizing the Additional Bonds proposed to be issued for (1) additional transfers into the Debt Service Fund sufficient to provide for the increased Debt Service Requirements resulting from the issuance of the Additional Bonds including, in the event that interest on the Additional Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Bonds during the period specified in the ordinance, and (2) satisfaction of the Reserve Fund Requirement by not later than the date required by the Ordinance or any other ordinance authorizing Additional Bonds.

(d) Refunding Bonds. If Additional Bonds are being issued for the purpose of refunding less than all previously issued Bonds which are then Outstanding, neither of the certifications described in (b) above is required so long as the maximum annual and the average annual Debt Service Requirements in any Fiscal Year after the issuance of such Additional Bonds will not exceed the maximum annual and the average annual Debt Service Requirements for all Bonds Outstanding in any Fiscal Year prior to the issuance of such refunding Additional Bonds with respect to the maximum annual Debt Service Requirements and in the prior Fiscal Year with respect to the Average Annual Debt Service Requirements.

Subordinate Lien Bonds

The City has reserved the right to issue or incur, for any lawful Convention Center purpose, bonds, notes or other obligations secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Bonds; provided, however, that no such Subordinate Lien Bonds shall be issued unless (i) the City's Director of Finance shall provide a certificate showing that, for the City's most recent complete Fiscal Year or any consecutive 12-month period out of the most recent 18 months, the Pledged Revenues and other revenues pledged to the Subordinate Lien Bonds were equal to at least 100% of the combined average annual principal and interest requirement on the Bonds and Subordinate Lien Bonds to be outstanding after the issuance of such Subordinate Lien Bonds, and (ii) provision is made in the ordinance authorizing issuance of the Subordinate Lien Bonds for the complete funding of any reserves for payment of principal of and interest on such Subordinate Lien Bonds as of the initial delivery thereof. Although referred to in the Ordinance as "Subordinate Lien Obligations," such bonds, notes or other obligations may bear any name or designation provided by ordinance authorizing their issuance. Such Subordinate Lien Bonds may be further secured by any other source of payment lawfully available for such purposes. The Ordinance provides that no default with respect to a Subordinate Lien Bond will constitute a default thereunder.

Other Obligations

On October 20, 1988 the City adopted an ordinance authorizing the issuance of $3,500,000 City of San Antonio, Texas Taxable Combination Tax and Municipal Hotel Occupancy Tax Revenue Certificates of Obligation, Series 1988, (the "1988 Certificates"), of which $3,025,000 are outstanding, secured by an ad valorem tax pledge and by a pledge of one percent of the General Hotel Occupancy Tax which is a portion of the 5.25 % of the General Hotel Occupancy Tax pledged to the payment of Series 1996 Bonds. Average annual debt service on the 1988 Certificates is approximately $410,000 per year.

BOND INSURANCE

The information contained or referred to in this Official Statement relating to Financial Guaranty Insurance Company has been provided by such insurer. Reference is made to Appendix F for a specimen of the Insurer's policy. Such information has not been independently verified by the City or the Underwriters and is not guaranteed as to completeness or accuracy by the City or the Underwriters and is not to be construed as a representation by the City or the Underwriters.

Concurrently with the issuance of the Series 1996 Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Series 1996 Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or the Accreted Value in the case of Capital Appreciation Bonds of and interest on the Series 1996 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or the Accreted Value in the case of Capital Appreciation Bonds and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of the Series 1996 Bonds or the Paying Agent of the nonpayment of such amount by the City. The Fiscal Agent will disburse such amount due on any Series 1996 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or the Accreted Value in the case of Capital Appreciation Bonds and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or the Accreted Value

in the case of Capital Appreciation Bonds and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 1996 Bond includes any payment of principal or the Accreted Value in the case of Capital Appreciation Bonds or interest made to an owner of a Series 1996 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancelable and the premium will be fully paid at the time of delivery of the Series 1996 Bonds. The Policy covers failure to pay principal or the Accreted Value in the case of Capital Appreciation bonds of the Series 1996 Bonds on their respective stated maturity date or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 1996 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 1996 Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the City is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 1996 Bonds and references should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 1996 Bonds. Reference should be made to the description of the City for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casual Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a wholly-owned subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 1995, the total capital and surplus of Financial Guaranty was approximately $994,500,000. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000), or to the New York State Insurance Department at 160 West Broadway, 18th Floor, New York, New York 10013, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 602-0389).

THE HENRY B. GONZALEZ CONVENTION CENTER

Existing Facilities

The Henry B. Gonzalez Convention Center is located in the downtown area of San Antonio on the River Walk within walking distance of hotels with 7,500 rooms as well as retail shops, restaurants and historic amenities. The last expansion and improvement of the Henry B. Gonzalez Convention Center was completed in January, 1987 and the Center contains 242,000 square feet of contiguous exhibit space. The Henry B. Gonzalez Convention Center was originally built as part of the 1968 World's Fair HemisFair held in San Antonio, and the first expansion was completed in 1977. The existing Henry B. Gonzalez Convention Center complex consists of two Exhibit Hall spaces, two Banquet Halls, supporting meeting spaces and the Lila Cockrell Theater. The Alamodome opened in May, 1993 providing a facility for large assembly groups and special events as well as adding another 160,000 square feet of exhibit space. The Alamodome is not contiguous to the Center but is within walking distance on the East side of Interstate Highway 37.

The Convention Facilities and the Convention and Visitors' Bureau are separate departments of the City each headed by a Director who reports to the City Manager. A special revenue fund is used to account for the proceeds of the General Hotel Occupancy Tax and revenues of the Henry B. Gonzalez Convention Center in order to ensure that legal restrictions with respect to expenditures are met. A separate special revenue fund has also been established for the Expansion Hotel Occupancy Tax. The employees of the Henry B. Gonzalez Convention Center and the Convention and Visitors' Bureau are City employees. See Note 8 to the Financial Statements with respect to the status of the City's Pension Funds.

Expansion Project

An updated Architectural Program and Master Plan for expansion of the Henry B. Gonzalez Convention Center was prepared by the architectural team in the Spring of 1995. This plan calls for expansion to the East of the South Exhibit Hall requiring the removal of the HemisFair Arena and will expand contiguous exhibition space to 440,000 square feet. In addition, the Expansion Project will include the addition of approximately 83,000 square feet of meeting rooms and 40,000 square feet of ballrooms. The goals of the Convention Center for the Expansion Project are to be able to keep the current customer base whose growth in space requirements require larger facilities and to attract larger groups requiring up to 50 meeting rooms and 242,000 to 440,000 square feet of contiguous exhibition space. The design development is currently underway for the new facilities and construction documents are scheduled to be developed by November of 1996 with construction scheduled for completion by April of 1999. Once completed the Convention Center will utilize the new space for functions and will begin modifications, improvements and upgrades to the existing facilities with completion be scheduled in January of 2001 which will allow the Henry B. Gonzalez Convention Center to book business for the larger completed facilities shortly thereafter. The overall current construction budget for the Expansion Project is $187,830,085. The City intends to stay in budget for the Expansion Project and will reconcile any overruns through value engineering and the use of contingencies within the construction budget.

APPLICATION OF BOND PROCEEDS

Source of Funds:

Proceeds of Series 1996 Bonds	
Current Interest Bonds	$158,450,000.00
Capital Appreciation Bonds	23,562,480.60
Less Original Issue Discount	(4,941,831.20)
Total Sources of Funds	$177,070,649.40

Use of Funds:

Deposit to Construction Fund	$156,638,091.43
Deposit to Debt Service Reserve Fund	16,999,830.00
Underwriting Costs	1,365,093.60
Cost of Issuance including Bond Insurance	2,067,634.37
Total Uses of Funds	$177,070,649.40

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TABLE FIVE
CONVENTION STATISTICS

Calendar Year	Number of Annual Conventions	Number of Room Nights	Estimated Dollar Value
1987	852	534,065	$276,000,000
1988	897	685,320	278,000,000
1989	1,089	728,641	320,000,000
1990	1,128	797,055	375,000,000
1991	1,205	784,448	353,000,000
1992	1,362	834,202	382,000,000
1993 (1)	1,656	1,008,378	483,000,000
1994	1,659	942,359	400,000,000
1995	1,535	982,051	419,000,000

(1) Calendar year 1993 was an exception to the growth trend due to three major conventions requiring approximately 115, 500 room nights. Adjusting the 1993 room nights by 115,500 would result in a yearly total of 892,878 room nights.

Source: San Antonio Convention and Visitors' Bureau

In accordance with the City's plan to attract larger conventions, it is probable that the number of annual conventions will decline from previous levels at least until the completion of the Expansion Project. However, the larger conventions result in more room nights and greater dollar value.

PLEDGED REVENUES AND DEBT SERVICE COVERAGE

The Pledged Revenues collected in the twelve months ended November 30, 1995 provided debt service coverage ratio as reflected below:

Debt Service Coverage	
Pledged Revenues twelve months ended November 30, 1995	$ 25,266,760
Maximum Annual Series 1996 Bonds Debt Service	$ 16,999,830
Coverage Ratio	1.49 times
Average Annual Series 1996 Bonds Debt Service	$ 14,288,403
Coverage Ratio	1.77 times

Series 1996 Bond debt service has been structured so that the Expansion Hotel Occupancy Tax will be sufficient in each year to cover Series 1996 Bond debt service assuming a five percent (5%) annual increase in expansion tax receipts. See "Estimated Annual Debt Service" below. The Pledged General Hotel Occupancy Tax has been pledged and is available in the event that the Expansion Hotel Occupancy Tax is insufficient in any six month period to meet the accrued principal and interest payments in the Series 1996 Bonds. The City has historically applied the General Hotel Occupancy Tax to the ongoing activities of the Convention and Visitors' Bureau and the operating expenses of the Convention Facilities departments of the City and intends to do so in the future. Recent published reports indicate that the General Hotel Occupancy Tax may be considered as a potential source of funding for a new arena for the San Antonio Spurs basketball team.. Operating revenues of the Convention Facilities are not pledged to the payment of the Series 1996 Bonds. See Appendix E hereto for the unaudited special funds of the City relating to the General Hotel Occupancy Tax and the operation of such departments and the Expansion Hotel Occupancy Tax.

TABLE SIX
ANNUAL DEBT SERVICE

Fiscal Year Ending	Series 1996 Bonds	1988 Certificates (1)	Total
1996	4,044,399.44	$410,112.50	4,454,511.94
1997	8,877,950.00	395,737.50	9,273,687.50
1998	8,877,950.00	406,362.50	9,284,312.50
1999	8,877,950.00	415,987.50	9,293,937.50
2000	9,287,950.00	399,975.00	9,687,925.00
2001	9,689,500.00	408,875.00	10,098,375.00
2002	10,201,320.00	415,375.00	10,616,695.00
2003	10,801,460.00	419,450.00	11,220,910.00
2004	11,443,300.00	396,200.00	11,839,500.00
2005	12,036,835.00	422,700.00	12,459,535.00
2006	12,601,085.00	419,500.00	13,020,585.00
2007	13,195,785.00	415,250.00	13,611,035.00
2008	13,817,772.50	408,750.00	14,226,522.50
2009	14,475,037.50		14,475,037.50
2010	15,163,657.50		15,163,657.50
2011	15,886,732.50		15,886,732.50
2012	16,646,732.50		16,646,732.50
2013	16,996,732.50		16,996,732.50
2014	16,996,732.50		16,996,732.50
2015	16,996,732.50		16,996,732.50
2016	16,996,732.50		16,996,732.50
2017	16,996,732.50		16,996,732.50
2018	16,996,732.50		16,996,732.50
2019	16,998,907.50		16,998,907.50
2020	16,996,870.00		16,996,870.00
2021	16,999,660.00		16,999,660.00
2022	16,999,830.00		16,999,830.00
2023	16,995,385.00		16,995,385.00
2024	16,999,330.00		16,999,330.00
2025	16,998,815.00		16,998,815.00
2026	16,996,560.00		16,996,560.00

(1) The 1988 Certificates are payable from ad valorem taxes and a pledge of 1% of the General Hotel Occupancy Tax. The Series 1996 Bonds and the 1988 Certificates are on a parity with each other with respect to such 1% of the General Hotel Occupancy Tax which is a part of the 5.25% General Hotel Occupancy Tax pledged to the Series 1996 Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Series 1996 Bonds, Akin, Gump, Strauss, Hauer & Feld, L.L.P. and Wickliff & Hall, P.C., Co-Bond Counsel, will render their opinion that, under existing law, (1) interest on the Series 1996 Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (2) the Series 1996 Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code and that, accordingly, interest on the Series 1996 Bonds will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Co-Bond Counsel will express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Series 1996 Bonds. See APPENDIX D – FORM OF OPINION OF CO-BOND COUNSEL.

In rendering their opinions, Co-Bond Counsel will rely upon representations and certifications of the City with respect to matters solely within the knowledge of the City and will assume continuing compliance by the City with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Series 1996 Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the City fails to comply with the foregoing covenants, interest on the Series 1996 Bonds could become includable in gross income retroactively to the date of issuance of the Series 1996 Bonds, regardless of the date on which the event causing such inclusion occurs.

The statutes, regulations, published rulings, and court decisions upon which Co-Bond Counsel have based their opinions are subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts

and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Series 1996 Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price of certain stated maturities of the Bonds may be less than the stated redemption price at maturity (as defined in section 1272 of the Code and Income Tax Regulations thereunder) on the Series 1996 Bonds (the "Original Issue Discount Bonds"). Assuming that all of the Original Issue Discount Bonds have been initially offered and a substantial amount of each maturity thereof has been sold, to the general public in arm's length transactions for a price (with no other consideration being included) for not more than the initial offering prices stated in the Official Statement, an amount equal to the difference between the initial public offering price of an Original Issue Discount Bond and the stated redemption price at maturity constitutes "original issue discount" to the initial purchaser of such Original Issue Discount Bond. Such original issue discount may result from the payment of accrued interest by the initial purchaser, bonds having an interest payment period longer than twelve months, or the purchase by the initial purchaser at a discount from the face amount of the Series 1996 Bonds. Under existing law, such initial purchaser is entitled to exclude from gross income an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such purchaser. **For a discussion of certain collateral federal tax consequences, see discussion set forth below.**

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, the amount realized by such purchaser in excess of the basis of such Original Issue Discount Bond in the hands of such purchaser (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial purchaser) is includable in gross income.

Original issue discount is considered to be accrued actuarially in accordance with the constant interest method over the life of the Original Issue Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Original Issue Discount Bond. The allocation of such original issue discount will generally result in an amount treated as interest that is different than the amount of the payment denominated as interest actually received by the owner thereof during the taxable year.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All purchasers of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of the treatment of interest accrued upon redemption, sale, or other disposition of, such Original Issue Discount Bonds and with respect to the federal, state, local, and foreign tax consequences of the acquisition, ownership, redemption, sale, or other disposition of, such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Series 1996 Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals seeking the earned income tax credit, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECEIPT OR ACCRUAL OF INTEREST ON OR THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 1996 BONDS.

Interest on the Series 1996 Bonds will be included in the "adjusted current earnings" of certain corporations for purposes of computing its alternative minimum tax imposed by section 55 of the Code and its environmental tax imposed by section 59A of the Code.

Interest on the Series 1996 Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Series 1996 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns with respect to federal income taxes.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 1996 Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount (defined below) of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Series 1996 Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

GENERAL

Ratings

The City has applied for an underlying rating of the Series 1996 Bonds from Standard & Poor's Ratings Group, a division of McGraw-Hill Corporation ("S&P"), Moody's Investors Service ("Moody's") and Fitch Investors Service ("Fitch"). The City anticipates that S&P, Moody's and Fitch will assign their municipal bond ratings of "AAA", "Aaa" and "AAA" respectively, to the Series 1996 Bonds with the understanding that upon delivery of the Series 1996 Bonds, a municipal bond guaranty insurance policy insuring the timely payment of the principal of and interest on the Series 1996 Bonds will be issued by Financial Guaranty Insurance Company. S&P, Moody's and Fitch have assigned underlying ratings to the Series 1996 Bonds without regard to the bond insurance of "A+", "A", and "A", respectively. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 1996 Bonds.

Legal Investments in Texas

Section 9 of the Bond Procedures Act of 1981 provides that the Series 1996 Bonds "shall constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas". Texas law provides that the Series 1996 Bonds are eligible to secure deposit of any public funds of the state, its agencies or political subdivisions and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.S., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the City has been made of the laws in other states to determine whether the Series 1996 Bonds are legal investments for various institutions in most states.

Certain Legal Matters

Legal matters incident to the authorization, issuance, sale and delivery of the Series 1996 Bonds are subject to the approving opinion of the Attorney General of Texas and the legal opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P. and Wickliff & Hall, P.C., Co-Bond Counsel. In rendering such approving opinion, the Attorney General of Texas will review a transcript of proceedings relating to the Series 1996 Bonds which includes the initial Series 1996 Bonds. Certain legal matters will be passed upon for the Underwriters by their co-counsel, McCall, Parkhurst & Horton L.L.P. and Yava D. Scott, Attorney at Law.

In their capacity as Co-Bond Counsel, Akin, Gump, Strauss, Hauer & Feld, L.L.P. and Wickliff & Hall, P.C., have reviewed the information contained in this Official Statement with respect to the description of the Series 1996 Bonds solely to determine whether such information conforms to and fairly summarizes the provisions of the Ordinance referred to herein. Such firms also have read and participated in the drafting of the information under the headings "Description of the Series 1996 Bonds" (except the subheading "Book-Entry-Only System"); "Security for the Series 1996 Bonds" (except Tables One through Four); "Tax Matters"; "General- Legal Investments in Texas" and "Continuing Disclosure of Information" and Appendix B. Such firms 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 such firm's limited participation as an

assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. The fees of Co-Bond Counsel for their services with respect to the Series 1996 Bonds are contingent upon the sale and delivery of the Series 1996 Bonds.

Litigation

As of the date hereof, there is no litigation pending or, to the knowledge of the City, threatened against the City to restrain or enjoin the issuance, sale, execution or delivery of the Series 1996 Bonds or the application of the proceeds thereof as described herein, or in any way contesting or affecting the validity of the Series 1996 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security for the Series 1996 Bonds or the existence or powers of the City.

Underwriting

The Underwriters have jointly and severally agreed, subject to certain customary conditions to delivery, to purchase the Series 1996 Bonds from the City at an Underwriters' discount of $1,365,093.60 from the initial offering price to the public. The Underwriters will be obligated to purchase all of the Series 1996 Bonds if any Series 1996 Bonds are purchased. The Series 1996 Bonds may be offered and sold to certain dealers and others at prices lower than the public offering prices set forth on the inside cover hereof, and such public prices may be changed, from time to time, by the Underwriters.

Source of Information

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the City or from the Co-Financial Advisors to the City.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance for the Series 1996 Bonds, the City has made the following agreement for the benefit of the holders and beneficial owners of the Series 1996 Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 1996 Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The City will provide certain updated financial information and operating data to certain information vendors annually. 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 indicated as Tables One through Six and in Appendix C. The City will update and provide this information with respect to such fiscal year or for the twelve month period then ended within six months after the end of each fiscal year ending in or after 1996. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any State Information Depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. 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 unaudited statements by the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D 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 each NRMSIR and any SID of the change.

Material Event Notices

The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Series 1996 Bonds, is such event is material to a decision to purchase or sell Series 1996 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting

financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 1996 Bonds; (7) modifications to rights of holders of the Series 1996 Bonds; (8) Series 1996 Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 1996 Bonds; and (11) rating changes. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The City has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of Series 1996 Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State of Texas and approved by the SEC as a SID. The address of the Municipal Advisory Council is 600 West 8th Street, Post Office Box 2177, Austin, Texas 78768-2177 and its telephone number is (512) 476-6947.

Limitations and Amendments

The City has agreed to update information and to provide notices of material 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 the Series 1996 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 and beneficial owners of the Series 1996 Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

This continuing disclosure agreement may be amended by the City 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 but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Series 1996 Bonds in the primary offering of the Series 1996 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinances that authorize such an amendment) of the outstanding Series 1996 Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners and beneficial owners of the Series 1996 Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision 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 the Series 1996 Bonds in the primary offering of the Series 1996 Bonds.

Compliance with Prior Undertakings

During the last five years, the City has complied in all material respects with all continuing disclosure agreements in accordance with SEC Rule 15c2-12.

CITY OF SAN ANTONIO, TEXAS

/s/ William E. Thornton
Mayor

ATTEST:

/s/ Norma S. Rodriguez
City Clerk

Schedule I
Capital Appreciation Bonds Accretion Tables

Maturity Value:	$9,200,000.00	$9,960,000.00	$10,310,000.00	$10,310,000.00	$10,310,000.00	$10,310,000.00	$10,310,000.00
Yield:	5.950%	6.000%	6.050%	6.100%	6.150%	6.200%	6.200%
Maturity:	08/15/2011	08/15/2012	08/15/2013	08/15/2014	08/15/2015	08/15/2016	08/15/2017
04/03/96	2,030.85	1,900.00	1,775.90	1,658.30	1,547.00	1,441.75	1,356.35
08/15/96	2,074.99	1,941.69	1,815.18	1,695.28	1,581.77	1,474.43	1,387.09
02/15/97	2,136.72	1,999.94	1,870.09	1,746.99	1,630.41	1,520.13	1,430.09
08/15/97	2,200.29	2,059.93	1,926.66	1,800.27	1,680.54	1,567.26	1,474.43
02/15/98	2,265.75	2,121.73	1,984.95	1,855.18	1,732.22	1,615.84	1,520.13
08/15/98	2,333.15	2,185.38	2,044.99	1,911.76	1,785.49	1,665.94	1,567.26
02/15/99	2,402.56	2,250.95	2,106.85	1,970.07	1,840.39	1,717.58	1,615.84
08/15/99	2,474.04	2,318.47	2,170.58	2,030.16	1,896.98	1,770.82	1,665.94
02/15/2000	2,547.64	2,388.03	2,236.24	2,092.08	1,955.31	1,825.72	1,717.58
08/15/2000	2,623.44	2,459.67	2,303.89	2,155.89	2,015.44	1,882.32	1,770.82
02/15/2001	2,701.48	2,533.46	2,373.58	2,221.64	2,077.41	1,940.67	1,825.72
08/15/2001	2,781.85	2,609.46	2,445.38	2,289.40	2,141.29	2,000.83	1,882.32
02/15/2002	2,864.61	2,687.75	2,519.36	2,359.23	2,207.14	2,062.86	1,940.67
08/15/2002	2,949.83	2,768.38	2,595.57	2,431.19	2,275.01	2,126.80	2,000.83
02/15/2003	3,037.59	2,851.43	2,674.08	2,505.34	2,344.97	2,192.73	2,062.86
08/15/2003	3,127.96	2,936.97	2,754.97	2,581.75	2,417.07	2,260.71	2,126.80
02/15/2004	3,221.02	3,025.08	2,838.31	2,660.49	2,491.40	2,330.79	2,192.73
08/15/2004	3,316.84	3,115.83	2,924.17	2,741.64	2,568.01	2,403.05	2,260.71
02/15/2005	3,415.52	3,209.31	3,012.63	2,825.26	2,646.97	2,477.54	2,330.79
08/15/2005	3,517.13	3,305.59	3,103.76	2,911.43	2,728.37	2,554.34	2,403.05
02/15/2006	3,621.76	3,404.76	3,197.65	3,000.23	2,812.27	2,633.53	2,477.54
08/15/2006	3,729.51	3,506.90	3,294.38	3,091.73	2,898.74	2,715.17	2,554.34
02/15/2007	3,840.46	3,612.11	3,394.03	3,186.03	2,987.88	2,799.34	2,633.53
08/15/2007	3,954.72	3,720.47	3,496.70	3,283.21	3,079.76	2,886.12	2,715.17
02/15/2008	4,072.37	3,832.08	3,602.48	3,383.34	3,174.46	2,975.59	2,799.34
08/15/2008	4,193.52	3,947.05	3,711.45	3,486.54	3,272.07	3,067.83	2,886.12
02/15/2009	4,318.28	4,065.46	3,823.72	3,592.87	3,372.69	3,162.93	2,975.59
08/15/2009	4,446.75	4,187.42	3,939.39	3,702.46	3,476.40	3,260.98	3,067.83
02/15/2010	4,579.04	4,313.04	4,058.56	3,815.38	3,583.30	3,362.07	3,162.93
08/15/2010	4,715.27	4,442.44	4,181.33	3,931.75	3,693.49	3,466.30	3,260.98
02/15/2011	4,855.55	4,575.71	4,307.81	4,051.67	3,807.06	3,573.75	3,362.07
08/15/2011	5,000.00	4,712.98	4,438.12	4,175.25	3,924.13	3,684.54	3,466.30
02/15/2012		4,854.37	4,572.38	4,302.59	4,044.80	3,798.76	3,573.75
08/15/2012		5,000.00	4,710.69	4,433.82	4,169.17	3,916.52	3,684.54
02/15/2013			4,853.19	4,569.05	4,297.38	4,037.94	3,798.76
08/15/2013			5,000.00	4,708.41	4,429.52	4,163.11	3,916.52
02/15/2014				4,852.01	4,565.73	4,292.17	4,037.94
08/15/2014				5,000.00	4,706.12	4,425.22	4,163.11
02/15/2015					4,850.84	4,562.41	4,292.17
08/15/2015					5,000.00	4,703.84	4,425.22
02/15/2016						4,849.66	4,562.41
08/15/2016						5,000.00	4,703.84
02/15/2017							4,849.66
08/15/2017							5,000.00

APPENDIX A

City of San Antonio - General Information

CITY OF SAN ANTONIO -- GENERAL INFORMATION

This Appendix contains a brief discussion of certain economic and demographic characteristics of the City and of the metropolitan area in which the City is located. Although the information in this Appendix has been provided by sources believed to be reliable, no investigation has been made to verify the accuracy or completeness of such information. **THE SERIES 1996 BONDS ARE PAYABLE SOLELY FROM PLEDGED REVENUES AS DESCRIBED IN THE FRONT PORTION OF THE OFFICIAL STATEMENT.**

The City provides library, park, local law enforcement, fire protection, emergency medical, solid waste disposal, building inspection, and civil defense services; maintains its bridges and streets; maintains preventive health services through numerous health facilities within the community; and operates convention, cultural, and sports facilities. In addition, the City provides electric and gas services through the City Public Service Board (see "San Antonio Electric and Gas Systems"); water, sanitary sewer, and storm drainage service through the San Antonio Water System (see "San Antonio Water System"); and airport services as a separate enterprise (see "Airport System").

The City does not operate hospitals, a school system, transit services, or a higher education system and does not expend City funds in providing welfare. Hospitals and schools within the boundaries of the City are administered by private organizations and by special districts or other governmental entities with independent taxing authority. The transit system is operated by the VIA Metropolitan Transit, which is financed by a separate 0.5% sales and use tax, federal and state grants, and fare box revenues.

GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

Population and Location

The 1990 U.S. Census cites the population of the City to be 935,933, increasing to a projected population of 1,092,300 for the calendar year ending 1995. The United States Census Bureau ranks the City as the third largest in the State of Texas and the ninth largest in the United States.

The City is the county seat of Bexar County which has a population of 1,185,394 according to the 1990 U. S. Census and an estimated population of 1,310,200 at the end of calendar year 1995. The City is located in south central Texas approximately 75 miles south of the state capital in Austin, 140 miles northwest from the Gulf of Mexico, and 150 miles northeast from the Mexican border cities of Del Rio, Eagle Pass and Laredo.

For additional general information concerning the City's population and economy, see "DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS."

Source: United States Bureau of the Census Population Division and the City of San Antonio Department of Planning.

Area and Topography

The area of the City has increased through numerous annexations, and now contains approximately 377 square miles. The topography of San Antonio is generally hilly with heavy black to thin limestone soils. There are numerous spring fed streams with underground water. The average elevation is 788 feet.

Annexation Program

The City was established in 1837 and originally encompassed 36 square miles. The boundaries remained virtually unchanged until 1944 when an additional 20 square miles were annexed which was the first significant enlargement of the corporate size of San Antonio in 106 years. Since 1944, the City's annexation program has been commensurate with the services and amenities provided throughout the community and thereby increasing the total square miles encompassed by the City to 377 square miles with a total market valuation of $30,026,679,594.

By virtue of the Municipal Annexation Act and its Home Rule status, the City also has certain powers and responsibilities for its "Extra-Territorial Jurisdiction" ("ETJ"), the area located outside, but generally within five miles of, San Antonio's corporate limits and outside the ETJ's of other cities. Powers which the City may exercise over its ETJ include (i) the authority to establish and enforce subdivision regulations, (ii) the sole right of annexation without the consent of residents, and (iii) the power to designate any part of the area as an industrial district for the purpose of granting immunity from annexation for a period not to exceed seven years.

Through annexations, San Antonio captured much of the tax base it would otherwise have lost through organization of suburban cities. Selective annexation policies have enabled the City to exercise greater influence over development on its outer fringe. Annexation is not without its obligations; public facilities and services comparable to those found in similar areas within the City must be provided to newly annexed areas within three years.

Form of Government and Administration

The City was incorporated in 1837. A Home Rule Charter with a council-manager form of government was adopted in 1951. In 1977, an election was held and the Charter was amended to provide for single-member districts for the election of Council members with the Mayor position at-large.

The City Council consists of the Mayor and ten Council members, each elected for a two-year term and subject to the term limitations imposed in the City's Home Rule Charter. The terms of all elected officials expire in May 1997.

The City Manager is appointed and serves at the pleasure of the City Council and serves as the chief administrative officer of the City.

The City has approximately 8,194 full-time employees.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

Population

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

Year	City of San Antonio	Bexar County	San Antonio MSA
1920	161,399	202,096	238,639
1930	231,542	292,533	333,442
1940	253,854	338,176	376,093
1950	408,442	500,460	542,209
1960	587,718	687,151	736,066
1970	654,153	830,460	888,179
1980	786,023	988,971	1,088,881
1990	935,933	1,185,394	1,324,749

Source: U.S. Census of Population, 1920-1990.

Economic Factors

The City supports a favorable business environment and economic diversification which is represented by various industries, including domestic and international trade, convention and tourism, medicine and health care, government employment, agribusiness, manufacturing, financial business, telecommunications, telemarketing, insurance and mineral production. Support for these economic activities is demonstrated by the City's commitment to its on-going infrastructure improvements and development, its pro-business attitude and dedicated work force. Total employment in the San Antonio metropolitan statistical area in December, 1995, was 701,900 which is 28,400 or 4.22% more jobs than the total of 673,500 for December, 1994. Services, trade and government represent the largest employment sectors in San Antonio. The City serves as a major insurance center in the southwest, and is the headquarters location for several insurance companies, including United Services Automobile Association which is the nation's fifth largest private automobile insurer and the fourth largest homeowners insurer.

Military Installations

The military presence in Bexar County is a principal component of the area's economy. According to the Greater San Antonio Chamber of Commerce, the military employed approximately 79,812 military and civilian personnel as of September 30, 1995, with an aggregate payroll of $2.5 billion. Military construction totaled an estimated $184.37 million in 1995. Major military installations located in the County include Fort Sam Houston, the U.S. Army Health Service Command, Randolph Air Force Base, Brooks Air Force Base, and the Air Force Military Training Center at Lackland Air Force Base.

Kelly Air Force Base is undergoing realignment as recommended by the 1995 Base Realignment and Closure Commission (BRAC Commission). In accordance with the language of the BRAC Commission, President Clinton and the Department of Defense (DoD) decided that the workloads at Kelly Air Force Base will be privatized-in-place. Privatization-in-place means the depot maintenance workloads will remain on-site and will be performed by commercial firms after 2001 instead of by the Federal government. DoD has set specific minimum employment goals as privatization proceeds: no fewer than 16,000 will be retained through the year 2001, and no fewer than 11,000 through the year 2006. These jobs represent a combination of about 6,000 jobs assigned to Air Force and DoD tenant units which will be retained and realigned to Lackland AFB, and about 5,000 jobs which will be assigned to the privatized workloads.

After the BRAC Commission rendered its decision on realignment, the City of San Antonio established a citizens planning committee (the Initial Base Adjustment Strategy Committee, or IBASC) which laid out goals, objectives, and strategies for the long-term redevelopment of Kelly AFB. The overarching precept which the IBASC adopted was to create or retain at least 21,000 good-paying jobs on Kelly AFB by the year 2006. This goal incorporates 6,000 Air Force/DoD tenant jobs which will remain post-closure; approximately 5,000 maintenance jobs which will be privatized in place; an additional 5,000 aircraft maintenance-related jobs; and an additional 5,000 manufacturing, light industry and distribution jobs.

The San Antonio City Council adopted the IBASC Strategic Plan and created the Greater Kelly Development Corporation (GKDC) to perform as the Local Redevelopment Authority (LRA) for Kelly AFB. The base reuse and redevelopment process involves the GKDC and the Air Force and consists of a series of intricate activities which are governed by laws and regulations. The GKDC is a public, not-for-profit corporation comprised of a seven-member Board of Directors which is publicly accountable for implementing the goals of the IBASC Plan and overseeing the redevelopment and privatization of Kelly AFB. The GKDC is currently in its early stages of redevelopment, but has already begun working with the Air Force and the private sector to ensure a smooth transition.

Medical and Research Facilities

The City's healthcare sector provides major health care services through its medical, research, education and development facilities. The South texas Medical Center, alone, includes twelve hospitals and employs an estimated 23,800 full and part-time people with a combined 1995 payroll, operations and research budget of $1.59 billion. Planned construction at the South Texas Medical Center totaled more than $109 million for 1995. The Southwest Research Institute is one of the world's foremost independent nonprofit applied research and development

organizations serving industry and government around the world in the engineering and physical sciences. The Southwest Research Institute has a staff of over 2,5000 and an annual budget over $250 million.

Also located in San Antonio, the Southwest Foundation for Biomedical Research, one of the largest and internationally best known independent, non-profit research institutions in the country, conducts fundamental and applied research in the medical sciences. The Foundation has a current annual budget of $21 million and employs 300 people. The Texas Research Park, developed by the Texas Research and Technology Foundation, is a development of research facilities that was formed to utilize the significant research and development assets existing in the area. Some of the facilities located in the park include the University of Texas Institute of Biotechnology and the Institute for Drug Development with annual budgets of $10 million and $9 million and employing 85 and 59 persons respectively.

Construction Activity

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

	Residential Single Family		Residential Multi-Family[1]		Other[2]	
Year	Permits	Valuation	Permits	Valuation	Permits	Valuation
1988	985	$46,256,306	9	$1,028,740	13,188	$391,715,611
1989	939	46,793,254	6	1,066,304	11,821	285,041,990
1990	1,061	56,435,954	7	806,826	12,047	314,136,324
1991	1,227	67,352,963	8	690,700	11,920	395,904,712
1992	2,157	132,642,497	20	10,183,789	12,255	419,839,275
1993	2,858	194,055,482	91	34,177,025	12,151	388,857,924
1994	3,987	262,104,759	166	68,097,513	13,302	421,324,638
1995	3,925	237,796,446	353	63,396,919	11,588	420,001,031

1) Includes two-family duplex projects.
2) Includes commercial building permits, commercial additions, improvements and extensions, and certain residential improvements.
Source: Building Inspections Department City of San Antonio.

Firms Employing 500 or More in the San Antonio Metropolitan Area

Manufacturing

Firm	Product/Service
Alamo Iron Works	Industrial Iron Products
B. J. Tidwell Industries, Inc.	Kitchen/Bath Cabinets
Bausch & Lomb, Inc.	Eyewear
Clarke American	Commercial Printing
Coca Cola/Dr. Pepper Bottling	Soft Drink Manufacturer
Dee Howard Company	Aircraft Modification
Dewied International, Inc.	Petroleum Refining & Marketing
Diamond Shamrock, Inc.	Petroleum Refining & Marketing
Fairchild Aircraft	Aircraft Manufacturer
Friedrich Air Conditioning Company, Inc.	Air Conditioning Equipment
Holt Company of Texas	Construction Equipment
L & H Packing Company	Meat Processing
Lancer Corporation	Drink Dispenser Machines
Levi Strauss & Company	Clothing
Kinetic Concepts, Inc.	Medical Products
Miller Curtain Company	Curtain & Drapes
Radio Cap Company, Inc.	Baseball Caps
Redland Stone Products Company	Crushed Limestone
San Antonio Express-News	Newspaper
Sony Microelectronics	Semiconductors & Electronic Components

Retail

Firm	Product/Service
Albertson's Inc.	Supermarket
America's Favorite Chicken	Fast Food Restaurant
Bill Miller Bar-B-Que	Fast Food Restaurant
Builders Square	Home Improvement Store
Burger King, Inc.	Fast Food Restaurant
Caremark Prescription Services	Mail Order Pharmacy
Curtis C. Gunn, Inc.	Automobile Dealership
Den-Tex West, Inc. (Denny's)	Restaurant
Dillard's Department Stores	Department Store
Foley's	Department Store
Frontier Enterprises	Restaurant
H.E.B. Grocery Company	Supermarket
Handy Andy , Inc.	Supermarket
Harts Food Service	Food Service
J. C. Penney Company, Inc.	Department Store
Jack In The Box	Fast Food Restaurant
K-Mart Stores, Inc.	Department Store
Little Caesers of San Antonio	Fast Food Restaurant
Luby's Cafeterias, Inc.	Cafeteria
McDonalds-Haljohn, Inc.	Fast Food Restaurant
Mass Marketing, Inc.	Food Chain
Mi Tierra Cafe & Bakery	Restaurant
Montgomery Ward & Company	Department Store
R & L Foods (Taco Bell)	Fast Food Restaurant
Red Line Burgers, Inc.	Fast Food Restaurant
Sears, Roebuck & Company	Department Store
Solo Serve Corporation	Department Store
Super S Foods	Supermarket
Taco Cabana, Inc.	Restaurant
Target Stores	Department Store
The Olive Garden	Restaurant
United Fashions of Texas	Women's Clothing
Walmart, Inc.	Department Store
Wendy's of San Antonio	Fast Food Restaurant
Whataburger of Alice, Inc.	Fast Food Restaurant

Firm	Product/Service
Act III Santikos Theaters	Motion Picture Exhibitor
Administaff, Inc.	Temporary Personnel Service
Advantage Rent-A-Car	Automobile Rental
Alamo Community College District	Community College
Alamo Heights Independent School District	Public School District
Associated Payroll Control, Inc.	Temporary Personnel Service
Audie L. Murphy Memorial Veterans Hospital	Hospital
Baptist Memorial Hospital System	Hospital
Brooke Army Medical Center	Hospital
Burns International Security	Guard/Security Service
Citicorp	Toll Free Customer Service
Concepts of Care	Home Health Service
East Central Independent School District	Public School District
Edgewood Independent School District	Public School District
Express Personnel Services	Temporary Personnel Service
Fiesta Texas	Entertainment/Amusement Park
Freeman Decorating Company	Convention/Tradeshow Contractor
Girling Health Care, Inc.	Home Health Service
Harlendale Independent School District	Public School District
Hyatt Regency Hill Country Resort	Resort Hotel
Hyatt Regency San Antonio	Hotel
Incarnate Word College	Private College
Judson Independent School District	Public School District
La Quinta Inns, Inc.	Motor Inns
Marriott Rivercenter Hotel	Hotel
Medical Team, Inc.	Home Health Service
Methodist Healthcare System	Hospital
Metropolitan Hospital	Hospital
Morningside Ministries, Inc.	Residential Care Facility
Northeast Independent School District	Public School District
Northside Independent School District	Public School District
Outreach Health Services	Home Health Service
Parent/Child, Inc.	Child Development Center
Peakload Temporary Services	Temporary Personnel Service
Phoenix Staffing & Consultant Services	Temporary Personnel Service
Pinkerton, Inc.	Guard/Security Service
River City Temporary Services	Temporary Personnel Service
San Antonio College	Community College
San Antonio Independent School District	Public School District
San Antonio Regional Hospital	Hospital
San Antonio State Hospital	Hospital
San Antonio State School	Residential Care Facility
Santa Rosa Health Care Corporation	Hospital
Schertz-Cibolo-UC Independent School District	Public School District
Sea World of Texas, Inc.	Marine Life Entertainment Park
Smith Security, Inc.	Guard/Security Service
South San Antonio Independent School District	Public School District
Southwest General Hospital	Hospital
Southwest Independent School District	Public School District
Southwest Research Institute	Research & Development
St. Mary's University	Private University
Talent Tree of San Antonio	Temporary Personnel Service
TeleService Resources	Customer Service Center
Texas Department of Human Services	Social Services
The Center for Health Care Services	Health Care
The Psychological Corporation	Academic Credential Test
The University of Texas at San Antonio	Public University
Tri-Starr Personnel	Employment Services
Trinity University	Private University
University of Texas Health Science Center	Medical University
University Health System	Hospital
VIP Temporaries	Temporary Personnel Service
Visiting Nurse Association	Home Health Service
West Telemarketing Corporation	Telemarketing Service
Western Temporary Services, Inc.	Temporary Personnel Service
Women's & Children's Hospital	Hospital
YMCA of San Antonio	Youth Development

Transportation, Communications, Utilities

Firm	Product/Service
American Telephone & Telegraph	Long Distance Telephone Communications
City Public Service	Natural Gas & Electric Service
LDDS WorldCom	Long Distance Carrier
Paragon Cable	Cable Television Service
San Antonio Water System	Water/Sewer Service
SBC Communications, Inc.	Telecommunications Headquarters
Southwestern Bell Telephone Company	Telecommunications
U.S. Long Distance Corporation	Long Distance Carrier
U.S. Postal Service	Mail Delivery
United Parcel Service	Parcel Delivery
Valero Energy Corporation	Gas Transmissions
VIA Metropolitan Transit	Public Transpiration

Finance, Insurance, Real Estate

Firm	Product/Service
American Funds Service Company	Mutual Funds & Investments
BancPlus Mortgage Corporation	Financial Institution
Citicorp	Financial Institution
Frost National Bank	Financial Institution
Humana Health Care Plans of San Antonio	Medical Insurance
NationsBank of Texas, N.A.	Financial Institution
Security Service Federal Credit Union	Credit Union
United Service Automobile Association	Insurance/Financial Services
World Savings and Loan Association	Financial Institution

Government

Firm	Product/Service
Bexar County	County Government
Brooks Air Force Base	Military Installation
City of San Antonio	City Government
Education Service Center	Data Processing
Fort Sam Houston	Military Installation
Kelly Air Force Base	Military Installation
Lackland Air Force Base	Military Installation
Randolph Air Force Base	Military Installation
San Antonio Housing Authority	Public Housing Assistance
Texas Department of Transportation	Road Maintenance

Construction

Firm	Product/Service
CCC Group, Inc.	General Contractor
H.B. Zachry	General Contractor

Wholesale

Firm	Product/Service
STRAFCO (Straus/Frank Company)	Automotive Parts

Source: Greater San Antonio Chamber of Commerce Largest Employers Directory, 1995-97 Edition

Education

There are 16 independent school districts in Bexar County with 202 elementary schools, 57 middle schools and 32 high schools. Students attend school districts in which they reside. There is currently no busing between school districts in effect. In addition, San Antonio has over 75 private and parochial schools at all education levels, five alternative schools and one business career institute. Excluding business and professional schools, higher education facilities in the City include three community colleges, five accredited Universities and one accredited college with a combined enrollment of 69,070 students for the fall 1995 enrollment.

Employment Statistics

The following table indicates the total civilian employment in the San Antonio MSA for the period December 1995, as compared to the prior periods of November 1995 and December, 1994.

	December 1995	November 1995	December1994
Civilian Labor Force	737,400	736,100	703,800
Total Unemployment	35,500	34,400	30,300
Unemployment Rate	4.8%	4.7%	4.3%
Total Employment	701,900	701,700	673,500

The following table shows certain nonagricultural wage and salary employment in the San Antonio MSA for December 1995, November 1995, and December 1994.

	December 1995	November 1995	December 1994
Manufacturing	50,100	49,900	49,000
Mining	1,800	1,800	1,800
Construction	32,400	32,300	28,600
Transportation, Communication, and Utilities	30,200	29,900	28,100
Trade	159,800	157,900	150,700
Finance, Insurance and Real Estate	43,400	43,200	42,000
Services and Miscellaneous	182,100	181,700	172,300
Government	134,100	134,000	131,400
Total	633,900	630,700	603,900

Source: Texas Employment Commission.

COMPARATIVE ANNUAL STATISTICAL DATA

Growth Indices

Calendar Year	Main Telephones	Electric Customers	Gas Customers*	Water Customers**
1988	551,726	462,529	284,766	229,835
1989	573,415	466,478	284,324	236,709
1990	589,195	469,226	284,671	239,891
1991	610,393	476,412	287,325	243,129
1992	635,058	485,345	290,497	247,365
1993	661,711	493,763	292,111	253,902
1994	689,490	504,810	295,092	257,733
1995	724,033	516,679	297,654	266,308

* City Public Service only.
** San Antonio Water System only.

Source: Greater San Antonio Chamber of Commerce -- Economic Trends 1985-1995; Southwestern Bell Telphone (Network Planning); City Public Service; San Antonio Water System.

Municipal Sales Tax Collections -- Ten Largest Texas Cities

	1995	1994	1993	1992	1991	1990
Amarillo	$ 34,623,582	$ 33,161,856	$ 30,128,418	$ 27,768,406	$ 26,012,436	$ 17,035,899
Arlington	48,575,308	48,029,243	43,332,628	39,171,848	27,791,718	22,603,380
Austin	77,326,159	73,522,342	65,312,939	57,250,890	53,166,674	48,424,901
Dallas	151,118,598	145,916,177	138,468,807	126,513,548	120,823,108	122,349,128
El Paso	37,832,614	38,674,734	36,141,436	33,336,437	31,466,796	29,557,491
Fort Worth	51,309,934	48,853,605	44,248,178	40,989,501	39,483,889	39,789,577
Houston	239,061,186	229,471,358	217,040,210	205,577,811	205,510,022	194,683,026
SAN ANTONIO	96,000,267	91,874,292	83,415,815	74,975,907	70,285,679	65,973,030
Plano	27,725,216	24,774,517	22,512,250	18,283,867	16,729,196	14,911,428
Irving	28,802,419	28,328,325	24,337,586	21,931,358	20,863,777	19,629,869

Figures are based on a calendar year.
Source: State Comptroller's Office.

DEBT STATEMENT
(As of November 1, 1995)

1995 Actual Market Value of Taxable Property	$30,026,679,594
1995 Net Taxable Assessed Valuation (100% of Actual) (as of 10-31-95)	$26,873,861,663*

*This Net Taxable Assessed Valuation figure is net of the following exemptions:

Local, Optional Over-65 and/or Disabled Homestead Exemptions	$2,308,373,996
Disabled and Deceased Veterans' Exemptions	19,611,773
Freeport Exemptions	256,914,109
Historical Exemptions`	37,662,285
Property Redevelopment and Tax Phase-Ins	339,448,454
Transitional Housing	-0-
Productive Valuation of Open-Space Land and Timberland under Texas Constitution Article 8, Section 1-d-1	190,807,314
TOTAL EXEMPTIONS	$3,152,817,931

Source: City of San AntonioTax Office.

DEBT PAYABLE FROM AD VALOREM TAXES:

General Improvement Bonds	$659,808,108	
Taxable Certificates of Obligation	15,260,000	
Taxable Combination Tax and Municipal Hotel Occupancy Tax Revenue Certificates of Obligation	3,025,000	
Combination Tax and Revenue Certificates of Obligation	61,530,000	
TOTAL DEBT PAYABLE FROM AD VALOREM TAXES		$ 739,623,108
LESS: SELF-SUPPORTING DEBT:[1]		$ 37,740,000
NET DEBT PAYABLE FROM AD VALOREM TAXES		$ 701,883,108
General Obligation Interest and Sinking Fund Balance as of 9-30-95		$ 46,655,964
Ratio of Gross Debt to 1995 Net Taxable Assessed Valuation		2.752%
Ratio of Gross Debt to 1995 Actual Market Value		2.463%
Ratio of Net Debt to 1995 Net Taxable Assessed Valuation		2.612%
Ratio of Net Debt to 1995 Actual Market Value		2.338%

Population: 1970 - 654,153; 1980 - 785,410; 1990 - 935,933; 1995 (Est.) - 1,092,300
Per Capita 1995 Net Taxable Assessed Valuation - $24,603.00
Per Capita Gross Debt - $677.12
Per Capita Net Debt - $642.57

[1] To maintain this debt as self-supporting, payments will be made from the operation of Parking, Golf Course, Solid Waste, Alamo Dome, the Tower of the Americas Facilities, and a portion of the Hotel-Motel Tax Fund.

FLOATING DEBT
(As of November 1, 1995)

The Issuer has entered into three lease-purchase agreements for the acquisition of a computer host processor, print shop copier, and color print shop copier. The gross value of the assets at September 30, 1995 is $2,390,780. The following is a schedule of the remaining future minimum lease payments under these capital leases together with the present value of the net minimum lease payments as of September 30, 1995.

Total future minimum lease payments	$1,094,125
Less amount representing interest	73,440
Present value of minimum lease payments	$1,020,685

Source: Information supplied by the City of San Antonio.

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TAX ADEQUACY

1995 Net Taxable Assessed Valuation	$26,873,861,663
Maximum Debt Service Requirements for Fiscal Year Ending 9-30-2002	74,025,248
Indicated Interest and Sinking Fund Tax Rate	0.2811
Indicated Interest and Sinking Fund Tax Levy (at 98% collections)	74,031,577

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 9/30	Currently Outstanding Obligations Principal Repayment Schedule[1]	The Bonds Repayment Schedule	The Tax-Exempt Certificates Repayment Schedule	The Taxable Certificates Repayment Schedule	Combined Principal Repayment Schedule	Obligations Remaining Outstanding End of Year	Percent of Principal Retired (%)
1996	$ 23,885,000	$ 1,000,000	$ 270,000	$ 150,000	$ 25,305,000	$714,318,108	
1997	24,485,000	1,050,000	275,000	160,000	25,970,000	688,348,108	
1998	29,390,000	1,100,000	300,000	175,000	30,965,000	657,383,108	
1999	34,105,000	1,180,000	300,000	175,000	35,760,000	621,623,108	
2000	35,240,000	1,225,000	325,000	200,000	36,990,000	584,633,108	20.96%
2001	36,640,000	1,300,000	350,000	200,000	38,490,000	546,143,108	
2002	40,555,000	1,375,000	375,000	225,000	42,530,000	503,613,108	
2003	42,015,000	1,450,000	400,000	225,000	44,090,000	459,523,108	
2004	43,285,000	1,550,000	425,000	250,000	45,510,000	414,013,108	
2005	39,878,995	1,625,000	450,000	275,000	42,228,995	371,784,113	49.73%
2006	38,754,113	1,725,000	450,000	300,000	41,229,113	330,555,000	
2007	43,200,000	1,825,000	500,000	325,000	45,850,000	284,705,000	
2008	45,340,000	1,925,000	525,000	325,000	48,115,000	236,590,000	
2009	45,775,000	2,050,000	550,000	350,000	48,725,000	187,865,000	
2010	48,760,000	2,150,000	575,000	400,000	51,885,000	135,980,000	81.61%
2011	51,725,000	2,275,000	625,000	425,000	55,050,000	80,930,000	
2012	25,865,000	2,425,000	650,000	450,000	29,390,000	51,540,000	
2013	24,340,000	2,550,000	675,000	475,000	28,040,000	23,500,000	
2014	15,375,000	2,700,000	725,000	525,000	19,325,000	4,175,000	
2015		2,850,000	775,000	550,000	4,175,000	-0-	100.00%
	$688,613,108	$35,330,000	$9,520,000	$6,160,000	$739,623,108		

[1] Includes self-supporting debt.

INTEREST AND SINKING FUND MANAGEMENT INDEX

General Obligation Interest and Sinking Fund Balance as of 9-30-95	$ 46,655,964
Estimated 98% Tax Collections from the levy of a $0.2300 I&S Fund Tax Rate in Fiscal Year ended 9-30-96	60,862,000
Total Available for Debt Service	$107,517,964
Estimated General Obligation Principal and Interest Requirements for Year Ending 9-30-96	$ 67,075,049

TAX DATA

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation[1]	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
1987	$25,364,327,805	$0.41000	$103,993,744	95.82	98.24	9-30-88
1988	25,025,626,575	0.44062	110,268,048	96.71	99.13	9-30-89
1989	23,997,762,311	0.47701	114,491,543	96.09	98.17	9-30-90
1990	23,550,043,620	0.52835	124,030,497	96.22	98.36	9-30-91
1991	22,567,235,320	0.58255	131,465,429	96.63	98.92	9-30-92
1992	21,950,834,822	0.59597	130,820,390	97.28	99.22	9-30-93
1993	22,480,584,590	0.59597	133,977,540	97.33	99.16	9-30-94
1994	24,309,875,164	0.58797	142,934,773	97.70	99.25	9-30-95
1995	26,873,861,663	0.57979	155,811,963	[In the process of collection]		9-30-96

[1] Decrease in assessed valuation in tax years 1988 through 1992 due to general decline in economy.

Source: Information supplied by the City of San Antonio.

TAX RATE DISTRIBUTION

[Fiscal Year]

	1996	1995	1994	1993	1992	1991
General Fund	$0.34979	$0.36066	$0.36866	$0.36866	$0.35638	$0.32580
I & S Fund	0.23000	0.22731	0.22731	0.22731	0.22617	0.20255
TOTAL	$0.57979	$0.58797	$0.59597	$0.59597	$0.58255	$0.52835

NET TAXABLE ASSESSED VALUATION AND GENERAL OBLIGATION BONDED DEBT

(For Fiscal Years Ended 1988 to 1996)

Fiscal Year Ending	Taxable Assessed Valuation[1]	Gross Bonded Debt	Bonded Debt Ratios
1987-88	$25,364,327,805	$494,564,000	1.95%
1988-89	25,025,626,575	592,068,000	2.37%
1989-90	23,997,762,311	603,823,000	2.52%
1990-91	23,550,043,620	660,489,000	2.81%
1991-92	22,567,235,320	692,939,000	3.07%
1992-93	21,950,834,822	727,663,000	3.32%
1993-94	22,480,584,590	667,328,000	2.97%
1994-95	24,309,875,164	688,613,108	2.83%
1995-96	26,873,861,663	739,603,108[2]	2.75%

[1] Decrease in assessed valuation in tax years 1988 through 1992 due to general decline in economy.

Source: Information supplied by the City of San Antonio.

INVESTMENTS

Available investible funds of the Issuer 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 investment policies approved by City Council. The Investment Act requires that the Issuer establish an investment policy to ensure that Issuer funds are invested only in accordance with State law. The Issuer has established a written investment policy. The Issuer's investments are managed by its Finance Director, how, in accordance with its Investment Policy, reports to the City Council.

Legal Investments. Under Texas law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentality's, (2) direct obligations of the State of Texas or its agencies and instrumentality's, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentality's, (5) obligations of states, agencies, counties, cities, ad other political subdivisions of any state that are rated A or higher as to investment quality by a nationally recognized credit rating agency, (6) certificates of deposit issued by a state or national bank or a savings and loan association domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation, are secured by obligations described in the preceding clauses, or are secured in any other manner and amount as provided by law for City deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or financial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less from their date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with a stated maturity of 270 days or less, is rated not less than A-1 or P-1 or an equivalent rating by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state, (10) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less ad include in their investment objectives the maintenance of stable net asset value of $1 for each share, and (11) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years; are invested exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized credit rating agency of not less than AAA or its equivalent.

Under Texas law, the Issuer may invest in such obligations described in clauses (1) through (11), directly, or through government investment pools that invest solely in such obligations, provided that the pools are rated no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

Investment Policies. Under Texas law, the Issuer is required to invest its funds under 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; and that includes a list of authorized investments for Issuer funds. Under Texas law, Issuer investments must be made "with judgement 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." Issuer investment policies require that investments be made in accordance with applicable state law; however, such policies do not allow Issuer funds to be invested in all instruments eligible and permitted by state law.

Current Investments. Investible Issuer funds currently are 100% invested in obligations of the United States, or its agencies and instrumentalities with the weighted average maturity of the portfolio being less than one year. The investments and maturity terms are consistent with State law, and Issuer investment policy objectives, to preserve principal, limit risk, maintain diversification and liquidity, and to maximize interest earnings.

SAN ANTONIO ELECTRIC AND GAS SYSTEMS

San Antonio acquired its gas and electric 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 1933. The Trust Indenture securing the "Old Series Bonds" established management requirements and provides that the complete management and control of the electric and gas systems, while the Old Series Bonds are outstanding, shall be vested in a Board of Trustees consisting of five citizens of the United States of America permanently residing in Bexar County, Texas to be known as the "City Public Service Board of San Antonio," sometimes referred to herein as the "CPS Board." The Mayor of the City of San Antonio is a permanent ex officio member of the CPS Board.

Electric System

The electric generating system operated by CPS consists of 15 generating units. CPS also has a 28% interest in two nuclear generating units called the South Texas project ("STP").

CPS maintains a transmission line network for the movement of large blocks of power from the generating stations to the various parts of the service area and to or from neighboring utilities as required. This is composed of high voltage lines with transformers and switching stations to provide the necessary flexibility in the movement of bulk power. The system is integrated with approximately 80 other utilities, municipalities, and cooperatives to form the Electric Reliability Council of Texas.

The distribution system is supplied by 72 substations strategically located on the high voltage transmission system. There are over 7,318

miles of pole lines and over 744 miles of underground duct lines in the distribution system. The overhead lines also carry secondary circuits and street lighting circuits. Presently there are approximately 51,993 street lighting units in service, with the vast majority of being modern, high intensity units. Many of the subdivisions added in recent years are served by underground distribution systems.

As of July 1, 1973, CPS agreed to participate in the STP, which involved the construction of two 1,250 MW units in the Matagorda County area on a 12,000-acre site near the Texas Gulf Coast. Participants in the Project and their share therein are as follows:

Houston Lighting & Power Company (HL&P)	30.8%
CPS	28.0%
Central Power and Light Company (CPL)	25.2%
City of Austin	16.0%
Total	100.0%

San Antonio's share of the two 1,250 MW units is 700 MW. HL&P is Project Manager for the design, engineering, construction, licensing, and operation of STP. Full power operating licenses were issued by the Nuclear Regulatory Commission ("NRC") on March 22, 1988, for Unit 1 and March 28, 1989, for Unit 2. On August 25, 1988, Unit 1 went into commercial operation and Unit 2 went into commercial operation on June 19, 1989. The nuclear units provided 32% of the system load during fiscal year 1994-1995 and 40% of the load for the 12 months ending July 31, 1995.

Distribution System. The Distribution System is supplied by 74 substations strategically located on the high voltage 138 KV transmission system. There are approximately 5,918 circuit miles of overhead distribution lines in the system. These overhead lines also carry secondary circuits and street lighting circuits. The underground distribution system consists of approximately 111 miles of three-phase duct lines and 2,075 miles of single-phase underground residential distribution lines. Many of the subdivisions added in recent years are served by underground distribution systems. Presently there are approximately 55,841 street light units in service, with the vast majority of these being modern, high intensity units.

Gas System

CPS has firm gas supply and gas transmission contracts until July 1, 2002, with Reata Industrial Gas, L.P. ("Reata"), an affiliate of Valero National Gas Partners, L.P. ("Valero"). Reata supplies the total CPS gas requirements through three major gas delivery stations, two meter stations which serve the O.W. Sommers and V. H. Braunig Power Plants, and several minor taps on Vaero pipelines just outside of San Antonio. Additionally, the Oasis Pipeline delivery station on a common carrier pipeline system provides alternate gas delivery access and will remain available for CPS' use if required. All major delivery stations are owned by CPS and remotely monitored by the CPS Gas and Electric Operations ("GEO") control center located in downtown San Antonio.

Transmission System. CPS owns and operates a natural gas transmission line called the North Gate Pipeline. Construction of the 24-inch steel pipeline was completed in 1988. The pipeline extends 17.2 miles from southern Comal County into northern Bexar County, Texas. The line is coated and cathodically protected to mitigate corrosion. The pipeline can be supplied gas through two major delivery stations which receive gas through the 36" Oasis Pipeline, and from Reata through the 30" Valero West Texas Pipeline. At each delivery station, the gas is metered and odorized, and the gas pressure or flow rate is remotely controlled by GEO. The gas is transported through the transmission pipeline to a major gas pressure control station in northern San Antonio where the gas pressure is reduced before it is fed into the CPS Outer Loop Supply Line.

Outer Loop Supply Line. CPS owns and operates 54.3 miles of 24 and 30-inch diameter steel pipelines which form the Outer Loop Supply Line. The Outer Loop Supply Line is supplied gas through two major delivery stations located in southeast and southwest San Antonio, and from the North Gate Pipeline in northern San Antonio. construction of the first Outer Loop Supply Line was completed in 1962, and the line is coated and cathodically protected to mitigate corrosion. The maximum allowable operating pressure of the Outer Loop Supply Line is 170 psig, and it supplies gas to approximately 50 pressure regulating stations which reduce the pressure to between 7 psig and 59 psig for the Distribution System and between 25 psig and 170 psig for the Supply Pressure System. GEO monoitors the gas pressure and flow rates at many locations along the Outer Loop Supply Line and several critical pressure regulating stations and isolation valves are remotely controlled by GEO.

Supply Pressure System. The CPS Supply Pressure System consists of a network of approximately 145 miles of steel mains which range in size from 4 to 20-inches. The majority of the Supply Pressure System was installed prior to 1960, and the entire system is coated and cathodically protected to mitigate corrosion. The Supply Pressure System operates at pressures between 25 psig and 170 psig, and it supplies approximately 120 pressure regulating stations throughout the gas distribution system. GEO monitors the gas pressure and flow rates at many strategic locations within the Supply Pressure System, and most of the critical pressure regulating stations and isolation valves are remotely controlled by GEO.

CITY PUBLIC SERVICE OPERATING STATEMENT

	Fiscal Year Ended January 31				
	1995	1994	1993	1992	1991
Operating Revenues					
Electric	$ 757,936,619	$ 781,661,528	$ 708,256,917	$ 672,434,263	$ 677,062,414
Gas	110,693,963	125,490,846	112,610,806	106,926,525	104,360,084
Total	$ 868,630,582	$ 907,152,374	$ 820,867,723	$ 779,360,788	$ 781,422,498
Operating Expense					
Electric	$ 367,428,970	$ 426,190,045	$ 332,608,550	$ 300,502,863	$ 312,210,801
Gas	80,806,745	88,606,588	78,014,421	75,089,322	79,876,379
Total	$ 448,235,715	$ 514,796,633	$ 410,622,971	$ 375,592,185	$ 392,087,180
Net Operating Income	$ 420,394,867	$ 392,355,741	$ 410,244,752	$ 403,768,603	$ 389,335,318
Non-Operating Income (Net)	24,525,281	23,352,847	26,508,044	36,022,834	37,088,000
Available for Debt Service	$ 444,920,148	$ 415,708,588	$ 436,752,796	$ 439,791,437	$ 426,423,318
Other Deductions:					
Interest on Bonds, Other Interest and Debt Expense	(181,788,814)	(196,017,050)	(201,265,009)	(201,197,978)	(200,071,397)
Interest During Construction	3,072,157	1,976,877	29,054,980	31,418,000	22,093,361
Payments and Refunds to City	(119,851,608)	(124,882,566)	(113,514,725)	(109,017,157)	(109,653,058)
Depreciation	(138,939,344)	(136,956,991)	(120,879,732)	(114,332,024)	(111,157,505)
Total Other Deductions:	(437,507,609)	(455,879,730)	(406,604,486)	(393,129,159)	(398,788,599)
Net Earnings	$ 7,412,539	$(40,171,142)	$ 30,148,310	$ 46,662,278	$ 27,634,719

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SAN ANTONIO WATER SYSTEM

Pursuant to Ordinance No. 75686 adopted April 30, 1992, the City of San Antonio (the "City") authorized the creation of the water system (the "System"), a single unified system consisting of the City's existing waterworks (formerly the City Water Board), wastewater (formerly a department of the City), and water reuse systems, together with all future improvements and additions thereto, and all replacements thereof. In addition, such Ordinance No. 75686 authorizes the City to incorporate into the System a storm water system and any other related system to the extent permitted by law. The System will not include any "Special Projects" which are declared by the City, upon the recommendation of the Board, not to be part of the system and are financed with obligations payable from sources other than ad valorem taxes, "Pledged Revenues" or "Net Revenues", or any water or water-related properties and facilities owned by the City as part of its electric and gas system. The management and control of the System has been vested in a board consisting of seven members (the "Board"). The Board consists of the Mayor and six persons appointed by the City Council of the City. Initial terms of the members (other than the Mayor) are staggered. Thereafter, each member is appointed for a four-year term. No member may serve more than two terms.

Simultaneously with the creation of the System, the City sold $635,925,000 Water System Revenue Refunding Bonds, Series 1992 for the purpose of (i) enabling the City to consolidate its waterworks, wastewater and water reuse systems, and (ii) refunding all outstanding obligations of the City issued to finance improvements to and extensions of, and which are secured by and payable from a pledge of revenues derived from, the City's waterworks and wastewater systems, respectively, and certain other outstanding obligations relating to the City's waterworks and wastewater systems. The City believes that refunding the obligations and establishing the System will reduce costs and allow the City greater flexibility in meeting future financing requirements.

The System includes all water resources, properties, facilities, and plants owned, operated and maintained by the City relating to: supply, storage, treatment, transmission, and distribution of treated potable water, chilled water and stream (the waterworks system); collection and treatment of wastewater (the wastewater system); and treatment and reuse of wastewater (the water reuse system). In addition to the water related utilities which the Board has under its control, on May 13, 1993, the City Council approved Ordinance No. 77949 which established initial responsibilities over the storm water program with the Board and adopts a schedule of rates to be charged for storm water drainage services and programs. The storm water program is deemed to not be a part of the System; however, the City Council will reevaluate whether the storm water program becomes a part of the System.

Waterworks System

The City acquired its waterworks system in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. Since such time and until 1992, when the System was created, management and operation of the waterworks system was under the control of the City Water Board (the "C.B."). The waterworks system's authority to provide potable water service within a defined area was established by Certificate of Public Convenience and Necessity No. 10640 ("CCN") issued by the Public Utility Commission of Texas on November 1, 1979. The waterworks system's service area currently extends over approximately 530 square miles, making it the primary water purveyor in Bexar County. The waterworks system currently provides potable water service to approximately 265,398 retail customers. Although such accounts are primarily residential in nature, service is also provided to commercial, apartment, industrial and wholesale accounts. In terms of customers, approximately 92% of waterworks system customers are residential. For the year ended May 31, 1995, $45.4 million of water sales revenues were from residential customer which was 69% of total revenues.

The City obtains its water through wells drilled into the Edwards Limestone Formation. The portion of the formation supplying water in the San Antonio area has been designated the "Edwards Underground Water Reservoir" (the "Edwards Aquifer"). As the City's sole source of water, the Edwards Aquifer has also been designated a sole-source aquifer by the Environmental Protection Agency (the "EPA").

The Edwards Aquifer and its catchment area in the Edwards Plateau region is about 8,000 square miles and includes all or parts of 13 counties in south-central Texas. The recharge and artesian areas of the Edwards Aquifer underlie the six counties south and east of the Balcones escarpment. The Aquifer underlies about 3,600 square miles and, including its recharge zone, is about 175 miles long from Bracketville, Texas in Kinney County in the west to Kyle, Texas in Hays County in the east, and varies from about 5 to about 30 miles in width. The Edwards Aquifer receives most of its water from the drainage basins located on the Edwards Plateau. The catchment area, about 4,400 square miles, contains the drainage basins of streams that recharge the Edwards Aquifer.

The waterworks system currently utilizes 27 elevated storage tanks and 21 ground storage reservoirs with combined storage capacities of 119.2 million gallons. As of May 31, 1995, the waterworks system had installed 3,703 miles of distribution mains, ranging in size from 6 inches to 60 inches in diameter, the majority of which are between 6 inches and 12 inches in diameter. At the end of May 31, 1995, the waterworks system was equipped with 17,983 fire hydrants in service. These hydrants are well-distributed throughout the system and are a major factor in the City enjoying one of the lowest fire insurance rates of any Texas municipality.

Wastewater System:

The City Council created the City's wastewater system by Ordinance adopted in 1894. Bond proceeds enabled the City to construct new treatment facilities and enlarge the wastewater system pursuant to a major sewer system expansion program begun in 1960. In 1970, the City became the "Regional Agent" of the Texas Water Quality Board (whose functions were performed by the Texas Water Commission and now by the TNRCC) for approximately 360 square miles within Bexar County. In 1992, this system was consolidated with the City's waterworks system to form the System.

The wastewater system serves the residents of the City, 17 entities and others outside the corporate limits of the City. As Regional Agent,

the wastewater system has certain prescribed boundaries covering an area of approximately 404 square miles; however, the City's total planning area covers approximately 956 square miles. The City currently provides wastewater service covering 654 square miles to a population of approximately 1.2 million people.

In addition to the treatment facilities owned by the City, there are seven privately owned and operated sewage and treatment plants within the City's planning area. There currently exist approximately 303,000 connections to all the treatment systems within Bexar County. Of these, the City owns 271,000 or 89% of the total connections.

The wastewater system served 288,758 retail customers as of August 1995. The wastewater system presently also provides 17 governmental and private entities with wholesale sanitary sewage transportation and treatment services.

The wastewater system is composed of approximately 3,160 miles of mains; three major treatment plants: Dos Rios, Leon Creek and Salado Creek; and a smaller treatment plant: Medio Creek. The three major plants are activated sludge facilities and the small plant is an extended aeration plant. All of the plants hold EPA National Pollutant Discharge Elimination System (the "NPDES") and TNRCC wastewater discharge permits, and have a combined treatment capacity of 202 million gallons per day (MGD). In addition, the wastewater system operates and maintains several small temporary satellite facilities which vary in number and are temporary pending completion of interceptor sewers that will connect the flow treated at such facilities to the wastewater system. The permitted flows from the wastewater system's regional treatment plants represent 98% of the municipal discharges within the planning area.

Storm Water System:

The System has been given the responsibility for various aspects of data collection and analysis related to the water quality of storm water. The System will continue to provide such services until a storm water utility is established under state law.

In September 1995, the City and the System received a draft permit from EPA listing the tasks required for the program. Both entities have begun the process of modifying or developing operations for execution of these tasks. Annual budgets have been developed for these operations totaling $9.4 million including $5.1 million for the System's share of activities.

Water Reuse System:

The Alamo Water Conservation and Reuse District (the "District") was created in 1989 as a conservation and reclamation district, pursuant to Article XVI, Section 59 of the Texas Constitution by Chapter 1147, Acts of the 71st Legislature of the State of Texas, and Senate bill 1667. The District's purpose was to conserve, protect, distribute, and reuse wastewater in order to augment the supply of water in the Edwards Underground Aquifer region. On December 31, 1991, pursuant to an Ordinance dated December 19, 1991, the City abolished the District and assumed all of its assets and obligations effective January 1, 1992. This action was taken to facilitate the subsequent consolidation of all water related agencies to create the System.

The water reuse system has the authority to contract to acquire and to sell non-potable water outside the water and wastewater system boundaries, which enables the City to operate this water reuse system on a regional basis. Currently, the water reuse system serves the City's electric and gas system, City Public Service. The City is in the process of finalizing negotiations with the City's municipal golf courses and is engaged in ongoing discussions with other potential customers.

Because it owns the treated effluent of the City's existing wastewater treatment plants, the water reuse system is in an excellent position to act as a clearinghouse for collecting and distributing treated wastewater effluent for non-potable purposes.

Financial Operations:

Total operating revenues of the System for FY 95 were $170.6 million comprised mainly of $67.5 million in water and $86.1 million in wastewater revenues. During FY 95 rates were changed providing additional revenue and providing for a conservation program. The conservation portion of the new rate structure yielded an additional $4.9 million of revenues which is to be dedicated solely to conservation programs and incentives. Total operating revenues exceeded budgetary estimates by less than 1%. Only chilled water and steam revenue was less than budget as expected fuel and electricity costs were lower than predicted. These costs are included as pass through charges to the customer.

Expenses to maintain and operate the System and the storm water program totaled $81.2 million for FY 95, an increase of $4.4 million compared to the prior year. The addition of various functions including expansion of the urban planning and water resources functions as well as the conservation programs caused an increase in expenses of FY 95. Operating income increased 12.4% in FY 95, over the prior year, to $49.2 million. However, as a result of a one-time write-off of costs related to the Applewhite Reservoir Project (the "Project") in the amount of $15.2 million, net income was $741,533. This action followed the electorates vote to terminate the construction of the Applewhite Reservoir. As a result of the referendum, the City Council adopted an ordinance calling for the cancellation of the Project that was to be a surface water reservoir on the Medina River.

The following schedule sets forth Net Revenues for the fiscal years ended May 31, 1993, 1994 and 1995. Net Revenues as defined in the Ordinance are Gross Revenues after deducting Maintenance and Operating Expenses.

Net Revenues Available For Debt Service for the Fiscal Years ending May 31

	1995	1994	1993
Operating Revenues	$170,602,245	$159,164,129	$143,355,352
Non-operating Revenues	8,774,340	5,010,839	6,682,338
Gross Revenues	179,376,585	164,174,968	150,037,690
Operating Expenses Before Depreciation	(81,218,505)	(76,788,175)	(78,135,063)
Net Revenues Available for Debt Service	98,158,080	87,386,793	71,902,627
Debt Service Coverage Ratio for the Maximum Annual Principal and Interest Requirements on Outstanding Revenue Bonds	1.62X	1.48X	1.28X

AIRPORT SYSTEM

The City's "Airport System" consists of two airports, San Antonio International and Stinson Field. Administration of both airports is under the City's Department of Aviation.

San Antonio International Airport is located eight miles north of downtown, occupies approximately 2,600 acres of land and is located adjacent to the Loop 410 freeway and U.S. Highway 281. The International Airport consists of three runways with the longest runway measuring 8,502 feet and is able to accommodate the largest commercial passenger aircraft. Operating with two terminals and twenty-seven gates, the airport receives regular scheduled service from American, AirTran, Atlantic Southeast, Continental, Delta, Southwest, United, Northwest, United, TWA, U.S. Air, Conquest, Aeromar, Aerolitoral Airlines and Mexicana. Additionally, the International Airport and Stinson Field accommodate approximately 245 commercial businesses which lease facilities, including eight car rental agencies which have concession contracts with the Airport.

Stinson Field was named for the Stinson family, aviation pioneers, and is one of the oldest airfields in the United States. Stinson Field is an airfield used primarily by private fixed base operators.

A summary of the Airport operations is presented in the Table below for fiscal years ending 1990 through 1994.

Airport Operating Statement

	Fiscal Year Ended September 30				
	1994	1993	1992	1991	1990
Revenues[1]	$30,788,419	$30,701,165	$29,382,063	$29,747,129	$29,404,196
Expenses[2]	16,777,624	14,899,768	14,469,998	13,363,154	12,819,882
Net Operating Income	$14,010,795	$15,801,397	$14,912,065	$16,383,975	$16,584,314

Source: City of San Antonio Department of Finance

[1] Revenues consist of operating revenue plus non-operating revenues (excluding gain on disposal of fixed assets and interest income in the Construction Fund).

[2] Expenses consist of operating expenses plus nonoperating expenses (excluding depreciation, loss on disposal of fixed assets and interest and debt expense).

Total domestic and international enplaned passengers for the years 1989 through October, 1995 are shown in the Table below:

Domestic and International Enplaned Passengers

Year	Total	Increase/ Decrease	Percent Change
1989	2,603,739	---	---
1990	2,711,014	107,275	4.12%
1991	2,606,403	(104,611)	(3.86%)
1992	2,751,043	144,640	5.55%
1993	2,860,225	109,182	3.97%
1994	3,064,768	204,543	7.15%
1995[1]	2,549,780	N/A	N/A

[1] Figures are through October of calendar year 1995.

Source: City of San Antonio Department of Aviation

Enplaned/deplaned international passengers for the years 1989 through October, 1995 are shown in the Table below:

Enplaned/Deplaned International Passengers

Year	Total	Increase/ Decrease	Percent Change
1989	184,523	---	---
1990	187,979	3,456	1.87%
1991	175,155	(12,824)	(6.82%)
1992	232,827	57,672	32.93%
1993	253,321	20,494	8.80%
1994	238,957	(14,364)	(5.67%)
1995	119,037	N/A	N/A

[1] Figures are through October of calendar year 1995.

Source: City of San Antonio Department of Aviation

Total air carrier landing weight for the years 1989 through October, 1995 are presented in the Table below:

Air Carrier Landing Weight
(1,000 Pounds)

Year	Total	Increase/ Decrease	Percent Change
1989	5,143,449	---	---
1990	5,488,354	344,905	6.71%
1991	5,258,768	(229,586)	(4.18%)
1992	5,115,041	(143,727)	(2.73%)
1993	5,271,426	156,385	3.06%
1994	5,653,573	382,147	7.25%
1995[1]	4,389,025	N/A	N/A

[1] Figures are through October of calendar year 1995

Source: City of San Antonio Department of Aviation

The City has covenanted to levy a maintenance tax if necessary to provide for the operation and maintenance expenses of the Airport System. The amount of such tax is limited to 5¢ per $100 of assessed valuation of the taxable property in the City. Such tax is irrevocably pledged to the operation and maintenance of the Airport System. To date, no such tax has been levied by the City for the Airport System.

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APPENDIX B

Selected Definitions

APPENDIX B

SELECTED DEFINITIONS

"Additional Bonds" means the additional parity hotel occupancy tax revenue bonds which the City reserves the right to issue in the future pursuant to the Ordinance.

"Bond Act" means Article 1269j-4.1, Vernon's Texas Civil Statutes, as amended.

"Bond Insurance Policy" means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Series 1996 Bonds.

"Bond Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

"Bond Year" means the period of time that commences on the day following the interest payment date on the Bonds occurring on August 15 of any year and ending on the interest payment date on the Bonds occurring on August 15 of the following year.

"Bondholder", "Owner" or "Registered Owner" means the person or entity shown on the registration books maintained by the Paying Agent/Registrar, (or beneficial holder of Bonds in the event that all or a part of the issue is registered in the names of any securities depository institution).

"Business Day" means a day on which a Paying Agent/Registrar for the Bonds is not authorized by law to close.

"Bonds" means collectively the Series 1996 Bonds and any Additional Bonds, and "Bond" means any of the Bonds.

"Capital Appreciation Bonds" means the Series 1996 Bonds, on which no interest is paid prior to maturity, maturing on August 15, 2011 through August 15, 2017, inclusive, in the aggregate original principal amount of $23,562,480.60.

"Compounded Amount" means, with respect to a Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof plus all interest compounded to the particular date of calculation, as determined in accordance with the Ordinance and the schedule attached to the Ordinance as Exhibit A.

"Convention Center" means the City's Henry B. Gonzalez convention center facility and related improvements as now existing, the Expansion Project and any future expansions thereto and related facilities.

"Current Interest Bonds" means the Series 1996 Bonds maturing on August 15 in each of the years 2000 through 2010 and 2019 and 2026 inclusive, in the aggregate principal amount of $158,450,000.00

"Debt Service Requirements" means, for any particular Fiscal Year or any particular principal an amount equal to the sum of the principal of and interest and any redemption premium on the Bonds then Outstanding which will become due and payable during such Fiscal Year or such principal or interest payment date, as the case may be.

"Debt Service Reserve Fund Surety Bond" means any surety bond, insurance policy, letter of credit, or other guaranty issued to the City for the benefit of the Bondholders to satisfy any part of the Reserve Fund Requirement as provided in the Ordinance, including a credit instrument issued by the Bond Insurer.

"Eligible Central Municipality" means a city as described in Section 351.001(8) of the Hotel Occupancy Tax Act.

"Expansion Hotel Occupancy Tax" means the Hotel Occupancy Tax imposed by the City pursuant to Section 351.1065 of the Hotel Occupancy Tax Act, consisting of 2% more than 7% of the cost of a room and which may be pledged to payment of the Bonds pursuant to Section 351.1065(a)(2) of the Hotel Occupancy Tax Act less any discount for early payment and plus all penalties and interest on delinquent payments in amounts determined by the City Council.

"Expansion Project" means the expansion of the Convention Center financed with the proceeds of the Bonds including additional space of approximately 786,975 square feet, renovation of approximately 377,800 square feet of space, renovation of the Mexican Cultural Institute, and construction of a plant to provide chilled water to the Convention Center, all as contemplated by the Plan.

"General Hotel Occupancy Tax" means the Hotel Occupancy Tax imposed by the City pursuant to the Hotel Occupancy Tax Act, not to exceed 7% of the price paid for a room in a hotel, or such additional amount permitted by applicable law, but in no event may the General Hotel Occupancy Tax include the Expansion Hotel Occupancy Tax less any discount for early payment and plus all penalties and interest on delinquent payments in amounts determined by the City Council.

"Hotel Occupancy Tax" means the municipal hotel occupancy tax permitted to be imposed by the City pursuant to the Hotel Occupancy Tax Act and currently levied at 9% effective January 1, 1994 by Ordinance Number 78834 adopted by the City Council on September 30, 1993.

"Hotel Occupancy Tax Act" means Chapter 351 of the Texas Tax Code, Vernon's Texas Codes Annotated, as amended.

"Issuance Date" means April 10, 1996, or such other date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment thereof.

"Outstanding" means, when used with reference to any Bonds, as of a particular date, all Bonds theretofore and thereupon delivered except: (i) any such Bond paid, discharged or canceled by or on behalf of the City at or before said date; (ii) any such Bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (iii) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the ordinance authorizing the issuance of such Bonds.

"Outstanding Obligations" means the "City of San Antonio, Texas, Taxable Combination Tax and Municipal Hotel Occupancy, Tax Occupancy, Tax Revenue Certificates of Obligation, Series 1988" outstanding in the principal amount of $3,025,000.

"Permitted Investments" means, to the extent permitted by Texas law:

(i) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(ii) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on this portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association (FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financing of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; and Resolution Funding Corporation securities.

(iii) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured, and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision, or agency whose unsecured, uninsured, and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

(iv) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-l" by Moody's and "A-l" or better by S&P;

(v) Federal funds, unsecured certificates of deposit, time deposits, or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit, or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-l" by Moody's and a "Short-Term CD" rating of "A-" or better by S&P;

(vi) Deposits of any bank or savings and loan association which has combined capital, surplus, and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(vii) Investments in money-market funds rated "AAAM" or "AAAm-G" by S&P;

(viii) Repurchase agreements collateralized by Direct Obligations, GNMAS, FNMAs, or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed obligation rated "P-1" or "A3" or better by Moody's, and "A-l" or "A-" or better by S&P, provided:

A. a master repurchase agreement or specific written repurchase agreement governs the transaction; and

B. the securities are held free and clear of any lien by an independent third party acting solely as agent ("Agent") for the City, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than $50 million, or (iii) a bank approved in writing for such purpose by the Bond Insurer, and the City shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the City; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the City; and

D. the repurchase agreement has a term of 180 days or less, and the City or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

E. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(ix) Investment agreements, the issuer, form, and substance of which are specifically approved by the Bond Insurer.

"Pledged General Hotel Occupancy Tax" means that portion of the General Hotel Occupancy Tax which may be allocated pursuant to Section 351.103(b) of the Hotel Occupancy Tax Act for purposes described in Section 351.101(a)(1), of the Hotel Occupancy Tax Act, and which may not exceed 75% of the General Hotel Occupancy Tax (or 5.25%) and which may be pledged to the payment of the Bonds pursuant to Section 351.102 of the Hotel Occupancy Tax Act; provided, however, that the Pledged General Hotel Occupancy Tax may not exceed 5.25% unless applicable law is changed and a specific ordinance of the City Council increasing the Pledged General Hotel Occupancy Tax is adopted.

"Pledged Revenues" means (i) the revenues from the Expansion Hotel Occupancy Tax, plus (ii) revenues from the Pledged General Hotel Occupancy Tax, plus (iii) earnings of the investment of the Expansion Hotel Occupancy Fund, the Debt Service Fund and the Debt Service Reserve Fund.

"Reimbursement Obligation" means any obligation entered into by the City in connection with any Subordinate Lien Obligation pursuant to which the City obligates itself to reimburse a bank, insurer, surety, or other entity for amounts paid or advanced by such party pursuant to a letter of credit, line of credit, standby bond purchase agreement, credit facility, liquidity facility, insurance policy, surety bond, or other similar credit agreement, guaranty, or liquidity agreement to secure any portion of principal of, interest on, or purchase price of any Subordinate Lien Obligations, or reserves in connection therewith, or otherwise relating to any Variable Rate Obligation. Reimbursement Obligations may be payable from and secured by a lien on Pledged Revenues which must be junior and subordinate to the lien securing the Bonds but may be on a parity with the lien on Pledged Revenues securing the Subordinate Lien Obligations.

"Reserve Fund Requirement" means the amount required to be maintained in the Debt Service Reserve Fund. Such amount shall be recomputed upon the issuance of each series of Additional Bonds to be the lesser of (i) 10% of the original principal amount of the Bonds or (ii) the maximum annual Debt Service Requirements scheduled to occur in the then-current and each future Fiscal Year for all Bonds then Outstanding, including any series of Additional Bonds then being issued or (iii) 125% of the average Debt Service Requirements scheduled to occur in the then-current and each future Fiscal Year for all Bonds then outstanding, including any series of Additional Bonds then being issued. Upon issuance of the Series 1996 bonds, the Reserve Fund Requirement shall initially be $16,999,830.00. Such amount shall be recomputed upon the issuance of each series of Additional Bonds. Any Variable Rate Obligations shall be assumed to bear interest at a tax-exempt municipal bond index rate available at the time of determining the Reserve Fund Requirement that is selected by the City which is acceptable to the Bond Insurer.

"Revenue Obligations" means any series of bonds, notes, or other obligations permitted to be issued by the City payable from and secured by a pledge of revenues from the operation of the Convention Center to the payment thereof.

"Security Register" means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

"Subordinate Lien Obligations" means each series of bonds, notes, or other obligations permitted to be issued by the City pursuant to the Ordinance as Subordinate Lien Obligations secured in whole or in part by liens on the Pledge Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Bonds and/or any Revenue Obligations.

"Transfer Date" means the last Business Day before the payment of principal or interest is due on the Bonds.

"Variable Rate Obligations" means any series of Subordinate Lien Obligations, (i) the payment of principal of which is either (A) payable on demand by or at the option of the holder at a time sooner than a date on which such principal is scheduled for payment or (B) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term through the issuance of additional Variable Rate Obligations pursuant to a commercial paper or other similar financing program and (ii) the purchase price, payment, or refinancing of which is additionally secured by a letter of credit, line of credit, standby purchase agreement, bond insurance, surety bond, or other credit or liquidity facility which does not impose a Reimbursement Obligation payable over a period shorter than three years.

APPENDIX C

The information contained in this Appendix consists of selected provisions of the City's Annual Financial Report for the fiscal year ended September 30, 1994, and is not intended to be a complete statement of the Issuer's financial condition. Reference is made to the comprehensive Annual Financial Report for further information.

CITY OF SAN ANTONIO

P. O. BOX 3966
SAN ANTONIO TEXAS 78283-3966

March 22, 1995

To The Honorable Mayor and City Council:

It is my esteemed honor to present to you, with enthusiasm and pride, the 1994 Comprehensive Annual Financial Report for the City of San Antonio, Texas (the "City") for the fiscal year ended September 30, 1994. Under the Mayor and City Council's leadership and direction in fiscal policy, management has continued to exercise sagacious fiscal care of the City's financial resources. As the complexities and sophistication in accounting, finance, investment practices, debt administration, and banking have evolved, and the external imposition of fiscal constraints and demands of the 1990's have been placed upon the City, management has met the challenge by applying a comprehensive analytical methodology to the strategic financial decision making process. The culmination of the efforts of the Mayor, Council and Management has put the City in sound financial position as is evidenced by **its excellent AA rating by all three rating agencies: Standard & Poor's Ratings Group; Moody's Investors Service; and Fitch Investors Service, Inc.**

This financial report is prepared by the City of San Antonio Finance Department, and audited by the joint venture of KPMG Peat Marwick LLP, Certified Public Accountants and Martinez, Mendoza & Company, P. C. Certified Public Accountants. The report presents the City's financial position, results of operations, and the liquidity of the various funds and account groups. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City of San Antonio Department of Finance staff. To the best of our knowledge, the enclosed data is accurate in all material aspects.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical.

- The Introductory section contains the transmittal letter, City of San Antonio organizational chart, and a list of principal officials.
- The Financial section includes the independent auditors' report, the general purpose financial statements, and the combining individual fund and account group financial statements.
- The last section, Statistical, consists of selected financial and demographic information presented on a multi-year basis.

In compliance with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-128, the City of San Antonio is required to obtain an annual single audit. The independent auditors' reports related specifically to the single audit are included in a separate document. Information related to the single

audit includes a schedule of federal financial assistance provided by all federal funding agencies, findings of non-compliance with applicable regulations, and recommendations for corrective action to be taken to achieve compliance in the future.

As previously mentioned, evolution of the accounting/financial arena places new and sophisticated demands upon the City. An example of this is the new reporting criteria for a financial reporting entity set forth under the Governmental Accounting Standards Board (GASB) Statement #14. The concept of this accounting statement is that elected officials are "accountable" to their constituents for their actions and as such the definition of the reporting entity is accordingly based on financial accountability. Reference is made to "Note 1. Summary of Significant Accounting Policies, A. Reporting Entity" and the following section for a more complete description of this reporting requirement. The requirements of GASB Statement #14 have been incorporated into this report.

THE REPORTING ENTITY AND CITY SERVICES

Reporting Entity

The City of San Antonio was incorporated in 1837 and chartered in 1951. It has a Council-Manager form of government with ten council members and a Mayor, each serving two year terms, limited to two concurrent terms. The City's geographic area covers 360 square miles and is located in South Central Texas 282 miles south of Dallas, 199 miles west of Houston, and 152 miles north of the U.S./Mexico border. It serves as the county seat for Bexar County. The City's population ranks it as the tenth largest city in the United States. The estimated population grew from 983,700 at September 30, 1993, to an estimated 1,042,900 at December 31, 1994. This represents a population growth of 59,200 or 6.01%.

Pursuant to revised reporting requirements promulgated by the Governmental Accounting Standards Board (GASB) Statement #14, "The Reporting Entity", additional entities previously excluded from the City's financial statements have been included as blended or discretely presented component units. Entities reported as blended component units include the following:

- City of San Antonio Health Facilities Development Corporation (HFDC): The HFDC is governed by a board of directors which is comprised of the City Council of the City of San Antonio. This entity which was previously excluded from the City's financial statements is reported as a blended Governmental Fund (Special Revenue Fund).
- City of San Antonio Industrial Development Authority (IDA): The IDA is governed by a board of directors which is comprised of the City Council of the City of San Antonio. This entity which was previously excluded from the City's financial statements is reported as a blended Governmental Fund (Special Revenue Fund).
- San Antonio Fire and Police Pension Fund (Pension Fund): The Pension Fund is administered by a nine member board of trustees which includes three City Council Members. This entity has previously been reported in the City's financial statements as a Fiduciary Fund (Trust Fund) and based on the criteria set forth in GASB Statement #14, continues to reported as such.

Entities previously excluded from the City's financial statements which, based on GASB Statement #14, now require discrete presentation include the following:

- San Antonio Development Agency (SADA): SADA is governed by a board which is comprised of nine members appointed by the City Council of the City of San Antonio. This entity is reported as a discretely presented component unit Governmental Fund.

THE REPORTING ENTITY AND CITY SERVICES (Continued)

Reporting Entity (Continued)

- City of San Antonio Higher Education Authority (CSAHEA): The CSAHEA is governed by an eleven member board which is appointed by the City Council of the City of San Antonio for two year terms. This entity is reported as a discretely presented component unit Governmental Fund.

- San Antonio Local Development Company, Inc. (SALDC): SALDC is a non-profit corporation organized under the laws of the State of Texas and under the auspices of the City. SALDC is governed by a thirty-three member board of trustees, appointed by the City Council of the City of San Antonio, and an eleven member board of directors appointed from the board of trustees. This entity is reported as a discretely presented component unit Proprietary Fund.

In addition, certain entities which were previously reported as City Proprietary Funds are now required to be discretely presented. These entities include the following municipally-owned systems which operate under quasi-independent boards of trustees and are managed independently:

- San Antonio Water System (SAWS): SAWS is governed by a seven member board of trustees which includes the mayor and four members appointed by the City Council of the City of San Antonio and two advisory members. This entity previously reported as a City enterprise fund is now required to be discretely presented as a component unit Proprietary Fund.

- City Public Service (CPS): CPS is governed by a five member board of trustees which includes the mayor of the City as an ex-officio member and four members appointed by the City Council of the City of San Antonio. This entity previously reported as a City enterprise fund is now required to be discretely presented as a component unit Proprietary Fund.

The City also maintains fiduciary relationships with various legally separate entities. In the application of the criteria set forth in GASB Statement #14, management determined that the inclusion of the entire Balance Sheet and Operating Statements of certain entities with a fiduciary relationship with the City would be misleading. Therefore, management has reported the portion of the Balance Sheets and Operating Statements of these entities specifically related to the fiduciary relationship. These entities include: Downtown Improvement District, Inc.; San Antonio Housing Trust Fund; San Antonio Parks and Recreation Athletic Fund, San Antonio Education Partnership, and the Bexar Metro 911 Network District. For additional detail on each of these entities, please refer to the Financial Section, Footnote No. 1, Section A entitled "Reporting Entity".

Services

As a municipal corporation, the City of San Antonio provides a vast array of public and economic development services. These services are funded from ad valorem, sales and hotel/motel tax receipts, grants, user fees, bond proceeds and other sources. Listed below is a brief description of the services provided by the City and City entities.

The City constituents are served by the City's on-going 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, is active in the promotion of convention and tourism and participating in economic development programs. These public services are financed primarily by tax revenues and are considered to be general government functions. Activity and balances related to these functions are presented in the City's governmental funds.

THE REPORTING ENTITY AND CITY SERVICES (Continued)

Services (Continued)

In addition to the previously mentioned services, the City provides services financed by user fees that are set at levels adequate to provide coverage for operating expenses and payment of outstanding debt. These services include airport operations, golf courses, parking facilities, and solid waste disposal. Activity and balances for these operations are presented in the Enterprise Funds.

City Public Service (CPS) is the City owned and operated electric and gas utility. The electric generating system consists of 15 generating units. The gas system includes 54.3 miles of 24 and 30-inch lines, 145 miles of steel mains, 120 regulator installations, and 3,888 miles of distribution mains. Operations and debt service requirements for capital improvements are paid from revenues charged to its residential and commercial customers. These activities are now discretely presented as a Component Unit Proprietary Fund.

San Antonio Water System (SAWS) provides water and wastewater services. This is the second year in which all of the City's water and wastewater related activities are reflected as a separate, consolidated entity, the San Antonio Water System. This consolidation enhances the City's ability to address all water related issues in a coordinated and unified manner. Operations and debt service requirements for capital improvements are paid from revenues charged to its residential and commercial customers. These activities are now discretely presented as a Component Unit Proprietary Fund.

Services utilized and provided between City agencies or departments, including insurance, automotive maintenance and data processing are charged on a cost reimbursement basis with balances presented in the Internal Service Funds.

SALDC administers programs that provide qualifying local businesses with loans under economic development programs administered by the Small Business Administration (SBA).

SADA is responsible for implementing the City's Urban Renewal Program and designates areas for urban renewal approved by City Council and the Housing & Urban Development Agency which administers the overall program. A majority of the financing is provided from the City in the form of pass-through grants.

CSAHEA was established in accordance with state law for the purpose of aiding non-profit institutions of higher education by providing educational and housing facilities. The corporation is authorized to issue revenue bonds for said purposes on behalf of CSAHEA, however, the bonds are not obligations of the City.

ECONOMIC OVERVIEW

The City's economic strength is enhanced by its favorable business environment and economic diversification which is represented by various industries, including domestic and international trade, convention and tourism, medicine and healthcare, government employment, agribusiness, manufacturing, financial, telecommunications, insurance, and mineral production. The City's proximity to Mexico provides favorable conditions for international business relations with Mexico. Support for these economic activities is demonstrated by the City's commitment to its on-going infrastructure improvements and development, its pro-business attitude, and an enthusiastic, dedicated work force.

ECONOMIC OVERVIEW (Continued)

Employment Sectors

San Antonio's employment sector (nonagricultural) distribution as of September 30, 1994, according to statistics maintained by the Texas Employment Commission was as follows:

Services	28.7%
Retail and Wholesale	24.7%
Government	21.8%
Manufacturing	8.1%
Finance, Real Estate, Insurance	7.1%
Construction	4.6%
Other	5.0%

The total number of nonagricultural jobs in September, 1994, was 595,000. This was 15,200, or 2.6%, more than the total for September, 1993. The largest employment sectors in San Antonio continue to be in services, trade, and government. These three industrial sectors account for 75% of the jobs in the area. Although the number employed in each sector increased in absolute terms, the largest percentage increases occurred in the finance, real estate and insurance sectors (4.71%) and in the construction sector (4.63%). San Antonio's government employment sector includes various military installations and facilities. Wilford Hall United States Air Force Hospital and the Kelly Air Force Base Machine Shop are two of the largest operations of their kind in the nation.

Business Climate and Outlook

San Antonio's quality of life attributes and business support continues to attract people and commercial activity to live, vacation and conduct their business in the City. The low cost of living, pro-business attitude, year-round favorable weather conditions, available labor supply, excellent institutions of higher education and geographic location are all favorable characteristics that attract business and commercial activity to San Antonio.

Commercial activity is further supported by the City, and the community as a whole, in continued, long-term infrastructure improvements and developments. The intersection of two major interstate highway systems, IH-10 and IH-35, serves as a major traffic thoroughfare to the east and west coasts as well as traffic from Mexico to Canada. This highway system serves to connect the Central and Southwestern United States and enables the City to serve as a major regional commercial distribution center for passenger travel and overland freight. IH-35 is the only North/South interstate highway system that directly connects the United States to Mexico between San Antonio and Nogales, Arizona. In addition to the highway system, the City is fully capable to support economic growth with electrical power and water. State-of-the-art financial and telecommunications systems in the City enable businesses to conduct commercial activity anywhere on earth.

The City's Department of Economic Development and the San Antonio Economic Development Foundation assist businesses and promote economic development and growth. The Department of Economic Development plans and implements the City's economic policies and programs while the San Antonio Economic Development Foundation, with the assistance of the City, markets the City to firms considering relocation to or the establishment of branch facilities in San Antonio. The efforts of the City and these two offices continue to attract major companies to the area. Among these companies are Cessna Aircraft Company, Sunshine Nut Company, QVC, Inc., and World Savings and Loan. It is estimated that positions filled and to be filled for these companies will add some 3,000 jobs to the local employment sector. QVC, Inc., the largest cable home shopping network in the United States, has entered the Mexican market and opened a 70,000 square-foot facility in San Antonio in 1992 and had employed 2,000 people as of November, 1994. World Savings and Loan is the third largest savings and loan in the United States with $34 billion in assets. It moved its accounting operations to San Antonio and created 580 positions as of

ECONOMIC OVERVIEW (Continued)

Business Climate and Outlook (Continued)

November, 1994. Other firms moving to San Antonio include United Parcel Service, which established its international customer service center here in October, 1994. That center will employ approximately 320 people and occupy a facility of approximately 50,000 square feet. Three food processing companies (with 330 projected employees), three financial services companies (with 405 projected employees), two clothing/textile companies (with 400 projected employees), two paging services companies (with 370 projected employees), four cargo/courier/aircraft repair services (with 279 projected employees), four equipment companies (with 36 projected employees) and three industrial companies (with 31 projected employees) are among other companies relocating to San Antonio.

During 1994, twenty-two firms announced plans to relocate to San Antonio, which would employ an estimated 2,171 people. At the end of the San Antonio Economic Development Foundation's fiscal year ending August 31, 1994, it was working with ninety-one additional prospects compared to eighty-four at the end of the previous year.

Infrastructure Development

Infrastructure, as referred to by the City, means those 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. The City, and the community as a whole, has recognized its obligation to address these infrastructure needs and provide the services required to maintain and continuously improve its citizens' living standards. The support of the citizenry is evidenced by the approval of bond issues in the metropolitan area to finance infrastructure improvements for education, street improvements, public safety, drainage, libraries, parks and quality-of-life projects such as the Alamodome. On May 7, 1994, the citizens of San Antonio once again showed their support to finance infrastructure projects with their approval of a $109.7 million bond election to provide funds for street and drainage improvements, parks and public safety. Listed below is a brief description of the basic infrastructure components provided by the City, as well as those infrastructure segments that provide amenities and enhance the Community's quality-of-life.

<u>Basic Infrastructure Components</u>

Education: There are sixteen independent school districts in Bexar County with 209 elementary schools, 62 middle schools and 37 high schools. In addition, San Antonio has over 100 private and parochial schools at all education levels. Excluding business and professional schools, education facilities include 14 colleges and universities.

Library Facilities: In 1989, the citizens of San Antonio voted to authorize the issuance of $46,455,000 in general improvement bonds for the construction of public library facilities. Construction of the new main library facility is scheduled to be completed in May, 1995. The new facility will encompass 240,000 square feet and will host a "state of the art" automated catalog system that will make access to information easier and more accessible to the general public. Other special features include an art gallery, various reading and study rooms, meeting rooms, and a general purpose auditorium which will accommodate up to 200 people. Public accessibility will be made easier with an attached parking garage for 400 vehicles.

Street/Highway System: San Antonio's highway system consists of 3,029 street miles. This highway system provides mobility to facilitate the movement of goods within and through the City. Numerous freeways radiate from the downtown business district which include IH-10, IH-35, IH-37, US-90, and US-281 connecting with Loops 410 and 1604. Recently completed or ongoing improvements include: the expansion of ten miles of downtown freeways from four to ten lanes; the widening of US-90 to eight and

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

ten lanes; and the construction of expansion of ten miles of downtown freeways from four to ten lanes, the widening of US-90 to eight and ten lanes; and the construction of the new five-level IH-10/Loop 410 interchange.

The Texas Department of Transportation has also announced plans to build a four level Loop 410/US-281 interchange. The Texas Department of Transportation's TransGuide or "smart highway" project is scheduled to go on line in 1995 in San Antonio. This traffic alert system utilizes high speed computer technology to help drivers evaluate traffic conditions in an effort to increase safety and reduce congestion. This traffic system contributes to the reduction of vehicular pollution through less congested and more efficient traffic flow.

Airport System: The San Antonio International Airport is located on approximately 2,600 acres of land adjacent to Loop 410, and 8 miles from downtown San Antonio. The international airport has two terminal buildings, 27 gates, 3,600 vehicular parking spaces and three runways. An average of 250 scheduled departures and arrivals serve major domestic and international airlines daily. In 1994, enplaned international passengers totaled 120,876 and total enplaned passengers totaled 3,064,768. Mail and freight shipments totaled 23,867,341 and 47,280,753 pounds respectively.

Electric System: The electric generating system operated by City Public Service (CPS) consists of 15 generating units including a 28% interest in the two South Texas nuclear electrical generating units. CPS maintains a transmission line network for the movement of large blocks of power from the generating stations to the various parts of the service area and to or from neighboring utilities as required. This network is composed of high voltage lines with transformers and switching stations to provide the necessary flexibility in the movement of bulk power. The system is integrated with approximately 80 other utilities, municipalities, and cooperatives to provide electrical reliability. The distribution system is supplied by 72 substations strategically located on the high voltage transmission system. There are over 7,318 miles of pole lines and over 744 miles of underground duct lines in the distribution system. The overhead lines also carry secondary circuits and street lighting circuits. Presently there are approximately 51,993 street lighting units in service.

Gas System: The gas system is also operated by City Public Service. CPS has firm gas supply and gas transmission contracts through July 1, 2002. CPS owns and operates 54.3 miles of 24 and 30-inch lines to form an outer loop supply line system between the two City Gage Stations. A network of approximately 145 miles of steel mains supply gas at various pressures to 120 regulator installations located at strategic points throughout the distribution system. The controlled supply line system feeds into the distribution system consisting of over 3,888 miles of mains, together with the necessary pressure control equipment, valves, gauges, service lines, service regulators and meters.

Waterworks System: The City acquired its waterworks system in 1925. Over the years it has evolved into a system that is now under the quasi-independent control of the San Antonio Water System and serves approximately 254,094 accounts. Water mains extend to over 3,647 miles throughout the 530 square mile service area of Bexar County. The City's water is obtained from wells drilled into the Edwards Limestone

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

Formation designated as the "Edwards Underground Water Reservoir". The aquifer and its catchment area covers approximately 8,000 square miles and includes all or parts of 13 counties in south-central Texas. The waterworks system's facilities consist of its production, storage, distribution, and support buildings and equipment. The waterworks system utilizes multiple service levels to maintain desired pressure throughout the service area. The system currently operates 86 wells ranging in depth from 600 feet to 1,800 feet with well capacities ranging from 2 to 28 million gallons per day. Recent average daily pumpage was 157 million gallons per day with a maximum hourly pumpage of 482.7 million gallons. In addition to the residential and commercial water infrastructure requirements, the City's waterworks system is equipped with 17,674 fire hydrants. These hydrants are well distributed throughout the system and are a major factor in the City enjoying one of the lowest fire insurance rates of any Texas municipality.

Wastewater System: The wastewater system currently serves the citizens of the City and some 20 entities outside the City's corporate limits covering an area of approximately 360 square miles with a total planning area of some 956 square miles. The City currently provides wastewater service in 654 square miles to a population of approximately 1.2 million people. The system serves over 270,624 retail customers. The system also provides 20 governmental and private entities with wholesale sanitary sewage transportation and treatment services.

Stormwater System: Historically, management of the City's stormwater drainage facilities and related functions have been the responsibility of the City's Public Works Department. On May 13, 1993, City Council approved ordinance No. 77949 which established management and administration responsibilities over the stormwater program with the San Antonio Water System. The stormwater system has extensive stormwater drainage facilities and includes a service area covering the entire area within the corporate limits of the City. Stormwater facilities, have been financed, in part, through the issuance of general obligation bonds. The stormwater system bills approximately 207,528 residential customers and 19,865 non-residential customers within the corporate limits of the city.

Water Reuse System: The Alamo Water Conservation and Reuse District was created in 1989 as a conservation and reclamation district to conserve, protect, distribute, and reuse wastewater in order to augment the supply of water in the Edwards Underground Aquifer region. On December 31, 1991, pursuant to an Ordinance dated December 19, 1991, the City abolished the district and assumed all of its assets and obligations effective January 1, 1992. This action was taken to facilitate the subsequent consolidation of all water related agencies to create the San Antonio Water System. The water reuse boundaries are the City's corporate limits and extraterritorial jurisdiction areas. The water reuse system does not provide water and sewer services to household users. Currently, City Public Service is the only customer for water reuse. Other potential users are the municipal golf courses.

Public Safety: Public safety has always been at the forefront of the City's attention in its endeavor to provide police, fire and emergency medical facilities for its citizens. In accordance with the citizen's approval, the City sold general improvement bonds on December 8, 1994, which included $3,500,000 specifically authorized and dedicated to constructing and equipping a new police substation and other public safety improvements. This is a part of the City's on-going public safety improvements. In addition the City has undertaken the construction of a Public Safety Technology Center/Central Police Substation

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

which will serve as; (1) an inner city main police substation and headquarters for specialized police units, and (2) a technology center with computerized equipment serving as the networking hub of all City computerized resources.

Parks and Recreation: On May 7, 1994, the public voted on four public improvement propositions which included $41,600,000 in general improvement bonds for the acquisition, construction and improvement of the City's parks. The first installment of $3,965,000 in general obligation bonds of this authorization was sold on December 8, 1994. The City has recognized the importance of "green space" provided by parks and has taken action to provide such space with the approval of its citizens.

Medicine and Healthcare: The City is actively involved with promotion of the healthcare infrastructure, and is supportive of private and non-profit healthcare providers and recognizes the significance of healthcare's effect on the metropolitan areas productivity level. Major medical facilities located in San Antonio, include The University of Texas Health Science Center at San Antonio, Wilford Hall United States Air Force Medical Center, and Brooke Army Medical Center which is a world renowned burn center. Other major medical facilities are the South Texas Medical Center in San Antonio which includes 33 hospitals, employs an estimated 23,600 people with an additional 9,900 volunteers plus 6,100 students and had a projected 1994 payroll, operations and research budget of $1.42 billion. The Center treated over 100,000 admitted patients and approximately 1.6 million out-patients from across Texas, the southwest and Mexico.

Telecommunications: The City is not directly involved with the telecommunications industry, however, it is supportive of and recognizes the importance of global communications capability. During 1994 Southwestern Bell Telephone moved their headquarters operation to San Antonio to better serve their communications network and take advantage of the City's proximity to Mexico.

The South Texas Regional Environmental Enterprise Zone (STREEZ): The disposal of solid waste is of major importance to the City. Currently, the City is evaluating landfill options and is in negotiations with nearby counties to develop a plan to dispose of solid waste. The purpose of the South Texas Regional Environmental Enterprise Zone is to provide the City landfill space and facilitate the development of the latest landfill technology such as shredding, recycling processors, and examine the potential to convert waste into energy.

Supporting Infrastructure Components

Alamodome: The Alamodome is a multi-purpose sports, entertainment and convention facility which opened in May, 1993. The Alamodome has enhanced San Antonio's ability to attract major public, sporting and entertainment events, such as the Chavez-Whitaker Fight and the 1993 U.S. Olympic Festival. The Olympic Festival held in San Antonio had one of the highest attendance records of any U.S. Olympic Festival in history. It also enables the City to accommodate headline entertainers such as George Strait, Paul McCartney, Rod Stewart, Pink Floyd, Billy Joel and Elton John, and the Rolling Stones' Voodoo Lounge Tour which have performed in the Alamodome since it opened. Major scheduled sporting events include the 1996 National Basketball Association's All Star Weekend and the 1998 NCAA Final Four basketball tournament.

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Supporting Infrastructure Components (Continued)

Convention Center Expansion: In 1990, the City commissioned Arthur Andersen & Co. to complete a convention center expansion feasibility analysis. The study concluded that the convention market in the City and nationally was robust and expanding. The study further concluded that..."historic market trends, current market conditions, and the ability of the City to attract future tourism and convention business warrant expansion of the HBG Center" (Henry B. Gonzalez Convention Center). In 1994, the City enlisted the services of the Urban Land Institute to, among other things, reexamine the necessity for the City to undertake a convention center expansion program and to suggest alternative expansion options. This study was completed in the Fall of 1994 and it was recommended that the City commence with the construction of additional new and contiguous convention center facilities as well as renovate existing facilities. The construction will be done in phases, commencing with site preparation and construction of the International Center in 1995. New construction, which will expand existing convention center facilities is to begin in the Summer of 1996. Scheduled completion of the new construction is projected to be December, 1998. It is anticipated that renovation of the existing facilities will commence in 1999. The total project is scheduled for completion by the year 2001. The phased-in construction is designed to minimize the disruption of current and projected convention center bookings and activities. While the scope of the project has been generally defined, the total financing costs and related financial impact of the convention center expansion has not yet been determined.

Minor League Baseball Stadium: The City's new baseball stadium opened in April, 1994, with a seating capacity of 6,500 which can be expanded to over 12,000 with the addition of temporary bleachers. The stadium has a multi-purpose design which allows it to be utilized for such diverse uses as professional AA baseball games; boxing matches; high school, college and amateur sporting events; and concerts. During its first year of operation, attendance at the San Antonio Missions' games, the City's AA professional baseball team, totaled 411,959, which broke the previous Texas League attendance record of 404,851 set by Dallas in 1949.

Other Amenities: The City supports and promotes various other tourism and quality-of-life amenities. These amenities include the preservation of the Alamo, San Antonio Symphony, zoo, arts and cultural entertainment, museums, as well as private enterprises such as Sea World of Texas and Fiesta Texas. Also, the City is the home for professional sports teams to include the National Basketball Association's San Antonio Spurs, a Canadian Football League team known as the San Antonio Texans (formerly the Sacramento Gold Miners), and a Continental Hockey League team called the Iguanas.

The culmination of the City's effort to improve its citizens' standard of living and support commercial activity has resulted in national recognition and receipt of various awards. In 1993, a comprehensive survey completed by "City and State" magazine evaluated the fiscal strength of cities in the United States and ranked San Antonio as the Number 1 financially managed city. Money Magazine's September 1993 issue ranked the City as the 35th best place to live among the top 300 metropolitan areas. The City has also been recognized for its revitalization and education efforts by the National Civic League's "All American City Award"; the Partners for Livable Places' "America's Most Livable Places Award," and the U.S. Conference of Mayors Award for the nation's most livable big city.

ECONOMIC OVERVIEW (Continued)

International Outlook

The City is actively involved in establishing international business relations San Antonio has established sister city relationships with cities in Mexico and Japan, currently has international trade offices in Monterey and Guadalajara, Mexico and will soon open a third office in Mexico City. In addition, various Mexican government offices and Chambers of Commerce have chosen San Antonio as their base for promoting trade with the United States and Mexico, as well as with Canada and Japan. There are 350 San Antonio companies that do business with Mexico, exporting $680 million in goods and services which supports 13,000 jobs. Thirty Mexican companies have established offices in San Antonio which employ 350 local citizens Mexican visitors number 1,200,000 per year spending approximately $534 million in the City.

Trade between the United States and Mexico is valued at $60 billion annually and is expected to double by the turn of the century. Over 50% of export and 35% of import goods pass through San Antonio, and it is expected to further increase since the passage and implementations of the North American Free Trade Agreement (NAFTA).

San Antonio will serve as the headquarters for the North American Development Bank (NADBank) which is a binational institution that resulted from the passage of the North American Free Trade Agreement. The NADBank is intended to help finance environmental infrastructure within a 100 kilometer region on both sides of the United States/Mexico border with 10% set aside to support community adjustment based on those areas that may be negatively impacted by NAFTA. The highest priority projects to be financed are water, wastewater and municipal solid waste These infrastructure projects must first be approved by the Border Environmental Cooperation Commission (BECC) that will ensure that projects financed by the NADBank meet the requirements of the legislation NADBank has a lending capacity of $2 billion in loans and guarantees with an upper limit of $3 billion. It is capitalized by $450 million in paid in capital equally supplied by the United States and Mexico and has callable capital of $2.55 billion.

MAJOR INITIATIVES

In 1992 and 1993, the City took advantage of favorable market interest rate conditions to advance refund a major portion of its outstanding debt. The purpose of the refundings was twofold: (1) realize an interest cost savings by refunding high interest rate bonds with low interest rate bonds, and (2) restructure the debt to achieve maximum savings in the years 1994 through 2002, sell new money bonds and minimize the impact on the taxes. The savings attributable to the refundings combined with the debt restructuring enabled the City to authorize and issue more debt to finance its capital improvement projects while satisfying the long-term objective of minimizing taxes. Pursuant to the six-year financing plan, the City sold bonds in December, 1994, for purposes to include making improvements to various drainage and flood control projects, constructing street improvements, acquiring and constructing park facilities and constructing and developing public safety improvements. The City is committed to the financing plan defined in the 1992 and 1993 refundings, and to date, projections show that the City is on course and within the financial parameters established by the six-year financing plan.

The adopted 1993-94 budget focused on a number of important goals that were established by the City Council during the 1993 Goals and Objectives Work Sessions First, the overall effect of the mandates and program improvements were to design the level of services to reflect the priorities established by City Council. Those priorities placed the highest emphasis on Youth, Public Safety and Infrastructure Secondly, it produced a budget that maintained the same ad valorem tax rate for fiscal year 1993-94 and decreased the ad valorem tax rate by $0.008 for fiscal year 1994-95. Finally the adopted budget established a sound financial base for the future and City staff is committed to utilizing creative and proactive management approaches and techniques in order to facilitate the provision of high quality programs and services for the citizens of San Antonio.

MAJOR INITIATIVES (Continued)

The 1994-95 General Fund budget of $397 million represents an increase of 9.8% over the prior year's budget. The adopted budget builds upon the recent positive economic trends while maintaining sound fiscal policies that have enabled the City to reach this point. The ad valorem property tax rate decreased from $0.59597 per $100 valuation to $0.58797 in response to increased City-wide base property values for tax year 1994. The ad valorem tax rate is calculated and allocated between maintenance and operations and debt service. The rate for maintenance and operations was computed at $0.36066 per $100 valuation, a decrease of $0.008 over last year. The Debt Service portion of the tax rate will remain the same as last year at the rate of $0.22731.

Consistent with the City's long-term projections for infrastructure improvements the City submitted a $109.7 million bond financing package to the voters for their approval on May 7, 1994. The electorate approved the bonds which will be utilized as follows: $25.6 million for street improvements, $34.4 million for construction of drainage facilities, $41.6 million for the construction of park improvements, and $8.1 million for public safety. The total amount of authorized but unissued bonds is $137,295,000. The City's long-term capital improvement program calls for the issuance of these bonds in annual installments through 1999.

Other initiatives that have been instituted to maintain goals set by the City Council for the budget year 1994-95 are creating an International Affairs Department and a Human Resources Department. The International Affairs Department will be created by consolidating the international functions currently under the Economic Development Department with the International Relations Office. The new Department will have responsibility for all aspects of the City's international program including international economic development, operation of the CASA San Antonio program, implementing Sister City programs and coordinating international protocol activities.

The new Human Resources Department will assume the budgets and personnel of the Recruitment and Support, Employee Services and Compensation Divisions currently operating in the Management Services Department. In addition, the Employee Benefits Division of the Finance Department will become a unit of the new Human Resources Department. The separate and consolidated function will allow for focused attention during this critical period of continued expansion of services such as testing, training and proactive recruitment/retention efforts. In addition, a comprehensive compensation program can be more effectively developed and implemented with enhanced coordination between the personnel and employee benefits functions.

FINANCIAL INFORMATION

Management of the City of San Antonio is responsible for the operation and maintenance of an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformance with generally accepted accounting principles. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and sound judgment by management.

Budgetary Controls

Budgetary compliance is a significant tool for managing and controlling governmental activities. Therefore, conformance with budgetary limits and specifications maintained by the City is critical. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council Activities of the General Fund and the Special Revenue Funds, excluding the Home Program Fund, Categorical Grants-in-Aid, Community Development Block Grant Program Funds, San Antonio Industrial Development Authority, the San Antonio Health Facilities Development Corporation, and the Governmental Component Units discretely presented are included in the annual appropriated budget. Project-length

FINANCIAL INFORMATION (Continued)

Budgetary Controls (Continued)

financial plans are adopted for the Capital Projects Funds. Levels of budgetary control, that is, the levels at which expenditures cannot legally exceed appropriated amounts, are established by function and activity within individual funds. The City utilizes an encumbrance system of accounting as one mechanism for accomplishing effective budgetary control. Encumbered amounts lapse at year end; however, encumbrances generally are appropriated as part of the following year's budget. Budgetary control for debt service purposes is exercised through the covenants prescribed in the bond indentures, and the limitations on debt are promulgated by State law and the City Charter.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As in the financial section, all amounts presented in the remainder of this letter are expressed in thousands, except where noted.

Funds and Accounting Overview

GENERAL GOVERNMENT FUNCTIONS

Activities of the Primary Government's General Fund, Special Revenue Funds, and Debt Service Funds are considered general government functions. The General Fund is the City's general operating fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted as to expenditure. The Debt Service Funds are used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations.

The following schedule presents a summary of General Fund, Special Revenue Funds, and Debt Service Fund revenues for the fiscal year ended September 30, 1994, and the amount and percentage of increase and decrease as compared to the prior year.

Revenues and Other Financing Sources	Amount	Percent of Total	Increase (Decrease) from 1993	Percent of Increase (Decrease)
Taxes	$ 269,725	38.38%	$ 19,631	7.85%
Licenses and Permits	7,646	1.09	1,298	20.45
Intergovernmental	130,774	18.61	3,885	3.06
Revenues from Utilities	131,039	18.64	3,218	2.52
Charges for Services	30,306	4.31	5,043	19.96
Fines and Forfeits	6,668	.95	(11)	(.16)
Miscellaneous	18,306	2.60	(3,239)	(15.03)
In-Kind Contribution	10,580	1.51	4,345	69.69
Proceeds of Certificates, G.O.'s and Refunding Bonds	0	0.00	(101,366)	(100.00)
Transfers-In	97,763	13.91	17,481	21.77
Totals	$ 702,807	100.00%	$ (49,715)	

The revenue increase of $19,631 from taxes was due to (1) increases in sales taxes and business and franchise taxes, (2) the imposition of an additional 2% Hotel/Motel occupancy tax effective in January, 1994, to be used for the construction and expansion of convention center facilities, and (3) an increase in ad valorem tax collections as a

FINANCIAL INFORMATION (Continued)

Funds and Accounting Overview (Continued)

GENERAL GOVERNMENT FUNCTIONS (Continued)

result of increased property valuation, new construction and annexation. Sales tax revenue increased by $10,012, or 12.16%. Business and franchise taxes increased by $1,005, or 8.38 %. The additional 2% Hotel/Motel occupancy tax generated $5,063 for the nine months it was in effect. Property tax revenues increased by $2,856 while the ad valorem tax rate remained the same. In-Kind contributions increased by $4,345 which is attributable to increases in Federal and State Agency Projects funded by the Texas Education Agency totaling $1,089 and the Texas Department of Transportation totaling $2,441.

The increase in Transfers-In is primarily attributed to increased activity of $3,819 in the Alamodome soil remediation fund, which is being funded from various sources, and increases in Categorical Grants totaling $8,050 of which $4,655 was due to an increased contribution to the multi agency funded project (projects funded by federal, state and local monies along with bond money), entitled the Huebner Road Reconstruction Project.

The above average increase in licenses and permits occurred primarily because of the extraordinarily high building activity during the year. Revenue from building permits increased by $1,215, or 32.72. The above average increase in charges for services occurred primarily because (1) the Alamodome operating activity was accounted for as a special revenue fund for the last four months of the fiscal year and (2) the new baseball stadium provided a new source of revenue. Those two activities added $1,513 and $419, respectively.

Revenue in the Capital Projects Fund decreased from the prior year with no debt being issued by the City in fiscal year 1994. However, the City continued with its on-going capital improvement program with $66,271 of capital project expenditures which were financed from existing proceeds and transfers from other funds.

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FINANCIAL INFORMATION (Continued)

Funds and Accounting Overview (Continued)

GENERAL GOVERNMENT FUNCTIONS (Continued)

The following schedule presents a summary of the Primary Governments' General Fund, Special Revenue Funds, and Debt Service Fund expenditures for the fiscal year ended September 30, 1994, and the amounts and percentage of increases and decreases compared to the prior year.

Expenditures and Other Uses	Amount	Percent of Total	Increase (Decrease) from 1993	Percent of Increase (Decrease)
General Government	$ 39,567	5.61%	$ 6,026	17.97%
Public Safety	212,671	30.13	10,728	5.31
Streets and Roadways	51,692	7.32	4,410	9.33
Health Services	46,073	6.53	4,371	10.48
Sanitation	2,573	.36	96	3.88
Welfare	62,555	8.86	10,735	20.72
Culture and Recreation	38,591	5.47	3,056	8.60
Convention and Tourism	23,226	3.29	3,240	16.21
Conservation	22	0.00	(86)	(79.63)
Urban Redevelopment and Housing	7,126	1.01	2,251	46.17
Economic Development and Opportunity	24,543	3.48	(9,142)	(27.14)
Principal Retirement	59,865	8.48	44,305	*
Interest	39,750	5.63	(1,248)	(3.04)
Issue Costs	188	.03	(313)	(62.48)
Payment to Refunded Bond Escrow Agent	0	0.00	(99,710)	(100.00)
Transfers-Out	97,391	13.80	14,423	17.38
Total	$ 705,833	100.00%	$ (6,858)	

* Percentage change is greater than 100%

The total fund balance of the General Fund at year end was $57,796 an increase of $16,122 over the total fund balance at the close of fiscal year 1993. The undesignated fund balance at the close of the year was $49,932, an increase of $13,302 over last year's undesignated balance. This undesignated fund balance represents additional funds available for appropriations.

PROPRIETARY OPERATIONS

Enterprise Funds:

The Primary Government began the fiscal year with five separate and distinct enterprise activities: Airport System, Parking Facilities, Golf Course System, Solid Waste System, and the Alamodome System. During the year, Alamodome Operations were transferred to a Special Revenue Fund.

Airport System: The Airport System consists of San Antonio International and Stinson Municipal Airports. San Antonio International Airport was opened in 1942 and occupies approximately 2,600 acres of land and is served by

FINANCIAL INFORMATION (Continued)

PROPRIETARY OPERATIONS (Continued)

Enterprise Funds (Continued):

Aero Litrol, Aero Mar, American, Atlantic SE, Conquest, Continental, Delta, Mexicana, Southwest, TWA, United, US Air, and Northwest Airlines. Stinson is one of the oldest airfields in the United States and is operated as a general aviation facility. The City is currently evaluating a proposal to upgrade the facilities at Stinson. These improvements will better enable Stinson to serve as a "reliever" airport for San Antonio International Airport.

Retained Earnings as of September 30, 1994, totaled $62,744 of which $4,989 was unreserved, with the balance reserved for the protection of the bondholders, and for capital improvements and fixed assets. The current status of the Airport System is consistent with the master plan adopted to meet projected growth in passenger and aircraft traffic through 2010.

Parking Facility: The City's Parking Operation includes four parking facilities, eight parking lot areas, and approximately 9,000 parking meters. It also includes over 60,000 square feet of retail/office space. Retained earnings at year end totaled $1,782 of which $990 was unreserved. An additional parking garage to serve the patrons of the new downtown library is scheduled to be completed in the spring of 1995.

Golf Course System: The Golf Course System was established in the enterprise group of funds on a self-supporting basis and includes six 18-hole golf courses, two, par 3 nine-hole golf courses, and four driving and practice ranges. Two of the six 18-hole municipal golf courses became operational in the fourth quarter of 1989. Retained earnings on September 30, 1994, totaled $340 of which $128 was unreserved.

Solid Waste System: The Solid Waste System was transferred to the enterprise group of funds and established on a self-supporting basis in 1988. Revenues are sufficient to cover maintenance and operating costs and to pay principal and interest on borrowed funds. Currently, a five year plan to mechanize the residential garbage collection function is being implemented which should result in reduced operating costs for the system. Retained earnings on September 30, 1994, totaled $8,026 of which $7,606 was unreserved.

Alamodome System: The Alamodome is a 65,000 seat multi-purpose domed facility situated on 57.4 acres adjacent to downtown. This state-of-the-art facility opened on May 15, 1993. It is equipped with a retractable seating system that can be re-configured to accommodate groups from 16,000 to 73,000. An enterprise fund was established on October 1, 1992, to account for its operations. It continued to operate as an enterprise fund until June, 1994. Title of the facility was transferred from VIA Metropolitan Transit Authority in June, 1994, and management at that time determined that the facility had changed from operating for profit to operating for governmental purposes for the betterment of all citizens. The transfer was effectuated June 6, 1994, with a Residual Equity Transfer Out of the Enterprise Fund and Residual Equity Transfers In to a newly created Special Revenue Fund and the General Fixed Assets Account Group.

Discretely Presented Proprietary Component Units: The City Public Service (gas and electric utility), the San Antonio Water System (established on May 18, 1992 to consolidate the City's water related agencies), and the San Antonio Local Development Company, Inc. are municipally-owned systems which operate under quasi-independent boards of trustees and are managed independently. Based on the criteria set forth in GASB Statement #14, management has determined that these entities are required to be discretely presented with the City's financial statements.

FINANCIAL INFORMATION (Continued)

PROPRIETARY OPERATIONS (Continued)

Enterprise Funds (Continued):

SALDC in previous years was excluded from the City's financial statements while both City Public Service and the San Antonio Water System were presented as City Enterprise Funds. In conformity with GASB Statement #14, these entities are now reported as discretely presented component unit Proprietary Funds.

Internal Service Funds: The Internal Service Funds are established to account for goods or services provided by a centralized department or agency to other departments or agencies of the City, on a cost reimbursement basis. The City's Internal Service Funds are divided into three sections: Other Internal Services, Information Services, and the Self-Insurance Programs.

Other Internal Services: The Other Internal Service Funds includes Central Stores, Motor Pool, Communication Service, and Automotive Repair.

Information Services: The Information Service Fund provides data processing, programming, and related computer services to other City departments.

Self-Insurance Programs: The Self-Insurance Programs include funds used to account for the administration of all tort claims against the City, and for the operation of the City's employee benefit programs. Included in the Self-Insurance Programs are the Insurance Reserve Program, the Employee Benefits Program, Workers' Compensation Program, Unemployment Compensation Program, Extended Sick Leave Program, Employee Wellness Program, and Fire and Police Pre-Funded Health Program.

FIDUCIARY FUNDS

Fiduciary Funds consist of trust and agency funds. Trust funds are used to account for assets held by the City in the capacity of trustee; agency funds are used to account for assets held by the City in an agency relationship with individuals, private organizations, other government and/or funds. Included in this section of the report are the three Deferred Compensation Plans of the City: (1) International City Management Association Retirement Corporation, (2) United States Conference of Mayors Deferred Compensation Program, and (3) City of San Antonio Deferred Compensation Program, along with the Firemen and Policemen's Pension Trust Fund.

The Firemen and Policemen's Pension Trust Fund is used to account for resources of the pension fund established for the City's firemen and policemen, as provided for under state law. Resources are contributed by fire and police employees and the City at rates fixed by state law. In fiscal year 1994, fire and police employees contributed 11.16% of covered payroll while the City contributed 22.32% of covered payroll.

An actuarial study of the funds for the period ending September 30, 1994, determined that the Pension Benefit Obligation, a standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits estimated to be payable in the future as a result of employee service to date, was $758,728 and net assets available for benefits were $507,885.

GENERAL FIXED ASSETS ACCOUNT GROUP

The City accounts for all its fixed assets in this section with the exception of fixed assets accounted for in the Proprietary Funds and Pension Trust Fund. The City also maintains a personal property accountability system

FINANCIAL INFORMATION (Continued)

GENERAL FIXED ASSETS ACCOUNT GROUP (Continued)

General Fixed Assets amounted to $1,545,514 at year end compared to $1,310,372 at the beginning of the year, a net increase of $235,142.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The City accounts for all long-term liabilities expected to be financed from governmental funds in this account group. Long-term debt of governmental funds decreased by $57,877 from $841,908 in fiscal year 1993 to $784,031 in fiscal year 1994.

Fiscal Management and Administrative Topics

Texas Municipal Retirement System

The City is a member of the Texas Municipal Retirement System (TMRS), which administers the City's retirement benefits program for its civilian employees. Contributions to the system are actuarially determined. The required contribution from all City employees was increased to 6% effective July, 1988 while the City matches at a rate of 8.8%. Both the City and covered employees made the required contributions of $9,710 and $6,685, respectively, on the City's fiscal year basis ($8,924 and $6,293 respectively, on the basis of TMRS' fiscal year).

Cash Management

The City's investment policies are governed by State statute and the City's own written investment policies. The City's primary investment objective is to ensure the safety of its principal investment and accrued interest. The City is authorized to use demand accounts, certificates of deposit, and time accounts. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, obligations of states and cities, certificates of deposit, commercial paper, repurchase agreements, money market funds, and investment pools. The City's investment portfolio does not contain any derivative products nor is it leveraged in anyway. Further, it is not the City's policy to use these investment vehicles or strategies in the management of the City's portfolio.

In fiscal year 1993-94, the City has maintained a comprehensive cash management program for all City accounts. This practice has allowed the City to earn competitive rates on its investments, allowing the City to enhance revenue earning potential, to diversify and guard against market rate risk, and to minimize idle funds. In addition to revenue enhancement, the program has resulted in improved debt service management. The amount of interest earned on investments during fiscal year 1994 was $25,680, which is equivalent to an $0.114 tax rate.

Investments of the Firemen and Policemen's Pension Trust Fund are administered by the Firemen and Policemen's Pension Trust Fund Board of Trustees. Investments include corporate bonds, common and preferred stock, U.S. government and agency issues, notes and mortgages, real estate trusts, and real estate.

Risk Management and Self Insurance Programs

In fiscal year 1994, the City experienced continued development and expansion of its risk management and self-insurance services and programs. The City had been accounting for the liability related to workers' compensation and property and casualty (general liability) claims in the General Long-Term Debt Account Group for fiscal years

FINANCIAL INFORMATION (Continued)

Risk Management and Self Insurance Programs (Continued)

1986 and prior Despite the obvious negative accounting impact, effective October 1, 1987, the City changed its accounting procedures to record the accrued liability for claims in the Internal Service Fund and Self-Insurance Programs. This decision was made to prudently manage such significant and potentially volatile programs

The City's Self-Insurance funds continue to reflect the impact of this change as evidenced by deficit retained earnings of $9,861 in the Insurance Reserve, and $2,950 in the Workers' Compensation Fund at fiscal year end It is important to note, however, that while the City reports a negative retained earnings, the Incurred But Not Reported (IBNR) estimates represent 20.2% and 16.7%, respectively, of total losses reserved The funds are totally reserved for all losses. Further, in the Insurance Reserve, the total incurred claims by fiscal year for the last nine years have consistently been in the $3 million range. In the Workers' Compensation Fund, the total incurred claims by fiscal year appear to have peaked in the 1988-89 and 1989-90 fiscal years and are now trending down due to factors such as: (1) a 1991 change in the workers' compensation law, (2) the implementation of a Safety section in Risk Management, and (3) the adoption of medical cost containment programs.

In order to address the deficit retained earnings and claim costs, the City, through the budget process, will assess the respective departments based on their loss experience until the deficit is eliminated This process will complement the Safety and Loss Control Programs that were implemented in fiscal year 1989 and involved all efforts to minimize the City's financial losses due to occupational injuries, property damages, and liability lawsuits. The primary objective of the Safety and Loss Control Program is to protect the City's resources, resulting in more efficient operations and the conservation of tax dollars. In fiscal year 1994, our Safety and Loss Control Program has trained over 5,700 City employees in areas such as: defensive driving, first aid/CPR, lift belt training, proper personal protective equipment, handling hazardous materials, confined space entry, and accident investigations.

Employee Benefits and Self Insurance Programs

Ever increasing health care costs have caused the City to focus on effective management of its health benefits programs for all active and retired employees. In this regard, the City has implemented in recent years, various cost containment programs such as hospital pre-certification, large case management, hospital bill audits, and a preferred provider organization program These programs have been very effective in containing the increase in medical costs to the City

The City is currently in the process of restructuring the entire Employee Benefit Programs to develop a long-term strategic plan for improving the efficiency and cost of the programs

The City's streamlining and improving of the administration of its risk management and self-insurance programs has allowed for more accurate and effective measurement and forecasting of all related revenues and expenses

Debt Administration

The City employs a comprehensive, six year financial 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 Routine, comprehensive financial analysis utilizes computer modeling and incorporates various variables such as sensitivity to interest rates, changes in assessed values, annexations, current ad valorem tax collection rates, self-supporting debt and fund balances. Strict adherence to conservative

FINANCIAL INFORMATION (Continued)

Debt Administration (Continued)

financial management has allowed the City to meet its financing needs while at the same time **maintaining its excellent AA rating by all three rating agencies,** i.e., Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Investors Service, Inc.

At September 30, 1994, the gross principal amount of outstanding indebtedness that is secured by an ad valorem tax pledge was $667,328 The table shown below illustrates the composition of the City's long-term indebtedness

LONG-TERM INDEBTEDNESS PAYABLE FROM AD VALOREM TAXES

General Improvement Bonds	$605,998
Taxable Certificates of Obligation	9,450
Taxable Combination Tax and Municipal Hotel Occupancy Tax Revenue Certificates of Obligation	3,150
Combination Tax and Revenue Certificates of Obligation	48,730
Total Debt Payable from Ad Valorem Taxes	$667,328
Less Self-Supporting Debt	$38,135
Net Debt Payable from Ad Valorem Taxes	$629,193

Gross and net debt are equal to 2.97% and 2.80% respectively of the 1993 net taxable assessed valuation of $22,480,585 Authorized but unissued debt is equal to $184,405 of which $16,660 was authorized by election on January 26, 1980, which the City does not intend to issue leaving a net authorized but unissued total of $167,745 The unissued bonds are authorized to be sold for the purpose of making improvements to streets, drainage facilities, parks and public safety

Advance refunding opportunities in 1992 and 1993 allowed the City to effectuate two refinancings which realized a total savings of $36,400, while at the same time restructuring the debt service design to allow for moderately stepped tax rate increases to accommodate new money financings for infrastructure improvements The redesign of the debt structure allowed for accelerated savings in fiscal years 1994 through 2002, while at the same time shortening the average life of the bonds.

The City Charter limits the amount of general obligation debt to a maximum of ten percent (10%) of the total assessed valuation. Texas law and the City Charter provide that the City may levy an ad valorem tax at a rate not to exceed $2.50 per $100 assessed valuation There is no limitation within the $2.50 rate for interest and sinking fund purposes The ad valorem tax rate approved by City ordinance for the year ended September 30, 1994, was $0.59597 of which the interest and sinking fund component is $0.22731 and the maintenance and operation portion is $0.36866.

OTHER INFORMATION

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firms, KPMG Peat Marwick LLP and Martinez, Mendoza & Co., P.C., were selected by the City's audit committee in 1993. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Single Audit Act of 1984 and related OMB Circular A-128. The independent auditors' report on the general purpose financial statements and combining and individual fund statements, required disclosure and schedules is included in the financial section of this report. The independent auditors' reports along with all other required reports and schedules mandated by the Single Audit Act of 1984 and OMB Circular are included in a separate document.

AWARDS

In March, 1995, Financial World Magazine announced the results of its evaluation of the 30 largest cities in the United States. San Antonio tied for fourth place with ten other cities in quality of City Management. The categories analyzed were financial management, performance measurement and evaluation, infrastructure maintenance and information technology. This ranking is not comparable to the prior years because of changes made to the categories considered.

In November of 1993, San Antonio was rated the strongest fiscally managed city in the nation, among the top U.S. cities by City & State Magazine. This noteworthy recognition demonstrates the City's commitment to excellence. San Antonio moved From 25th in 1992 to first place in 1993. The primary factors contributing to the number one ranking are: (1) continued improvements in budgeting, (2) department level of authority and accountability, (3) an improved debt administration plan, and (4) the City's ability to maintain a low tax rate.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the city for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 1993. This was the 18th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. Its attainment represents a significant accomplishment by a government and its management. A Certificate of Achievement is valid for a period of one year and we believe the current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements. The City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated September, 1993. This is the 11th consecutive year the City has received this noteworthy award.

The preparation of the City of San Antonio, Texas, Comprehensive Annual Financial Report for the fiscal year ended September 30, 1994, was made possible by the dedicated service of the entire staff of the Finance Department, particularly the staff of the Accounting Division. Each member of the Department has my sincere appreciation for their contributions in the preparation of this report.

OTHER INFORMATION (Continued)

AWARDS (Continued)

In closing, please accept my gratitude for your support as we proceed through these challenging times. Without the leadership and support of the Mayor, City Council, the City Manager, and his staff, preparation of this report would not have been possible.

Respectfully submitted,

Nora W. Chávez
Director of Finance

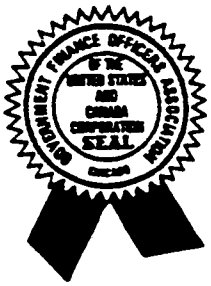
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Antonio, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1993

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

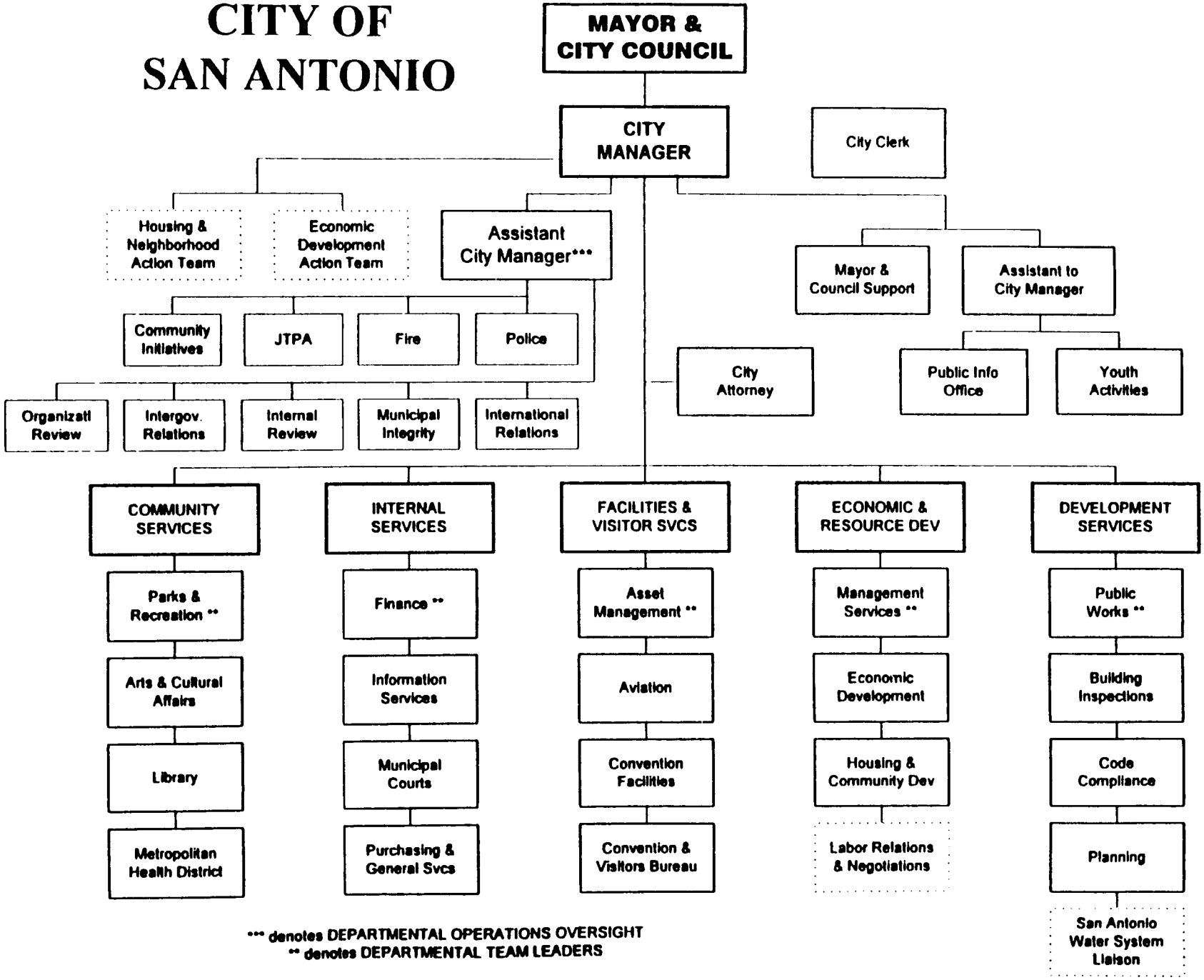
Executive Director

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 of San Antonio for its comprehensive annual financial report for the fiscal year ended September 30, 1993. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of San Antonio has received a Certificate of Achievement for the last 18 consecutive years ended 1993. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

CITY OF SAN ANTONIO



*** denotes DEPARTMENTAL OPERATIONS OVERSIGHT
** denotes DEPARTMENTAL TEAM LEADERS

CITY OF SAN ANTONIO, TEXAS

Incorporated December 14, 1837 *Charter Adopted October 2, 1951*
Council - Manager Form of Government

CITY COUNCIL
Nelson W. Wolff, Mayor

Roger A. Perez
Ruth Jones McClendon
Linda Billa-Burke
Henry Avila
Juan F. Solis, III

Helen Ayala
Bob Ross
William E. Thornton
Howard Peak
Lyle T. Larson

CITY MANAGER
Alexander E. Briseño

ASSISTANT CITY MANAGER
J. Rolando Bono

FINANCE DEPARTMENT
Nora W. Chávez, Director

MEMBER OF THE GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES & CANADA

City of San Antonio
Texas

Financial Section

City of San Antonio
Texas

Independent Auditors' Report

KPMG Peat Marwick LLP

112 East Pecan, Suite 2400
San Antonio, TX 78205-1585

Martinez, Mendoza & Company, P.C.
Certified Public Accountants
1100 N.W. LOOP 410, SUITE 300
SAN ANTONIO, TEXAS 78213

Independent Auditors' Report

To the Honorable Nelson W. Wolff, Mayor
and Members of City Council
City of San Antonio, Texas:

We have audited the accompanying general-purpose financial statements of the City of San Antonio, Texas as of and for the year ended September 30, 1994 as listed in the accompanying table of contents under "General Purpose Financial Statements". These general-purpose financial statements are the responsibility of the City of San Antonio, Texas' management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of City Public Service, San Antonio Water System and the Firemen and Policemen's Pension Trust Fund. The City Public Service and San Antonio Water System, both discretely presented component units of the City, combined, represent 100 percent of the assets and revenues of the related combined totals of the discretely presented Proprietary Fund Type component units in the accompanying combined balance sheet and combined statement of revenues, expenses, and changes in retained earnings. The Firemen and Policemen's Pension Trust Fund represents 92 percent of total assets of the Fiduciary Fund Type and 100 percent of total revenues of the Fiduciary Fund Type - Pension Trust. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts included for City Public Service, San Antonio Water System and the Firemen and Policemen's Pension Trust Fund, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of San Antonio, Texas, as of September 30, 1994, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As more fully discussed in Note 1 to the general purpose financial statements, the City adopted Governmental Accounting Standards Board Statement No. 14, " The Financial Reporting Entity," in 1994.

Martinez, Mendoza + Company, P.C.

KPMG Peat Marwick LLP

March 17, 1995

Member Firm of
Klynveld Peat Marwick Goerdeler

City of San Antonio
Texas

General Purpose Financial Statements

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS		TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT	GOVERNMENTAL	PROPRIETARY	1994	1993
Assets:														
Cash and Cash Equivalents	$ 139	$ 573	$ 2,860	$ 2,273	$ 398	$ 311	$ 115,402	$ 0	$ 0	$ 121,956	$ 1,112	$ 76,345	$ 199,413	$ 171,822
Investments	36,959	24,055	42,811	107,299	24,135	63,041	438,420			736,720		10,674	747,394	748,185
Receivables:														
Taxes Including Interest, Penalties and Liens	15,334		9,455							24,789			24,789	22,292
Less Allowances for Uncollectibles	(1,374)		(847)							(2,221)			(2,221)	(2,043)
Other Accounts - Net of Allowance for Doubtful Accounts	4,372	310			33	30	8,848			13,593	95	76,128	89,816	102,567
Notes		6,765								6,765	3,371	945	11,081	10,970
Accrued Interest	712	196	905	1,566	367	603	190			4,539		771	5,310	6,063
Accrued Revenue	14,792	3,822			4,420	18	3,125			26,177			26,177	27,774
Due from Other Funds	9,815	1,724	65	1,336	1,698	2				14,640			14,640	29,007
Due from Other Governmental Agencies	1,977	13,397		2,948	127	302	236			18,987	995	7	19,989	19,440
Other Assets														
Inventories of Materials and Supplies, at Cost	2,417	815			887	1,039				5,158	2,516	79,142	86,816	93,954
Prepayments	15				1		18			34		6,402	6,436	6,084
Deposits						353				353			353	436
Restricted Assets:														
Cash and Cash Equivalents					1,152					1,152		378,450	379,602	383,658
Investments					24,558					24,558		92,973	117,531	106,541
Receivables - Other Accounts														
Receivables - Accrued Interest					246					246			246	272
Inventories, at Cost														
Due From Other Funds					4,818					4,818			4,818	1,500
Other Assets														470
Due from Other Governmental Agencies														
Prepaid Expenses												194	194	249
Fixed Assets (Net of Accumulated Depreciation)					216,151	27,880	456	1,545,514		1,790,001	142	5,084,114	6,874,257	6,626,040
Unamortized Debt Expense					1,996					1,996		202,513	204,509	209,775
Other Debits:														
Amount Available in Debt Service Funds									44,370	44,370			44,370	68,165
Amount to be Provided for Retirement of General Long-Term Debt									739,661	739,661			739,661	773,743
Total Assets and Other Debits	$ 85,158	$ 51,657	$ 55,249	$ 115,422	$ 280,987	$ 93,579	$ 566,695	$ 1,545,514	$ 784,031	$ 3,578,292	$ 8,231	$ 6,008,658	$ 9,595,181	$ 9,406,964

The notes to the financial statements are an integral part of this statement.

(Cont'd)

CITY OF SAN ANTONIO, TEXAS

-1-

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

CITY OF SAN ANTONIO, TEXAS -2-

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)			TOTALS (MEMORANDUM ONLY)	
								GENERAL	GENERAL		COMPONENT UNITS		REPORTING ENTITY	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	FIXED ASSETS	LONG-TERM DEBT	PRIMARY GOVERNMENT	GOVERNMENTAL	PROPRIETARY	1994	1993
LIABILITIES AND EQUITY AND OTHER CREDITS														
Liabilities														
Vouchers Payable	$ 1,537	$ 4,754	$ 0	$ 2,662	$ 2,313	$ 1,139	$ 1,656	$ 0	$ 0	$ 14,061	$ 964	$ 79,710	$ 94,735	$ 91,066
Notes Payable														30,003
Other Payables	387	754		2,807	3,646	31,907	16,036			55,537	295	42,871	98,703	85,523
Accrued Payroll	5,213	1,369			873	424	94			7,973			7,973	6,690
Accrued Leave Payable	1,719	321			1,564	628	13			4,245	29	2,309	6,583	6,222
Lease Purchase Agreements - Current						468				468			468	423
Lease Purchase Agreements - Long-Term						961				961			961	1,352
Matured Bonds and Interest Payable			11							11			11	628
Payable from Restricted Assets:														
Vouchers Payable					39					39			39	272
Accounts Payable - Other					3,150					3,150		133,636	136,786	74,220
Accrued Revenue Bond and Certificate Interest					1,844					1,844		1,609	3,453	3,641
Current Portion of Bonds, Certificates and Notes					4,050					4,050		93,925	97,975	106,180
Due to:														
Other Funds	11	8,982	2,260	1,111	4,968	1,698	428			19,458			19,458	30,507
Other Governmental Agencies		659			270	711				1,640	4	3	1,647	1,029
Employees for Deferred Compensation Plan							24,964			24,964			24,964	21,217
Amounts Held In Trust							2			2			2	5,013
Deferred Revenues	18,495	7,211	8,608		367					34,681			34,681	34,997
Notes Payable (Net of Current Portion)														
Litigation Settlement Benefits Payable														8,800
General Obligation Bonds Payable									584,743	584,743			584,743	593,383
Certificates of Obligation Payable									55,335	55,335			55,335	105,475
General Obligation/Enterprise Funds					26,210					26,210			26,210	21,210
Revenue Bonds (Net of Current Portion)					91,220					91,220		3,309,095	3,400,315	3,721,220
Less: Unamortized Discount on New Series					(2,301)					(2,301)		(397,917)	(400,218)	(421,307)
Contractual Obligations/Commercial Paper												283,152	283,152	1,773
Accumulated Accrued:														
Pension Cost									94,411	94,411			94,411	92,637
Sick Leave									32,403	32,403			32,403	32,221
Annual Leave									17,139	17,139			17,139	17,107
Total Liabilities	27,362	24,050	10,879	6,580	138,213	37,936	43,193		784,031	1,072,244	1,292	3,548,393	4,621,929	4,671,502
Fund Equity and Other Credits:														
Contributed Capital (Net of Amortization)					69,882	26,572				96,454		452,283	548,737	524,611
Investment in General Fixed Assets								1,545,514		1,545,514	142		1,545,656	1,310,514
Retained Earnings:														
Reserved for Bond Retirement					12,947					12,947		210,472	223,419	233,882
Reserved for Construction					35,004					35,004		42,154	77,158	69,729
Reserved for Improvement and Contingency					11,228					11,228		93,918	105,146	120,312
Reserved for Heavy Equipment						5,447				5,447			5,447	5,387
Reserved for Equipment Renewal and Replacement						4,966				4,966			4,966	8,120
Unreserved					13,713	18,658				32,371		1,661,438	1,693,809	1,704,175
Fund Balances:														
Reserved for Encumbrances	3,221	11,754		56,411			148			71,534			71,534	91,955
Reserved for Inventories	2,417	815								3,232	2,516		5,748	5,066
Reserved for Prepaid Expenditures	14									14			14	8
Reserved for Employee's Retirement System							507,276			507,276			507,276	448,433
Reserved for Debt Service			44,370							44,370			44,370	68,165
Unreserved:														
Designated for Subsequent Year's Expenditures	2,212									2,212			2,212	1,231
Undesignated	49,932	15,038		52,431			16,078			133,479	4,281		137,760	143,874
Total Equity and Other Credits	57,796	27,607	44,370	108,842	142,774	55,643	523,502	1,545,514		2,506,048	6,939	2,460,265	4,973,252	4,735,462
Total Liabilities and Fund Equity and Other Credits	$ 85,158	$ 51,657	$ 55,249	$ 115,422	$ 280,987	$ 93,579	$ 566,695	$ 1,545,514	$ 784,031	$ 3,578,292	$ 8,231	$ 6,008,658	$ 9,595,181	$ 9,406,964

The notes to the financial statements are an integral part of this statement.

(end of statement)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	PRIMARY GOVERNMENT	COMPONENT UNITS	1994	1993
Revenues									
Taxes	$ 190,735	$ 27,725	$ 51,265	$ 0	$ 0	$ 269,725	$ 0	$ 269,725	$ 250,094
Licenses and Permits	7,646					7,646		7,646	6,348
Intergovernmental	2,013	128,761		5,828		136,602	7,606	144,208	136,935
Revenues from Utilities	131,039					131,039		131,039	127,821
Charges for Services	17,041	13,265			130	30,436	864	31,300	26,220
Fines and Forfeits	6,668					6,668		6,668	6,679
Miscellaneous	7,468	8,513	2,325	11,474	1,808	31,588	14	31,602	29,466
In-Kind Contributions		10,580				10,580		10,580	6,235
Total Revenues	362,610	188,844	53,590	17,302	1,938	624,284	8,484	632,768	589,798
Expenditures									
Current:									
General Government	36,863	2,704				39,567		39,567	33,541
Public Safety	206,390	6,281			19	212,690		212,690	201,947
Streets and Roadways	8,347	43,345			249	51,941		51,941	47,286
Health Services	9,495	36,578			131	46,204		46,204	41,825
Sanitation	2,573					2,573		2,573	2,477
Welfare	7,250	55,305			119	62,674		62,674	51,968
Culture and Recreation	33,342	5,249			770	39,361		39,361	36,473
Convention and Tourism		23,226				23,226		23,226	19,986
Conservation		22				22		22	108
Urban Redevelopment and Housing		7,126			141	7,267	8,365	15,632	13,756
Economic Development and Opportunity	3,899	20,644				24,543	19	24,562	33,700
Capital Projects				66,271		66,271		66,271	51,918
Debt Service:									
Principal Retirement			59,865			59,865		59,865	15,560
Interest			39,750			39,750		39,750	40,998
Issue Costs			188			188		188	501
Total Expenditures	308,159	200,480	99,803	66,271	1,429	676,142	8,384	684,526	592,044
Excess (Deficiency) of Revenues Over Expenditures	54,451	(11,636)	(46,213)	(48,969)	509	(51,858)	100	(51,758)	(2,246)
Other Financing Sources (Uses)									
Proceeds of Certificates, General Obligation and Refunding Bonds									142,966
Payment to Refunded Bond Escrow Agent									(99,710)
Operating Transfers In	10,324	64,807	22,632	9,923	579	108,265		108,265	92,590
Operating Transfers Out	(48,653)	(48,524)	(214)	(7,608)	(352)	(105,351)		(105,351)	(90,272)
Total Other Financing Sources (Uses)	(38,329)	16,283	22,418	2,315	227	2,914		2,914	45,574
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	16,122	4,647	(23,795)	(46,654)	736	(48,944)	100	(48,844)	43,328
Fund Balances, October 1	41,674	21,527	68,165	155,496	14,881	301,743	6,697	308,440	265,112
Residual Equity Transfer In		1,433				1,433		1,433	
Fund Balances, September 30	$ 57,796	$ 27,607	$ 44,370	$ 108,842	$ 15,617	$ 254,232	$ 6,797	$ 261,029	$ 308,440

The notes to the financial statements are an integral part of this statement.

(end of statement)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-GENERAL FUND AND ALL SPECIAL REVENUE FUNDS WHICH ARE BUDGETED ON A FISCAL PERIOD BASIS
(NON GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(In Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
Revenues									
Taxes	$ 179,361	$ 190,735	$ 11,374	$ 28,594	$ 27,725	$ (869)	$ 207,955	$ 218,460	$ 10,505
Licenses and Permits	6,166	7,646	1,480				6,166	7,646	1,480
Intergovernmental	2,164	2,013	(151)	28,292	25,774	(2,518)	30,456	27,787	(2,669)
Revenues from Utilities	125,842	131,039	5,197				125,842	131,039	5,197
Charges for Services	14,632	17,041	2,409	12,041	13,240	1,199	26,673	30,281	3,608
Fines and Forfeits	6,346	6,668	322				6,346	6,668	322
Miscellaneous	6,126	7,468	1,342	2,549	2,183	(366)	8,675	9,651	976
Total Revenues	340,637	362,610	21,973	71,476	68,922	(2,554)	412,113	431,532	19,419
Expenditures									
Current:									
General Government	41,201	37,713	3,488	3,674	3,946	(272)	44,875	41,659	3,216
Public Safety	211,646	207,865	3,781	2,547	980	1,567	214,193	208,845	5,348
Streets and Roadways	8,507	8,411	96	19,365	19,002	363	27,872	27,413	459
Health Services	9,716	9,507	209	25,672	24,756	916	35,388	34,263	1,125
Sanitation	2,607	2,607					2,607	2,607	
Welfare	7,797	7,495	302				7,797	7,495	302
Culture and Recreation	35,010	33,539	1,471				35,010	33,539	1,471
Convention and Tourism				24,302	23,889	413	24,302	23,889	413
Economic Development and Opportunity	4,207	4,080	127				4,207	4,080	127
Total Expenditures	320,691	311,217	9,474	75,560	72,573	2,987	396,251	383,790	12,461
Excess (Deficiency) of Revenues Over Expenditures	19,946	51,393	31,447	(4,084)	(3,651)	433	15,862	47,742	31,880
Other Financing Sources (Uses)									
Operating Transfers In	8,166	10,324	2,158	44,655	44,680	25	52,821	55,004	2,183
Operating Transfers Out	(49,029)	(48,816)	213	(53,359)	(47,959)	5,400	(102,388)	(96,775)	5,613
Total Other Financing Sources (Uses)	(40,863)	(38,492)	2,371	(8,704)	(3,279)	5,425	(49,567)	(41,771)	7,796
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(20,917)	12,901	$ 33,818	(12,788)	(6,930)	$ 5,858	(33,705)	5,971	$ 39,676
Fund Balances, October 1	41,674	41,674		19,410	19,410		61,084	61,084	
Add Encumbrances		3,221			11,755			14,976	
Residual Equity Transfer In					1,433			1,433	
Fund Balances, September 30	$ 20,757	$ 57,796		$ 6,622	$ 25,668		$ 27,379	$ 83,464	

The notes to the financial statements are an integral part of this statement.

(end of statement)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST	PRIMARY GOVERNMENT	COMPONENT UNITS	1994	1993
Operating Revenues							
Charges for Services	$ 77,624	$ 85,567	$ 0	$ 163,191	$ 1,066,641	$ 1,229,832	$ 1,118,535
Interest on Investments			11,057	11,057		11,057	11,620
Dividends on Stock			5,651	5,651		5,651	5,909
Contributions from Employees			12,464	12,464		12,464	12,115
City Matching Contribution			24,928	24,928		24,928	24,229
Other			504	504		504	744
Total Operating Revenues	77,624	85,567	54,604	217,795	1,066,641	1,284,436	1,173,152
Operating Expenses							
Personal Services	32,750	14,334	294	47,378		47,378	43,951
Contractual Services	18,139	32,196	1,926	52,261	198	52,459	48,372
Commodities	3,675	1,094	14	4,783	5	4,788	4,946
Insurance	1,804		36	1,840		1,840	1,656
Materials		10,061		10,061		10,061	11,512
Property Taxes			54	54		54	85
Benefit Payments			22,117	22,117		22,117	18,847
Gas, Electric & Water Systems Operations and Maintenance					716,468	716,468	604,529
Other		21,809		21,809		21,809	16,193
Depreciation	7,791	9,551	27	17,369	175,580	192,949	175,374
Total Operating Expenses	64,159	89,045	24,468	177,672	892,251	1,069,923	925,465
Operating Income	13,465	(3,478)	30,136	40,123	174,390	214,513	247,687
Nonoperating Revenues (Expenses)							
Interest and Other	1,521	1,985		3,506	28,364	31,870	37,229
Other Nonoperating Revenue	3,508	1,845		5,353		5,353	4,698
Gain (Loss) on Disposal of Assets/Investments	282	1,735	49,547	51,564	92	51,656	43,562
Net (Loss) on Sale of Investments			(20,963)	(20,963)		(20,963)	(14,665)
Recovery of Current Year's Expenses							103
Unrealized Loss on Real Estate							(1,958)
Interest Expense	(7,817)	(103)		(7,920)	(230,656)	(238,576)	(220,616)
Other Nonoperating Expenses	(4,049)			(4,049)	(4,761)	(8,810)	(3,793)
Total Nonoperating Revenues (Expenses)	(6,555)	5,462	28,584	27,491	(206,961)	(179,470)	(155,440)
Income Before Operating Transfers	6,910	1,984	58,720	67,614	(32,571)	35,043	92,247
Operating Transfers In (Out)							
Operating Transfers In	1,090	2,466	147	3,703		3,703	2,931
Operating Transfers Out	(4,372)	(2,137)		(6,509)		(6,509)	(5,248)
Total Operating Transfers	(3,282)	329	147	(2,806)		(2,806)	(2,317)
Income before Extraordinary Items and Changes in Accounting Principle	3,628	2,313	58,867	64,808	(32,571)	32,237	89,930
Extraordinary Item - Loss from Early Extinguishment of Long-Term Debt							(2,115)
Extraordinary Item-Cumulative Effect of Change in Accounting Principle					(8,452)	(8,452)	
Extraordinary Item - Annexation of WC & IC # 16					2,086	2,086	
Net Income	3,628	2,313	58,867	64,808	(38,937)	25,871	87,815
Add Amortization of (Depreciation of) Federally Contributed Fixed Assets	1,413			1,413		1,413	1,480
Increase In Retained Earnings	5,041	2,313	58,867	66,221	(38,937)	27,284	89,295
Retained Earnings/Fund Balances, October 1	69,203	26,758	449,018	544,979	2,046,919	2,591,898	2,502,603
Residual Equity Transfers Out	(1,352)			(1,352)		(1,352)	
Retained Earnings/Fund Balances, September 30	$ 72,892	$ 29,071	$ 507,885	$ 609,848	$ 2,007,982	$ 2,617,830	$ 2,591,898

The notes to the financial statements are an integral part of this statement.

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COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

	PROPRIETARY FUND TYPE		TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	ENTERPRISE	INTERNAL SERVICE	PRIMARY GOVERNMENT	COMPONENT UNITS	1994	1993
Cash Flows from Operating Activities						
Cash Received from Customers	78,158	86,257	164,415	1,071,828	1,236,243	1,110,038
Cash Payments to Suppliers for Goods and Services	(25,721)	(60,474)	(86,195)	(642,525)	(728,720)	(641,006)
Cash Payments to Employees for Service	(32,723)	(14,265)	(46,988)	(30,051)	(77,039)	(73,025)
Net Cash Provided by Operating Activities	19,714	11,518	31,232	399,252	430,484	396,007
Cash Flows from Non-Capital Financing Activities						
Other Nonoperating Revenues	4,550	1,844	6,394		6,394	3,612
Other Nonoperating Expenses				(2,569)	(2,569)	(3,221)
Cash Transferred To Successor Fund	(1,451)		(1,451)		(1,451)	
Engineering and Design Expenses						
Decrease in Due From Other Funds						
Decrease in Due To Other Funds		1,427	1,427		1,427	(836)
Proceeds from STP Litigation Settlement						15,000
Operating Transfers In from Other Funds	241	2,467	2,708		2,708	4,142
Operating Transfers Out to Other Funds	(7,687)	(2,137)	(9,824)		(9,824)	(2,351)
Equity Transfer to SAWS						(2,766)
Net Cash Provided by Non-Capital Financing Activities	(4,347)	3,601	(746)	(2,569)	(3,315)	13,580
Cash Flows from Capital and Related Financing Activities						
Acquisition and Construction of Capital Assets	(4,948)	(8,217)	(13,165)	(174,044)	(187,209)	(213,953)
Proceeds from Issuance of Long-Term Debt				66,350	66,350	76,156
Proceeds from Annexation of WC and ID NO 16				271	271	
Debt Issuance Cost						(723)
Principal Payments on Long-Term Debt	(3,375)	(433)	(3,808)	(71,941)	(75,749)	(85,282)
Interest Paid on Long-Term Debt	(8,055)	(103)	(8,158)	(231,475)	(239,633)	(220,048)
Proceeds from Sale of Assets	1,177	2,695	3,872	102	3,974	2,264
Capital Contributed for Construction				9,769	9,769	7,902
Payment to City of San Antonio for Debt of Acquired Water Districts						1,239
Payment for Advance Refunding of Bonds				(16,584)	(16,584)	(16,887)
Net Cash (Used for) Capital and Related Financing Activities	(15,201)	(6,058)	(21,259)	(417,552)	(438,811)	(449,332)
Cash Flows from Investing Activities						
Purchase of Investment Securities	(172,698)	(152,452)	(325,150)	(7,999)	(333,149)	(664,693)
Maturity of Investment Securities	162,524	137,639	300,163		300,163	616,252
Proceeds from Notes Receivable Collections				312	312	101
Loans Disbursed				(289)	(289)	(185)
Interest on Investments	1,560	2,006	3,566	29,232	32,798	36,959
Net Cash Provided by (Used for) Investing Activities	(8,614)	(12,807)	(21,421)	21,256	(165)	(11,566)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,448)	(3,746)	(12,194)	387	(11,807)	(51,311)
Cash and Cash Equivalents, October 1	9,998	4,057	14,055	454,408	468,463	519,774
Cash and Cash Equivalents, September 30	1,550	311	1,861	454,795	456,656	468,463

The notes to the financial statements are an integral part of this statement

(Cont'd

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)
(In Thousands)

	PROPRIETARY FUND TYPES		TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	ENTERPRISE	INTERNAL SERVICE	PRIMARY GOVERNMENT	COMPONENT UNITS	1994	1993
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	$ 13,464	$ (3,478)	$ 9,986	$ 174,390	$ 184,376	$ 214,290
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	7,791	9,551	17,342	175,580	192,922	175,346
Amortization Expense				20,672	20,672	19,010
Accretion of Capital Appreciation Bond Discount				14,529	14,529	13,549
Allowance for Interest Used during Construction				(1,977)	(1,977)	(29,055)
Changes in Assets and Liabilities						
(Increase) Decrease in Accounts Receivable	53	(3)	50	6,210	6,260	(9,959)
(Increase) Decrease in Other Accounts Receivable	(5)	(6)	(11)	(8,579)	(8,590)	6,455
Decrease in Accrued Revenues	523	77	600	865	1,465	140
(Increase) Decrease in Due From Other Gov't Agencies		616	616		616	(3)
(Increase) Decrease in Inventories	(44)	25	(19)	7,772	7,753	(6,030)
(Increase) Decrease in Prepaid Expenses	(14)	196	182	(344)	(162)	1,828
(Increase) in Due to Other Governmental Agencies				(17)	(17)	(119)
(Increase) in Deposits		(73)	(73)		(73)	(56)
Increase (Decrease) in Vouchers Payable	(2,497)	(424)	(2,921)	6,560	3,639	9,096
Increase (Decrease) in Other Payables	439	4,966	5,405	(19,659)	(14,254)	1,121
Increase (Decrease) in Accrued Payroll	(22)	27	5	176	181	446
Increase in Accrued Leave Payable	38	47	85	98	183	211
Increase (Decrease) in Deferred Revenue	10		10		10	(3)
Increase (Decrease) in Customer Deposits		(3)	(3)	960	957	287
Increase (Decrease) in Contracts Payable-Retainage	(22)		(22)	21,739	21,717	
Proceeds from Freight Litigation Settlements				9,601	9,601	9,231
Refund of Freight Litigation Settlement Benefits Payable to Customers				(9,324)	(9,324)	(9,778)
Net Cash Provided by Operating Activities	$ 19,714	$ 11,518	$ 31,232	$ 399,252	$ 430,484	$ 396,007
Noncash Investing, Capital and Financing Activities:						
Acquisition and Construction of Capital Assets from Capital Contributions	$ 4,331	$ 546	$ 4,877	$ 20,661	$ 25,538	$ 28,168

(end of statement)

City of San Antonio
Texas

Component Units

As set forth in GASB Statement Number 14, "The Reporting Entity", Component Units which by the nature and significance of their relationship with the City is such that their exclusion from the reporting entity's financial statements would be misleading or incomplete and as such are presented discretely with the City's financial statements.

The City has determined that the following component units meet the criteria for discrete presentation as set forth in GASB Statement Number 14:

SAN ANTONIO DEVELOPMENT AGENCY (SADA) - SADA is responsible for implementing the City's Urban Renewal Program. A majority of the financing is provided from the City in the form of pass-through grants.

CITY OF SAN ANTONIO HIGHER EDUCATION AUTHORITY (CSAHEA) - CSAHEA was established in accordance with state law for the purpose of aiding non-profit institutions of higher education in providing educational facilities and housing facilities. The corporation is authorized to issue revenue bonds for said purposes on behalf of the City but the bonds are not obligations of the City.

SAN ANTONIO LOCAL DEVELOPMENT COMPANY (SALDC) - SALDC is a non-profit corporation under agreement with the City which administers programs that provide qualifying local businesses with loans. Loan funds administered by SALDC include the Neighborhood Business Revitalization Program, U.S. Department of Commerce Title IX revolving loan fund, Small Business Administration Microloan Program, and a Housing and Urban Development 108 fund.

SAN ANTONIO WATER SYSTEM (SAWS) - SAWS serves as the City's water, wastewater, and stormwater utility. Financing is provided by user fees and the sale of revenue bonds.

CITY PUBLIC SERVICE (CPS) - CPS is the City's electric utility, which provides electricity and natural gas to the San Antonio Metropolitan Area. Financing is provided by user fees and the sale of revenue bonds.

COMPONENT UNIT GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)

SCHEDULE OF GOVERNMENTAL FUNDS

	SAN ANTONIO DEVELOPMENT AGENCY	SAN ANTONIO HIGHER EDUCATION AUTHORITY	TOTALS 1994	TOTALS 1993
ASSETS				
Cash and Cash Equivalents	$ 1,090,983	$ 20,755	$ 1,111,738	$ 907,504
Receivables:				
Notes	3,371,235		3,371,235	3,457,977
Other Accounts	95,061		95,061	168,731
Inventories of Materials and Supplies	2,515,650		2,515,650	2,390,439
Due from Other Governmental Agencies	994,849		994,849	565,594
Other Assets				14
Total Assets	$ 8,067,778	$ 20,755	$ 8,088,533	$ 7,490,259
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers Payable	$ 963,490	$ 684	$ 964,174	$ 532,344
Accounts Payable-Other	294,710		294,710	226,661
Accrued Leave Payable	28,552		28,552	33,362
Due to Other Governmental Agencies	4,236		4,236	1,466
Total Current Liabilities	1,290,988	684	1,291,672	793,833
Fund Balances				
Reserved for Inventories of Materials and Supplies	2,515,650		2,515,650	2,390,439
Unreserved:				
Undesignated	4,261,140	20,071	4,281,211	4,305,987
Total Fund Balances	6,776,790	20,071	6,796,861	6,696,426
TOTAL LIABILITIES AND FUND BALANCES	$ 8,067,778	$ 20,755	$ 8,088,533	$ 7,490,259

SCHEDULE OF GENERAL FIXED ASSETS

General Equipment	$ 141,441	$ 274	$ 141,715	$ 141,715
Investment in General Fixed Assets	$ 141,441	$ 274	$ 141,715	$ 141,715

GRAND TOTAL GOVERNMENTAL COMPONENT UNITS

GRAND TOTAL ASSETS	$ 8,209,219	$ 21,029	$ 8,230,248	$ 7,631,974
GRAND TOTAL LIABILITIES AND FUND BALANCES	$ 8,209,219	$ 21,029	$ 8,230,248	$ 7,631,974

COMPONENT UNIT GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)

	SAN ANTONIO DEVELOPMENT AGENCY	SAN ANTONIO HIGHER EDUCATION AUTHORITY	TOTALS 1994	TOTALS 1993
Revenues				
Intergovernmental	$ 7,605,132	$ 1,000	$ 7,606,132	$ 7,104,040
Charges for Services	863,485		863,485	808,185
Interest	13,754	665	14,419	16,626
Total Revenues	8,482,371	1,665	8,484,036	7,928,851
Expenditures				
Urban Redevelopment and Housing	8,364,785		8,364,785	7,915,606
Economic Development and Opportunity		18,816	18,816	15,074
Total Expenditures	8,364,785	18,816	8,383,601	7,930,680
Excess (Deficiency) of Revenues Over (Under) Expenditures	117,586	(17,151)	100,435	(1,829)
Fund Balances, October 1	6,659,204	37,222	6,696,426	6,698,255
Fund Balances, September 30	$ 6,776,790	$ 20,071	$ 6,796,861	$ 6,696,426

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 1994

(unless otherwise indicated)
(With comparative totals for September 30, 1993)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY (SALDC)	MAY 31, 1994 SAN ANTONIO WATER SYSTEM (SAWS)	JAN 31, 1994 CITY PUBLIC SERVICE (CPS)	TOTALS 1994	TOTALS 1993
ASSETS AND OTHER DEBITS					
Assets					
Cash and Cash Equivalents	$ 1,315,056	$ 11,906,555	$ 63,123,000	$ 76,344,611	$ 79,492,242
Investments		10,673,919		10,673,919	10,542,985
Receivables:					
Other Accounts	20,844	17,226,386	58,881,000	76,128,230	91,518,287
Notes	944,844			944,844	968,323
Accrued Interest	6,993	763,533		770,526	1,635,436
Due from Other Governmental Agencies	6,631			6,631	6,944
Inventories		2,732,454	76,410,000	79,142,454	86,913,805
Prepaid Expenses		34,087	6,368,000	6,402,087	6,058,209
Total Current Assets	2,294,368	43,336,934	204,782,000	250,413,302	277,136,231
Restricted Assets					
Debt Service Accounts:					
Cash and Cash Equivalents			215,871,000	215,871,000	229,801,308
Investments		47,346,165		47,346,165	45,293,143
Construction Accounts:					
Cash and Cash Equivalents		3,819,099	21,739,000	25,558,099	1,394,851
Investments		42,021,834		42,021,834	38,776,205
Prepaid Expenses		194,166		194,166	248,616
Improvement and Contingency Accounts:					
Cash and Cash Equivalents			93,918,000	93,918,000	111,770,000
Other Restricted Accounts:					
Cash and Cash Equivalents		6,151,312	36,952,000	43,103,312	31,950,443
Designated For Compensation:					
Investments		3,605,320		3,605,320	3,224,777
Total Restricted Assets		103,137,896	368,480,000	471,617,896	462,459,343
Property, Plant and Equipment					
Land		33,214,385		33,214,385	32,562,734
Gas and Electric System			4,654,656,000	4,654,656,000	4,560,657,000
Machinery and Equipment	10,595	1,436,806,378		1,436,816,973	1,356,926,091
Construction in Progress		71,705,841	125,619,000	197,324,841	191,802,791
Nuclear Fuel -Net			96,931,000	96,931,000	88,497,000
Held for Future Use			34,393,000	34,393,000	34,129,000
Total	10,595	1,541,726,604	4,911,599,000	6,453,336,199	6,264,574,616
Less: Accumulated Depreciation		327,039,195	1,042,183,000	1,369,222,195	1,195,409,793
Net Property, Plant and Equipment	10,595	1,214,687,409	3,869,416,000	5,084,114,004	5,069,164,823
Unamortized Debt Expense		1,127,098	201,386,000	202,513,098	207,682,790
TOTAL ASSETS AND OTHER DEBITS	$ 2,304,963	$ 1,362,289,337	$ 4,644,064,000	$ 6,008,658,300	$ 6,016,443,187

(Cont'd)

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 1994

(unless otherwise indicated)
(With comparative totals for September 30, 1993)

	SAN ANTONIO LOCAL DEVELOPMENT (SALDC)	MAY 31, 1994 SAN ANTONIO WATER SYSTEM (SAWS)	JAN 31, 1994 CITY PUBLIC SERVICE (CPS)	TOTALS 1994	TOTALS 1993
LIABILITIES AND FUND EQUITY					
Current Liabilities: (Payable from Current Assets)					
Vouchers Payable	$ 2,205	$ 2,414,229	$ 77,294,000	$ 79,710,434	$ 73,150,635
Notes Payable					3,323
Sewer Collections Payable		189,749		189,749	2,158
Other Payables and Accruals	21,572	12,107,158	30,553,000	42,681,730	42,580,420
Accrued Leave Payable		2,308,917		2,308,917	2,210,802
Due to Other Governmental Entities	2,863			2,863	20,000
Total Current Liabilities	26,640	17,020,053	107,847,000	124,893,693	117,967,338
Current Liabilities: (Payable from Restricted Assets)					
Accrued Bond and Certificate Interest		1,609,422		1,609,422	1,556,255
Current Portion of Bonds and Certificates		17,345,003	76,580,000	93,925,003	103,035,000
Commercial Paper Payable		30,000,000	16,100,000	46,100,000	
Customer Deposits		5,436,348	24,608,000	30,044,348	29,084,443
Customer Advances for Construction		3,881,100		3,881,100	5,438,997
Other Payables and Accruals		3,605,320		3,605,320	3,224,777
Total Current Liabilities (Payable From Restricted Assets)		61,877,193	117,288,000	179,165,193	142,339,472
RESTRICTED FUNDS					
Long-Term Liabilities					
Revenue Bonds (Net of Current Portion)		586,624,997	2,722,470,000	3,309,094,997	3,620,720,000
Less: Unamortized Discount		(23,401,142)	(374,516,000)	(397,917,142)	(418,890,543)
Long-Term Debt/Commercial Paper	851,884		282,300,000	283,151,884	30,687,920
Litigation Settlement Benefits Payable					8,800,000
Other Payables			50,005,000	50,005,000	36,279,000
Total Long-Term Liabilities	851,884	563,223,855	2,680,259,000	3,244,334,739	3,277,596,377
Total Liabilities	878,524	642,121,101	2,905,394,000	3,548,393,625	3,537,903,187
Fund Equity					
Contributed Capital					
Local Government	30,000			30,000	30,000
Customers		452,252,521		452,252,521	431,591,186
Total Contributed Capital	30,000	452,252,521		452,282,521	431,621,186
Retained Earnings:					
Reserved for Revenue Bond Retirement		46,451,707	164,020,000	210,471,707	221,306,001
Reserved for Construction		42,153,999		42,153,999	33,181,236
Reserved for Improvement and Contingency			93,918,000	93,918,000	111,770,000
Unreserved	1,396,439	179,310,009	1,480,732,000	1,661,438,448	1,680,661,577
Total Retained Earnings	1,396,439	267,915,715	1,738,670,000	2,007,982,154	2,046,918,814
Total Fund Equity	1,426,439	720,168,236	1,738,670,000	2,460,264,675	2,478,540,000
TOTAL LIABILITIES AND FUND EQUITY	$ 2,304,963	$ 1,362,289,337	$ 4,644,064,000	$ 6,008,658,300	$ 6,016,443,187

(end of statement)

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1994

(unless otherwise indicated)

(With comparative totals for September 30, 1993)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY (SALDC)	MAY 31, 1994 SAN ANTONIO WATER SYSTEM (SAWS)	JAN 31, 1994 CITY PUBLIC SERVICE (CPS)	TOTALS 1994	TOTALS 1993
Operating Revenues					
Charges for Services	$ 325,259	$ 159,164,129	$ 907,152,000	$ 1,066,641,388	$ 964,506,664
Operating Expenses					
Contractual Services	198,182			198,182	187,697
Commodities	5,298			5,298	3,019
Gas, Electric and Water Systems -Operating and Maintenance		76,788,175	639,680,000	716,468,175	604,528,910
Depreciation Expense		38,622,895	136,957,000	175,579,895	159,351,790
Total Operating Expense	203,480	115,411,070	776,637,000	892,251,550	764,071,416
Operating Income	121,779	43,753,059	130,515,000	174,389,838	200,435,248
Nonoperating Revenues (Expenses)					
Interest and Other		5,010,839	23,353,000	28,363,839	33,190,338
Other Nonoperating Revenue					1,246,137
Gain (Loss) on Disposal of Assets		92,369		92,369	(35,352)
Interest and Debt Expense		(36,615,739)	(194,040,000)	(230,655,739)	(210,177,932)
Other Nonoperating Expense		(4,760,732)		(4,760,732)	(3,282,155)
Total Nonoperating Revenues (Expenses)		(36,273,263)	(170,687,000)	(206,960,263)	(179,058,964)
Income (Loss) before Extraordinary Items	121,779	7,479,796	(40,172,000)	(32,570,425)	21,376,284
Extraordinary Item -Cumulative Effect of Change in Accounting Principle		(8,451,987)		(8,451,987)	
Extraordinary Item -Annexation of WC&IC #16		2,085,752		2,085,752	
Net Income (Loss)	121,779	1,113,561	(40,172,000)	(38,936,660)	21,376,284
Retained Earnings, October 1,	1,274,660	266,802,154	1,778,842,000	2,046,918,814	2,025,542,530
Retained Earnings, September 30	$ 1,396,439	$ 267,915,715	$ 1,738,670,000	$ 2,007,982,154	$ 2,046,918,814

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COMPONENT UNIT PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(unless otherwise indicated)
(With comparative totals for September 30, 1993)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY (SALDC)	MAY 31, 1994 SAN ANTONIO WATER SYSTEM (SAWS)	JAN 31, 1994 CITY PUBLIC SERVICE (CPS)	TOTALS 1994	TOTALS 1993
Cash Flows from Operating Activities					
Cash Received from Customers	$ 312,781	$ 158,152,364	$ 913,362,000	$ 1,071,827,145	$ 956,549,647
Cash Payments to Suppliers for Goods and Services	(194,575)	(46,281,522)	(596,049,000)	(642,525,097)	(565,553,521)
Cash Payments to Employees for Service		(30,050,532)		(30,050,532)	(29,653,027)
Net Cash provided by Operating Activities	118,206	81,820,310	317,313,000	399,251,516	361,343,099
Cash Flows from Non-Capital Financing Activities					
Other Nonoperating Expenses		(2,568,649)		(2,568,649)	(1,466,522)
Proceeds from STP Litigation Settlement					15,000,000
Net Cash Provided by (Used for) Non-Capital Financing Activities		(2,568,649)		(2,568,649)	13,533,478
Cash Flows From Capital and Related Financing Activities					
Acquisition and Construction of Capital Assets	(3,346)	(49,450,308)	(124,591,000)	(174,044,654)	(194,997,051)
Proceeds from Issuance of Long-Term Debt	200,000	30,000,000	36,150,000	66,350,000	67,951,000
Proceeds from Annexation of WC and ID NO. 16		271,566		271,566	
Debt Issuance Cost					(723,000)
Principal Payments on Long-Term Debt	(36,036)		(71,905,000)	(71,941,036)	(82,085,245)
Interest Paid on Long-Term Debt		(37,435,331)	(194,040,000)	(231,475,331)	(209,708,502)
Proceeds from Sale of Assets		102,025		102,025	103,425
Capital Contributed for Construction		2,686,968	7,082,000	9,768,968	7,901,794
Payment to City of San Antonio for Debt of Acquired Water Districts					1,239,222
Payment for Advance Refunding of Bonds		(16,583,323)		(16,583,323)	(15,378,874)
Net Cash Provided by (Used for) Capital and Related Financing Activities	160,618	(70,408,403)	(347,304,000)	(417,551,785)	(425,697,231)
Cash Flows From Investing Activities					
Purchase of Investment Securities		(7,999,055)		(7,999,055)	(407,020,749)
Maturities of Investment Securities					368,064,937
Proceeds from Notes Receivable Collections	312,518			312,518	101,024
Loans Disbursed	(289,039)			(289,039)	(184,700)
Interest on Investments		5,878,672	23,353,000	29,231,672	32,943,543
Net Cash Provided by (Used for) Investing Activities	23,479	(2,120,383)	23,353,000	21,256,096	(6,095,945)
Net Increase (Decrease) in Cash and Cash Equivalents	302,303	6,722,875	(6,638,000)	387,178	(56,916,599)
Cash and Cash Equivalents, October 1	1,012,753	15,154,091	438,241,000	454,407,844	511,325,443
Cash and Cash Equivalents, September 30	$ 1,315,056	$ 21,876,966	$ 431,603,000	$ 454,795,022	$ 454,408,844

(Cont'd)

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(With comparative totals for September 30, 1993)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY (SALDC)	MAY 31, 1994 SAN ANTONIO WATER SYSTEM (SAWS)	JAN 31, 1994 CITY PUBLIC SERVICE (CPS)	TOTALS 1994	TOTALS 1993
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	$ 121,779	$ 43,753,059	$ 130,515,000	$ 174,389,838	$ 200,435,248
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation		38,622,895	136,957,000	175,579,895	159,351,790
Amortization Expense			20,672,000	20,672,000	19,010,000
Accretion of Capital Appreciation Bond Discount			14,529,000	14,529,000	13,549,000
Loss on Sale of Equipment	447			447	
Allowance for Interest Used During Construction			(1,977,000)	(1,977,000)	(29,055,000)
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable			6,210,000	6,210,000	(9,664,552)
(Increase) Decrease in Other Accounts Receivable	6,822	(1,011,765)	(7,574,000)	(8,578,943)	6,318,925
(Increase) Decrease in Accrued Revenues	(2,923)	867,833		864,910	(245,059)
Decrease in Due from Other Governmental Agencies	313			313	483
(Increase) Decrease in Inventories		682,351	7,089,000	7,771,351	(5,930,068)
(Increase) Decrease in Prepaid Expenses		59,122	(403,000)	(343,878)	1,863,119
(Increase) in Due to Other Governmental Agencies	(17,137)			(17,137)	
Increase (Decrease) in Vouchers Payable	(690)	(1,804,511)	8,365,000	6,559,799	5,465,649
Increase (Decrease) in Other Payables	9,595	516,726	(20,185,000)	(19,658,679)	127,252
Increase in Accrued Payroll		175,580		175,580	186,506
Increase in Accrued Leave Payable		98,115		98,115	176,823
Increase in Construction Retainage Payable			21,739,000	21,739,000	
Increase (Decrease) in Customer Deposits		(139,095)	1,099,000	959,905	299,983
Proceeds from Freight Litigation Settlements			9,601,000	9,601,000	9,231,000
Refund of Freight Litigation Settlement Benefits Payable to Customers			(9,324,000)	(9,324,000)	(9,778,000)
Net Cash Provided by Operating Activities	$ 118,206	$ 81,820,310	$ 317,313,000	$ 399,251,516	$ 361,343,099
Noncash Investing, Capital and Financing Activities:					
Acquisition and Construction of Capital Assets from Capital Contributions	$ 0	$ 20,661,335	$ 0	$ 20,661,335	$ 13,960,886

(end of statement)

TABLE OF NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1994

NOTE		PAGE
1	Summary of Significant Accounting Policies	13
2	Property Taxes	27
3	Cash and Cash Equivalents and Investments	28
4	Property, Plant, and Equipment	33
5	Due To (From) Other Funds	35
6	Long Term Debt	36
7	Short Term Debt	49
8	Pension and Retirement Plans	51
9	Post Employment Retirement Benefits	61
10	Joint Operations	62
11	Commitments and Contingencies	63
12	Segment Information	68
13	Insurance	69
14	Deficits in Retained Earnings	70
15	Contributed Capital	71
16	Change In Fund Type	71
17	Subsequent Events	72

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of San Antonio (City) have been prepared in conformance with 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

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has 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 GAAP (GASB Statement # 14, "The Reporting Entity") The underlying concept of the financial reporting entity is that elected officials are "accountable" to their constituents for their actions One of the objectives of this concept is to provide users of governmental financial statements with a basis for assessing the accountability of those elected officials, accordingly, the definition of the financial reporting entity is based on accountability.

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 (blended), and (c) component units, which 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 # 14, outlined below, potential component units were evaluated for inclusion or exclusion in the reporting entity, and further evaluated for financial statement presentation Due to the closeness of their relationships with the City, some component unit financial statements were blended as though they are part of the City and others only discretely presented

The following criteria (as set forth in GASB Statement # 14) 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

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

The criteria outlined above was excerpted from GASB Statement # 14. For a more detailed explanation of the criteria established by this Statement, we refer the reader to the Codification of Governmental Accounting and Financial Reporting Standards, as of June 30, 1994, published by GASB, Appendix A, GASB Statement # 14, pp A-101 Based upon the application of the criteria outlined above, the following is a brief review of each potential component unit addressed in defining the reporting entity

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended with the Primary Government (the relationship between the following component units and the City meet the criteria, as set forth in GASB Statement #14, for inclusion in the Reporting Entity and is such that the financial statements are blended in with those of the City):

City of San Antonio Health Facilities Development Corporation

The City of San Antonio Health Facilities Development Corporation (HFDC) was established by Ordinance 55400, dated June 3, 1982, in accordance with state laws to acquire, construct, provide, improve, finance, and refinance any real, personal, or mixed property, or any interest therein, the financing, refinancing, acquiring, providing, constructing, enlarging, remodeling, renovation, improving, furnishing, or equipping of which is found by the Board of Directors of the Corporation to be required, necessary, or convenient for health care, research, and education, any one or more, within the State of Texas, all to assist the maintenance of the public health. The HFDC is governed by a board of directors which is comprised of the City Council of the City of San Antonio.

City of San Antonio Industrial Development Authority

The City of 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 an industrial development corporation under the Development Corporation Act of 1979. The IDA may further the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. The IDA is governed by a board of directors which is comprised of the City Council of the City of San Antonio.

San Antonio Fire and Police Pension Fund

The San Antonio Fire and Police Pension Fund (Pension Fund) is a defined benefit plan established in accordance with state law. The Pension Fund is administered by a nine member board of trustees, including three City Council Members. The City and Pension fund participants are obligated to make all contributions to the Pension Fund in accordance with rates established by state law. Benefit levels are also set by state law. Services rendered by the Pension Fund are exclusively for the benefit of eligible, active firemen and policemen upon retirement.

Discretely Presented With the Primary Government (the relationship between the following component units and the City, is such that they meet the criteria, as set forth in GASB Statement # 14, for inclusion in the reporting entity and accordingly are included, however are such that the financial statements are discretely presented alongside, but not blended with those of the City)

San Antonio Water System

On February 13, 1992, the City Council determined that it was in the best interest of the citizens of San Antonio and the customers served by the water and wastewater utilities to consolidate all water utilities, agencies and activities into one institution. This one institution, entitled San Antonio Water System (SAWS), serves as the City's water, wastewater, and stormwater facility. The consolidation was consummated on May 19, 1992 and included the former City Water Board, Alamo Water Conservation and Re-use District, and the City's Sewer and Stormwater system. It was further determined by the City Council that the interests of the citizens and customers could best be served by placing authority for management and control of the system, as consolidated, in a board of trustees

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

appointed by the City Council. Additionally, it was determined that the best mechanism for effecting the consolidation of all water systems, agencies and activities into a single institution was through a refunding of all then outstanding water and sewer bonds.

The board of trustees include the City's Mayor as an ex-officio member along with four members appointed by City Council and two advisory members. The rates for user charges and bond issuance authorizations are approved by the City Council.

City Public Service

City Public Service (CPS), the City's electric utility, provides electricity and natural gas to the San Antonio metropolitan area. The board of trustees is comprised of four members appointed by City Council and the Mayor of the City as an ex-officio member. The rates for user charges and bond issuance authorization are approved by the City Council.

San Antonio Development Agency

The San Antonio Development Agency (SADA) is responsible for implementing the City's Urban Renewal Program and may designate, for urban renewal, such areas as it deems advisable, subject to approval by the City Council and the Federal Agency which administers the overall program. SADA receives the majority of its operating funds from the City as pass-through grant funds. The Board of SADA is comprised of nine members, appointed by the City Council.

San Antonio Higher Education Authority

The City of San Antonio Higher Education Authority (CSAHEA) was established in 1984, in accordance with state laws for the purpose of aiding nonprofit institutions of higher education in providing educational facilities and housing facilities which are incidental, subordinate or related thereto or appropriate in connection therewith in accordance with and subject to the provisions of Section 53.35 (b) Texas Education Code, all to be done on behalf of the City and as its duly constituted authority and instrumentality. The Act authorizes the corporation to issue revenue bonds for said purposes on behalf of the City but said bonds are not obligations of the City. CSAHEA is governed by an eleven member Board of Directors appointed by the City Council for two year terms.

San Antonio Local Development Company, Inc.

The San Antonio Local Development Company, Inc. (SALDC) is a non-profit corporation organized in 1978 under the laws of the State of Texas and under the auspices of the City. SALDC was formed to participate in the Neighborhood Business Revitalization Program (NBRP) co-sponsored by the Small Business Administration (SBA), the Economic Development Administration, and the U.S. Department of Housing and Urban Development (HUD).

SALDC under agreement with the City, administers and operates a revolving loan fund, NBRP, that provides qualifying local businesses with loans under economic development programs administered by the SBA. SALDC also administers, by agreement with the City, a U.S. Department of Commerce Title IX revolving loan fund, SBA MicroLoan Program and a HUD 108 fund. SALDC is governed by a thirty-three member Board of Trustees, appointed by the City Council, and an eleven member Board of Directors appointed from the Board of Trustees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Essential disclosures related to the above mentioned discretely presented component units are included in the complete financial statements of each of the individual component units. These statements may be obtained at the respective entity's administrative office. The addresses are as follows:

San Antonio Water System
P.O. Box 2449
San Antonio, Texas 78298
Contact Person: Alex Hinojosa
Telephone No. (210) 704-7408

City Public Service
P.O. Box 1771
San Antonio, Texas 78296
Contact Person: Howard Freeman
Telephone No. (210) 978-2500

San Antonio Development Agency
P.O. Box 1901
San Antonio, Texas 78297
Contact Person: Doug Aloise
Telephone No. (210) 225-3427

San Antonio Higher Education Authority
P.O. Box 830504
San Antonio, Texas 78283
Contact Person: Clinton Bolden
Telephone No. (210) 207-8080

San Antonio Local Development Company, Inc.
Plaza de Armas Building
San Antonio, Texas 78295
Contact Person: Clinton Bolden
Telephone No. (210) 207-8080

It is management's belief that to exclude essential disclosures from the City's financial statements as they pertain to CPS and SAWS would be misleading. CPS and SAWS have been identified as significant discretely presented component units both as they relate to total component units and to the primary government. Therefore, relevant disclosures have been included in the City's financial statements.

In implementing GASB Statement # 14, management determined that application of criteria to certain legally separate institutions with a fiduciary relationship with the City resulted in a misleading presentation of those institutions in these financial statements. Accordingly, management determined that inclusion of the portion of the Balance Sheet and Operating Statements of these institutions, specifically related to the fiduciary relationship, as a "blended" fiduciary fund would be proper. Management further determined that inclusion of the entire Balance

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Sheet and Operating Statements of the institution, either blended or discretely presented, would be misleading, and as such, that portion not related to the fiduciary relationship have been excluded from these financial statements. The following entities meet the criteria as discussed in this paragraph:

Downtown Improvement District, Inc.

This Corporation was organized in 1987 exclusively for managing and operating a public independent district created in accordance with state laws in downtown San Antonio to provide information regarding tax financing and tax districts in downtown San Antonio; to develop and implement plans, in conjunction with the City relating to public transportation, traffic, parking, beautification; and to encourage and assist further downtown private development. The extent of the relationship with the City is that the City assesses and collects a special assessment tax on said district specifically for the repayment of special assessment debt, issued for downtown revitalization. That portion applicable to this relationship is reported in these financial statements as a blended agency fund.

San Antonio Housing Trust Fund

The San Antonio Housing Trust Fund was established in 1989 for the primary purpose and goal of providing additional and continued housing opportunities for low and moderate income families; to promote the public health, safety, convenience and welfare by mitigating the extent to which the City's low and moderate income households are unable to afford decent, safe and sanitary housing within the City; and to revitalize neighborhoods and the downtown area through appropriate housing activities. That portion applicable to this relationship is reported in these financial statements as a blended trust fund.

San Antonio Parks and Recreation Athletic Fund

The San Antonio Parks and Recreation Athletic Fund was established to account for the revenues and expenditures of the City's Softball Association. The primary source of revenue is the Association's entry fees. These funds are for the sole use of the Softball Association. That portion applicable to this relationship is reported in these financial statements as a blended agency fund.

San Antonio Education Partnership

The San Antonio Education Partnership (SAEP) was established in 1988 to operate exclusively for charitable or educational purposes specifically for improving educational opportunities, to prepare students for careers, to enhance students' prospects for post-secondary education, and to improve students' access to area jobs. That portion applicable to this relationship is reported in these financial statements as a blended special revenue fund.

Bexar Metro 911 Network District

The Bexar Metro 911 Network District (911) was established for the purpose of improving the emergency management and response capability of public safety agencies. The City and the 911 District determined that their mutual goal could best be accomplished by planned sharing of resources and expertise. It was determined that the most feasible and advantageous means of obtaining certain administrative and operational services in an effort to reach mutual goals was to enter into an Interlocal Cooperation Agreement. That portion applicable to this relationship is reported in these financial statements as a blended agency fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Pension Plans

The various pension and retirement plans of the City, SAWS and CPS described in note 8, other than the Firemen and Policemen's Pension Fund, are third party administered, have their own Boards of Directors, or otherwise do not meet the criteria of GASB Statement # 14, and accordingly, are not included as component units of the City.

Restatement of Beginning Balances

With the adoption of GASB Statement No. 14 for the fiscal year ended September 30, 1994, certain entities previously excluded from the City's financial statements have been included as blended or discretely presented component units. These entities include the San Antonio Development Agency and the City of San Antonio Higher Education Authority which are reported as discretely presented special revenue funds and the San Antonio Local Development Company, Inc. as a discretely presented enterprise fund. In addition, the San Antonio Industrial Development Authority and the San Antonio Health Facilities Development Corporation are included as blended special revenue funds. Also, certain component units, City Public Service and San Antonio Water System, previously reported as City enterprise funds are now discretely presented enterprise funds. The following schedule reflects the restatement of beginning balances as previously reported for Fund Equity, Contributed Capital, Investment in Fixed Assets, and Cash and Cash Equivalents.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Restatement of Beginning Balances

Restatement for the Adoption of GASB # 14	Fund Type/Account Group				
				Discretely Presented	
	Special Revenue	Enterprise	General Fixed Assets	Governmental	Proprietary
Beginning Fund Balance/Retained Earnings (Deficit), as Previously Reported - 9/30/93	$ 21,425	$ 2,114,847	$ 0	$ 0	$ 0
Subtract Component Units Previously Reported as Funds of the City - Now Discretely Presented		(2,045,644)			2,045,644
Add Component Units not Previously Reported as a Fund of the City - Now Discretely Presented or Blended	102			6,697	1,275
Beginning Fund Balance/Retained Earnings (Deficit), as Restated - 9/30/93	$ 21,527	$ 69,203	$ 0	$ 6,697	$ 2,046,919
Beginning Contributed Capital/Investment in General Fixed Assets, as Previously Reported 9/30/93	$ 0	$ 498,555	$ 1,310,372	$ 0	$ 0
Subtract Component Units Previously Reported as Funds of the City - Now Discretely Presented		(431,591)			431,591
Add Component Units not Previously Reported as a Fund of the City - Now Discretely Presented or Blended			142		30
Beginning Contributed Capital/Investment in General Fixed Assets, as Restated - 9/30/93	$ 0	$ 66,964	$ 1,310,514	$ 0	431,621
Beginning Cash and Cash Equivalents, as Previously Reported - 9/30/93	$ 3,712	$ 463,394	$ 0	$ 0	$ 0
Subtract Component Units Previously Reported as Funds of the City - Now Discretely Presented		(453,396)			453,396
Add Component Units not Previously Reported as a Fund of the City - Now Discretely Presented or Blended	102			907	1,012
Beginning Cash and Cash Equivalents, as Restated - 9/30/93	$ 3,814	$ 9,998	$ 0	$ 907	$ 454,408

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, 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, liabilities, fund equity and other credits, revenues and expenditures, or expenses, as appropriate. 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. The various funds are grouped in the financial statements in this report into three broad fund categories, seven generic fund types, and two account groups as follows:

1. Governmental Funds

General Fund - The General Fund of the City accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the cost (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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for 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, and other internal service programs are accounted for in this fund type.

3. Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Pension Trust, Expendable Trust and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

4. Account Groups

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are self-balancing groups of accounts that are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. Public domain ("infrastructure") improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Governmental Funds, Expendable Trust Funds and Agency Funds are accounted for on the modified accrual basis. Revenues are recognized in the accounting period in which they become available and measurable. Gross receipts and sales taxes are considered measurable when in the hands of 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, except for unmatured interest on general long-term debt.

Governmental Funds and Expendable Trust Funds are accounted for on a spending or "current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) 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 treatment is also applied to governmental fund inventories to indicate that they do not represent "current financial resources," even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Proprietary Funds and Pension Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary Funds and Pension Trust Funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The reported Proprietary Fund type equity (net assets) is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Encumbrance Accounting

Encumbrances, which represent commitments for open purchase orders or unperformed contracts for goods or services, are reported as a reservation of fund balance in the General Fund, Special Revenue Funds and Capital Projects Funds These outstanding encumbrances serve as authorization for expenditures in the subsequent year

Encumbrances are reflected in the General Fund and Special Revenue Funds Combined Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance–Budget and Actual to provide a more meaningful comparison with budget but are not considered expenditures in the financial statements

E. Budgets

The City Charter establishes requirements for the adoption of budgets and budgetary control Under provisions of the Charter, expenditures of each City department or agency cannot legally exceed the final departmental budget approved by the City Council Amendments to line items within a departmental budget may be initiated by the departmental directors but the departmental budget total can only be amended by the City Council During the year, several supplementary appropriations were necessary All amendments complied with City Charter requirements

The City prepares annual or project budgets for its General Fund and Special Revenue Funds Project budgets are adopted for the Categorical Grant-In-Aid Funds and Community Development Program Fund Appropriations in these funds remain open and carryover to succeeding years until the related expenditures are made or until they are modified or canceled

Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions Capital Projects Funds' budgets are adopted on a project basis rather than on an annual basis

The annual budgetary data reported for the General Fund and Special Revenue Funds 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 following provides a summary of the City's budgeting policy with respect to Special Revenue Funds based on actual fiscal year 1994 results

Special Revenue Funds Budget

	Actual		
	Revenues	Expenditures	Other Sources
Budgeted on an annual basis	$ 68,922	$ 72,573	$ (3,279)
Less Encumbrances	0	(2,161)	9,594
Budgeted on a project basis	119,907	130,010	9,968
Subtotal	$ 188,829	$ 200,422	$ 16,283
Blended Component Units	15	58	0
Total Special Revenue Funds	$ 188,844	$ 200,480	$ 16,283

(amounts are expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

The budget is prepared using the modified accrual basis of accounting except for the recognition of encumbrances within the expenditure appropriations Included in the above summary are Component Units which have been blended based on the implementation of GASB Statement No 14 These Component Units, however, do not adopt a budget but are merely included to facilitate reconciliation

F. Cash, Cash Equivalents and Investments

The City's investment activities are governed by State statute and its own formal written investment policies City cash must be deposited in FDIC-insured banks located within the State of Texas The City utilizes a pooled cash and investments system that enables the City to have one central depository Each City fund owns a pro rata interest in these cash and investment pools, and interest revenue is allocated based on each fund's daily average cash and investment balance

Investments are stated at cost or amortized cost, except for investments in the Deferred Compensation Agency Funds which are reported at market value Amortization of premium or accretion of discount is recorded over the term of the investment For a listing of authorized investments, see Note 3

For purposes of the statements of cash flows, the City, SAWS and CPS consider all highly liquid investments with an original maturity of approximately ninety days or less to be cash equivalents

G. Property Taxes

The City recognizes revenues from property taxes in the period for which they were levied Property taxes receivable include taxes due and amounts expected to be collected within 60 days after the period end, along with related interest and penalties For additional disclosure related to property taxes see Note 2

H. Inventories

Inventories of 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 inventories Under the consumption method inventory acquisitions are recorded in inventory accounts and charged as expenditures (governmental fund types)/expenses (proprietary fund types) when used

I. Fixed Assets and Depreciation

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available Donated fixed assets are valued at their estimated fair market value on the date donated Depreciation on all exhaustible fixed assets of the City used by proprietary funds is charged as an expense Accumulated depreciation is reported on the balance sheets of proprietary funds Depreciation is provided over the estimated useful lives of the assets using the straight-line method The estimated useful lives applied are as follows

Buildings	25 - 40 years
Improvements other than buildings	10 - 40 years
Machinery and equipment	2 - 10 years

(amounts are expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation (Continued)

Interest costs incurred during the construction of Enterprise Fund fixed assets are capitalized into the cost of the assets being constructed based upon guidelines established by the Statement of Financial Accounting Standards No 62.

The CPS utility plant is stated at the cost of construction including costs of contracted services, direct material and labor, indirect costs, including general engineering, labor and material overhead, and an allowance for interest used during construction (AIUDC) CPS computes AIUDC using rates representing the cost of borrowed funds on projects estimated to cost in excess of $ 250 Retirements of utility plant, together with removal cost less salvage value, are charged to accumulated depreciation The maintenance of property, and replacement and renewals of items determined to be less than a unit of property, are charged to maintenance expense General utility plant assets consist of land, buildings and equipment for general and administrative purposes that are used commonly in electric and gas operations

CPS computes depreciation principally using the straight-line method over the estimated service lives of the various classes of depreciable property as determined by periodic engineering studies Depreciation as a percentage of the average depreciable plant was 2.97% in 1994 and 2.86% in 1993

CPS amortizes its share of nuclear fuel for the South Texas Project (STP) to fuel expense on a unit-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 is charged a fee for disposal of spent nuclear fuel, which is included in fuel expense, in the amount of $ 00094 per kilowatt hour (KWH) for its share of electricity produced by STP For further discussion regarding the STP, see Note 10

The SAWS utility plant in service is recorded on the basis of cost Assets acquired through contributions are capitalized and recorded in the plant accounts at estimated fair market value at date of donation SAWS capitalizes certain interest costs on revenue bonds associated with newly constructed utility plant additions Maintenance, repairs, and minor renewals are charged to operating expense, while major plant replacements are capitalized

SAWS provides for depreciation of the utility plant on the straight-line method applied to individual assets for all assets except distribution mains which are depreciated on the straight-line method applied to the group of mains using rates estimated to fully amortize the costs over their estimated average useful lives The following estimated average useful lives are used in providing for depreciation of the SAWS utility plant

Structures and improvements	50 years
Pumping and purification equipment	10 - 50 years
Distribution and transmission system	25 - 50 years
Collection System	50 years
Treatment facilities	25 years
Equipment and machinery	5 - 20 years
Furniture and fixtures	20 - 50 years
Computer Equipment	10 years
Software	3 - 5 years

In 1994, SAWS began to capitalize additional overhead costs related to engineering services on certain types of construction projects which previously were not being allocated these additional overhead costs Additional overhead costs capitalized to these projects in FY94 were approximately $2,400

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. General Bonded Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund The full amount estimated to be required for debt service on general bonded debt is provided by allocated property taxes together with interest earned within the Debt Service Fund

K. Compensated Absences

It is the City's policy to accrue annual leave pay as earned Sick leave pay is accrued as earned for the City's firemen and policemen Non-uniformed employees do not accrue sick leave pay The current portion of the accruals is recorded in the City's respective operating funds The long-term portion of proprietary fund compensated absences is recorded in those proprietary funds and governmental fund type's long term portion of compensated absences is recorded in the General Long-Term Debt Account Group

L. Deferred Compensation Plans

The City, SAWS, and CPS offer deferred compensation plans created in accordance with Internal Revenue Code Section 457 The plans are available to all full time employees and permits them to defer a portion of their salary until future years The deferred compensation is not available to employees until termination, death, disability, retirement, or unforeseeable emergency.

Under these plans, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employer (without being restricted to the provisions of benefits under the plans), subject only to the claims of the employer's general creditors Participants' rights under the plans are equal to those of general creditors of the employer in an amount equal to the fair market value of the deferred account for each participant

The City's deferred compensation plans are administered by (a) the City, (b) the International City Management Association (ICMA) Retirement Corporation, and (c) U S Conference of Mayors Public Employees Benefit Services Corporation (PEBSCO) Assets of the ICMA and PEBSCO deferred compensation plan are held by an independent administrator and assets of the City of San Antonio Deferred Compensation Plan are held and administered by the City These plans are reported in the City's financial statements as Agency Funds as the City has title to the assets The City makes no contributions to these plans

SAWS' deferred compensation plans are administered by ICMA and PEBSCO SAWS makes no contributions to the plans CPS' deferred compensation plan is administered by a third party and CPS makes no contributions to the plan

In the opinion of the management of the City, SAWS, and CPS, there is no liability for losses under the plans However, the City, SAWS, and CPS have the responsibility of due care that would be required of an ordinary prudent investor Management also believes the possibility that they will use the assets to satisfy the claims of general creditors in the future is remote

M. Insurance

Activity for self-insurance programs is recorded in the City's Self Insurance fund group Assets and obligations related to property and casualty liability, employee health benefits, worker's compensation, unemployment

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Insurance (Continued)

compensation, extended sick leave, employee wellness, and fire and police pre-funded health programs are included in the Self-Insurance Funds For a more detailed explanation of the City's insurance programs, see Note 13

The City is insured for property with the Royal Insurance Company and casualty liability with the Scottsdale Insurance Company 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 provides employee health and worker's compensation benefits under its self-insurance programs Employee health benefit liabilities are accrued based upon the City's estimates of the aggregate liability for unpaid benefits The City is a member of the Texas Municipal League Worker's Compensation Joint Insurance Fund, and uses this fund as a mechanism for providing worker's compensation benefits for its employees All worker's compensation loss contingencies, including claims incurred but not reported, are recorded by the City In addition, the City has an excess workers' compensation policy with Continental Casualty Insurance Company

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

N. Amortization of Federally Contributed Capital

Contributed capital, related to fixed assets acquired by federal or state grants, is being amortized over periods equal to the lives of assets purchased from such contributions of capital

O. Revenue Recognition

Governmental-type funds record revenues on the modified accrual basis of accounting That is, revenues are recorded when they are considered susceptible to accrual, meaning that the revenues are both measurable and available to finance operations Revenues from property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual Proprietary-type funds record revenues when they are earned

CPS and SAWS revenues are billed on a cycle basis CPS rate schedules include fuel and gas cost adjustment clauses that permit recovery of fuel and gas costs in the month incurred CPS recognizes fuel and resale gas costs on the same basis as it recognizes revenue No accrual has been made for unbilled receivables between billing dates, except for SAWS City Ordinance No 75686 provides for no free services except for municipal fire fighting purposes and certain stormwater utility service

P. Nuclear Decommissioning

In July 1990, CPS together with the other owners of the STP filed with the Nuclear Regulatory Commission (NRC) a certificate of financial assurance for the decommissioning of the nuclear plant The certificate assures that CPS will meet the minimum decommissioning funding requirements mandated by the NRC CPS' portion of the estimated costs for decommissioning the STP nuclear power plant is approximately $150,000 in 1989 dollars, which exceeds NRC minimum requirements This cost estimate will be reviewed and updated periodically and could change by a material amount CPS will record the expense of decommissioning over the life of the STP nuclear power plant Beginning in 1991, CPS started accumulating the decommissioning funds in an external trust, in accordance with the NRC's regulations The trust accounts and related decommissioning liability are not included in CPS' financial statements At January 31, 1994, CPS had accumulated approximately $27,000 of decommissioning

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Nuclear Decommissioning (Continued)

funds in the external trust Decommissioning expenses were approximately $5,100 for each of the fiscal years 1994 and 1993

Q. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles Such data is not comparable to a consolidation Interfund eliminations have not been made in the aggregation of this data

R. Other Budget Disclosures

Excesses of expenditures, transfers and encumbrances over appropriations occurred as follows

Excesses of Expenditures, Transfers and Encumbrances Over Appropriations

Fund/Expenditures	Appropriations	Expenditures, Transfers and Encumbrances	Excess Expenditures, Transfers and Encumbrances over Appropriations
Special Revenue Funds			
Hotel-Motel Tax Capital Improvement Fund	$ 62	$ 106	$ 44
Child Safety Fund	977	1,027	50
Soil Remediation Fund	3,448	3,718	270
Otto Koehler Park Fund	154	168	14

The excess expenditures and transfers over appropriations were fully offset by excess actual revenues and fund balances No deficit fund balances resulted from these excesses

S. Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation

2. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of February 1, with taxes being levied on October 1 and becoming delinquent after January 31 The City bills and collects its own taxes Property tax revenues are recognized when they become available which means when due, or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current

2. PROPERTY TAXES (Continued)

period. The amount of delinquent taxes collected in October and November, 1994 was not material to these financial statements and, therefore, has not been recognized as revenue.

Property tax receivables, including related interest and penalty receivables, net of allowances for uncollectible amounts, represent amounts the City believes will ultimately be collected. Property tax receivables are offset by deferred revenues. The City is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to $2.50 per $100 of assessed valuation. The tax rate approved by City ordinance for the year ended September 30, 1994 was $0.59597 per $100 assessed valuation, which means that the City has a tax margin of $1.90403 per $100 assessed valuation and could raise an additional $428,037 per year based on the net assessed valuation of $22,480,585 before the limit is reached.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City uses a pooled cash system that is available for use by all funds. City monies are deposited in demand accounts. Each fund's portion of pooled cash is summarized by fund type and included in the combined balance sheet in Cash and Cash Equivalents, in addition to all highly liquid investments with an original maturity of ninety days or less. Overdrafts which result from a fund overdrawing its share of pooled cash are reported as an interfund payable by the overdrawn fund and as an interfund receivable of the General Fund. The City's general depository agreement had required the City to maintain a $5,000 time deposit. However, during the fiscal year ending September 30, 1994, the City executed a new bank depository agreement effective January 1, 1994, and is no longer required to maintain a time deposit.

The City also maintains an investment pool that is available for use by all funds. This pool includes repurchase agreements, U.S. Treasury securities, and other Government Agency securities with a maturity of more than three months. In addition, longer-term investments held specifically for certain funds are accounted for in those respective City funds and are combined with the pooled investments by fund type in the combined balance sheet.

The investment policies of the City and its significant discretely presented component units, are governed by state statutes and by each governmental units' written investment policies. Authorized investments include: demand accounts, certificates of deposit, obligations of the U.S. Treasury and U.S. Government Agencies, commercial paper, repurchase agreements and securities lending programs.

The Firemen and Policemen's Pension Trust Fund investments are administered by the Firemen and Policemen's Pension Fund Board of Trustees. The Firemen and Policemen's Pension Trust Fund investments include: corporate bonds, preferred stock, U.S. Treasury securities, U.S. Government Agency securities, notes, mortgages and contracts, and real estate.

Collateral is required for demand deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Collateral pledged is required to be held in the City's name by the trust or safekeeping department of a bank other than the pledging bank.

Written custodial agreements are required that 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 and that the collateral has been segregated either physically or by book entry.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Repurchase agreements must be purchased from banks located within the state. Securities underlying a repurchase agreement must have a market value of at least 100% of the cost of the repurchase agreement. No substitution of securities is permitted. The securities underlying the agreements must be delivered to the City's depository bank's safekeeping department.

SAWS is permitted by City Ordinance No. 75686 to invest in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities of the United States of America or as otherwise permitted by state law. SAWS general depository agreement does not require SAWS to maintain an average monthly balance.

CPS' investments are generally limited to U.S. government or U.S. government guaranteed obligations. At January 31, 1994 and 1993, CPS' investments, both restricted and unrestricted, were all in U.S. Treasury securities and were held by a third party in CPS' name. CPS cash deposits at January 31, 1994 and 1993 were entirely collateralized by banks for the account of CPS. Deposits are collateralized by securities held by a third party in CPS' name.

Combined cash and cash equivalents and investments are presented below as of year end for the City, and its significant discretely presented Component Units, SAWS and CPS. The information is provided to give an indication of the proportionate amount of cash and investments held by each respective entity.

Combined Cash, Cash Equivalents and Investments

	City	SAWS[1]	CPS[2]
Cash and Cash Equivalents	$ 123,108	$ 21,877	$ 431,603
Investments	826,919	103,647	416,940
Less: Investments with Original Maturities of Less Than Ninety Days Included in Cash Equivalents	(65,641)		(416,940)
Total	$ 884,386	$ 125,524	$ 431,603

[1]As of May 31, 1994.
[2]As of January 31, 1994

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3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

	City	SAWS[1]	CPS[2]
Totals from combined balance sheet			
Cash and Cash Equivalents	$ 121,956	$ 11,907	$ 63,123
Investments	736,720	10,674	
Restricted Cash and Cash Equivalents	1,152	9,970	368,480
Restricted Investments	24,558	92,973	
Total Cash, Cash Equivalents and Investments	$ 884,386	$ 125,524	$ 431,603

[1]For the period ended May 31, 1994
[2]For the period ended January 31, 1994

The composition of Cash and Cash Equivalents for the City and its significant discretely presented Component Units as of the respective year ends included in the financial statements are presented below

	City	SAWS[1]	CPS[2]
Deposits with Financial Institutions	$ (2,187)	$ 43,452	$ 14,548
Less: Deposits with Original Maturities of Greater than Ninety Days		(21,590)	
Investments with Original Maturities of Less than Ninety Days	65,641		416,940
Cash with Pension Funds Fiscal Agent	59,522		
Cash with Bond Paying Agents	12		12
Petty Cash Funds	120	15	103
Total Cash and Cash Equivalents	$ 123,108	$ 21,877	$ 431,603

[1]For the period ended May 31, 1994
[2]For the period ended January 31, 1994

Cash with fiscal agents of the Firemen and Policemen's Pension Fund of the City of San Antonio have been approved by the Fund's Board of Directors and are invested as authorized by Texas State Statutes Cash with bond paying agents are held to cover matured bonds and coupons which have been offset by a corresponding liability in the City's financial statements.

Deposits with financial institutions are classified into three categories of credit risk based upon the following

Category	Description
1	Deposits insured by the FDIC or collateralized with securities held by the City or the City's agent in the City's name
2	Deposits collateralized by securities held by the pledging bank's agent in the City's name
3	Deposits uncollateralized which include deposits collateralized by securities held by the pledging financial institution or by its trust department or agent but not in the City's name

(amounts are expressed in thousands)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash with fiscal agents of the Firemen's and Policemen's Fund of the City of San Antonio and cash with Bond Paying Agents are classified as Category 2

Deposits of the City, SAWS and CPS are categorized by credit risk as follows

Unit	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
City	$ (2,187)	$ 7,185	$ 7,185		
SAWS	43,452	50,671	50,671		
CPS	14,548	15,354	15,354		

Investments are classified into three categories of credit risk based upon the following

Category	Description
1	Includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name
2	Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name
3	Includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name

Those amounts included in Category 2, are exclusively related to the Firemen and Policemen's Pension Fund

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(amounts are expressed in thousands)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The investments of the City, SAWS, and CPS are categorized below to give an indication of the level of risk assumed:

Total Investments By Category

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
City:					
Corporate Bonds	$	$ 48,051	$	$ 48,051	$ 46,401
Preferred Stock		422		422	642
Common Stock		213,727		213,727	236,618
Short-Term Extended Portfolio		55,000		55,000	55,250
U.S. Treasury & Government Agency Securities	353,702	121,044		474,746	472,746
Notes & Mortgages		8,890		8,890	8,890
Real Estate Trusts		2,525		2,525	2,525
Subtotal	$ 353,702	$ 449,659	$	$ 803,361	$ 823,072
Deferred Compensation				23,558	23,558
Total City				$ 826,919	$ 846,630
SAWS:					
U.S. Treasury & Government Agency Securities	$ 78,452			$ 78,452	$ 78,206
Subtotal	$ 78,452	$	$	$ 78,452	$ 78,206
Deferred Compensation				3,605	3,605
Total SAWS				$ 82,057	$ 81,811
CPS					
U.S. Treasury & Government Agency Securities	$ 416,940			$ 416,940	$ 421,940
Total CPS	$ 416,940			$ 416,940	$ 421,940

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(amounts are expressed in thousands)

4. PROPERTY, PLANT AND EQUIPMENT

A summary of changes in the General Fixed Assets Account Group follows:

Summary of Changes in General Fixed Assets Account Group

	Balance Oct. 1, 1993	Additions	Deletions/ Transfers	Balance Sept. 30, 1994
Land and Land Improvements	$ 216,541	$ 6,125	$	$ 222,666
Buildings	198,792	172,009		370,801
Streets and Bridges	385,652	20,126		405,778
Storm Drainage and Flood Prevention	292,790	11,483		304,273
General City Equipment	87,487	9,647	1,444	95,690
Construction-in-Progress	129,111	64,552	47,357	146,306
Total General Fixed Assets	$ 1,310,373	$ 283,942	$ 48,801	$ 1,545,514

Construction-in-progress related to the General Fixed Assets Account Group is comprised of the following:

Construction-In-Progress: General Fixed Assets Account Group

	Project Authorization	Expended to Sept. 30, 1994	Committed	Required Future Financing
Buildings	$ 51,023	$ 26,178	$ 24,845	None
Streets and Bridges	82,894	36,902	45,992	None
Storm Drainage and Flood Prevention	65,636	43,023	22,613	None
Improvements Other Than Buildings	42,505	40,203	2,302	None
Total	$ 242,058	$ 146,306	$ 95,752	None

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(amounts are expressed in thousands)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

A summary of Proprietary Fund Type and Fiduciary Fund Type property, plant and equipment at September 30, 1994 (except as noted) follows:

Proprietary and Fiduciary Fund Type Property, Plant and Equipment

	Airport Parking	Parking Facilities	Golf Course System	Solid Waste System	Total Primary Government Enterprise Funds	Internal Service	Fiduciary Fund	Total Primary Government	Gas and Electric System (CPS)[1]	San Antonio Water System (SAWS)[2]
Computer Equipment	$ 444	$ 27	$ 2	$ 20	$ 493	$ 17,168	$ 39	$ 17,700	$ 0	$ 0
Land	2,970	3,752	2,579		9,301			9,301		33,214
Buildings	96,821	16,956	4,008	46	117,831	143	491	118,465		
Improvements Other Than Buildings	120,620	512	5,522	120	126,774	56		126,830		
Sewer System										
Gas and Electric System									4,654,656	
Water System										1,436,806
Machinery and Equipment	5,713	617	2,126	2,961	11,417	58,767	79	70,263	34,393	
Construction-In-Progress	22,442	634		955	24,031			24,031	125,619	71,706
Nuclear Fuel, at Amortized Cost									96,931	
Total	249,010	22,498	14,237	4,102	289,847	76,134	609	366,590	4,911,599	1,541,726
Less Accumulated Depreciation	65,273	4,165	2,876	1,382	73,696	48,254	153	122,103	1,042,183	327,039
Net Property, Plant and Equipment	$ 183,737	$ 18,333	$ 11,361	$ 2,720	$ 216,151	$ 27,880	$ 456	$ 244,487	$ 3,869,416	$ 1,214,687

The City capitalizes interest incurred on construction projects, in accordance with Statement of Accounting Standards No 62 issued by the Financial Accounting Standards Board SAWS and CPS capitalized construction period interest in the amount of $873 and $1,977, respectively, and the City of San Antonio capitalized no interest for construction

[1] For the period ended January 31, 1994

[2] For the period ended May 31, 1994

(amounts are expressed in thousands)

5. DUE TO (FROM) OTHER FUNDS

The following is a summary of interfund receivables and payables for the City as of September 30, 1994.

Summary Table of Interfund Receivables and Payables at September 30, 1994

	Due From Other Funds	Due to Other Funds
General Fund	$ 9,815	$ 11
Special Revenue Funds:		
Hotel-Motel Tax Fund		266
Alamodome Fund	787	
Special Revenue Reserve Fund		400
Otto Koehler Park Fund		1
Streets & Drainage Maintenance Improvements		272
VIA Bus Route Improvement Fund		195
Interim Financing Fund		7
Soil Remediation Fund	937	
Home Program Fund		83
Categorical Grants-In-Aid		5,998
Child Safety Fund		54
Community Development Program Fund		1,706
Total Special Revenue Funds	1,724	8,982
Debt Service Funds	65	2,260
Capital Projects Funds:		
Improvement Projects	1,122	382
Special Tax Improvement Project	214	729
Total Capital Projects Funds	1,336	1,111
Enterprise Funds:		
Airport System Fund	4,818	4,818
Golf Course System Fund		100
Solid Waste System	1,698	50
Total Enterprise Funds	6,516	4,968
Internal Service Funds:		
Other Internal Service funds		1,698
Self Insurance	2	
Total Internal Service Funds	2	1,698
Fiduciary Funds:		
Bexar County Rabies Control Fund		22
Memorials & Gifts Fund		289
Total Fiduciary Funds		311
Agency Funds		
Tax Clearance Account		65
Lessee's Special Events Liability Insurance		3
Special Events Security Trust Fund		49
Total Agency Funds		117
Total	$ 19,458	$ 19,458

(amounts are expressed in thousands)

6. LONG-TERM DEBT

A. Primary Government (City)

1. General Long-Term Debt

The City maintains a proactive debt management policy in an effort to maximize the value of each financing dollar utilized for the City's continued and planned capital improvement programs while minimizing the cost of money to finance these projects. In 1992, the City initiated a comprehensive bond indebtedness refunding program. The purpose of the refinancing was threefold: (1) realize substantial interest cost savings by refunding high interest rate bonds with low interest rate bonds; (2) shorten the average life of the debt refinanced, and (3) restructure the debt to allow for accelerated savings in fiscal years 1993 through 2004 which would allow for the future issuance of new money bonds to finance capital improvements with minimal impact on annual debt service requirements. A continued downtrend in interest rates provided another opportunity in 1993 to achieve further interest cost reductions by refinancing certain outstanding bonds that were not refunded in the 1992 transaction.

During fiscal year 1993-1994, no additional bond indebtedness was incurred, however, two events transpired during the year which impacted long-term indebtedness. First, on May 7, 1994, the citizens of San Antonio approved a bond election which authorized the City to issue $109,700 general obligation bonds for capital improvements. The four propositions that were presented to the public and approved in the election were: Proposition 1 -- $25,600 of general obligation bonds for constructing street improvements and related drainage, Proposition 2 -- $34,400 of general obligation bonds for constructing drainage facilities, Proposition 3 -- $41,600 of general obligation bonds for constructing park improvements, and Proposition 4 -- $8,100 of general obligation bonds for public safety improvements to include a police central substation and crime computer center. Second, $25,875 Taxable Combination Tax and Stadium Agreement Revenue Refunding Obligations, Series 1992 were called for redemption prior to their scheduled maturity of November 1, 1994, and paid on July 15, 1994. The early payment of these obligations realized an interest cost savings of $362.3.

The City employs a comprehensive six year financial 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. Routine, comprehensive financial analysis utilizes computer modeling and 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. Strict adherence to conservative financial management has allowed the City to meet its financing needs while at the same time maintaining its AA rating by all three rating agencies, i.e., Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Investors Service, Inc. The City is committed to follow the financing plan as defined in the 1992 and 1993 refundings, and to date, projections indicate that the City is on course and within the financial parameters established in 1992.

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6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

The following table is a summary of changes in the General Long-Term Debt Account Group for the year ended September 30, 1994.

General Long-Term Debt Account Group

Issue	Original Amount	Final Principal Payment[1]	Interest Rates (%)[1]	Balance Outstanding October 1, 1993	Additions During Year	Deletions During Year	Balance Outstanding September 30, 1994
General Obligation Bonds							
1985A	$ 240,380	1995	7.900	$ 2,110	$	$ 1,050	$ 1,060
1986	61,540	1995	9.500	2,775		1,325	1,450
1987	50,000	1997	9.000	5,075		1,125	3,950
1988	49,576	1998	9.750	5,900		1,000	4,900
1988A	21,935	1998	9.500	2,600		450	2,150
1988 Refdg	132,978	2009	6.000-7.500	74,564		1,425	73,139
1989	26,695	1999	8.600-8.750	4,025		550	3,475
1991	60,645	2014	6.125-8.625	29,950		100	29,850
1992 Refdg	380,540	2013	3.875-5.750	374,219		1,615	372,604
1993	92,165	2014	4.000-8.000	92,165			92,165
Subtotal	$ 1,116,454			$ 593,383	$	$ 8,640	$ 584,743
Tax-Exempt Certificates of Obligation							
Series 1986	$ 13,260	1996	7.600-9.500	$ 1,080	$	$ 330	$ 750
Series 1986A	22,600	2001	6.200-8.500	9,020		905	8,115
Series 1988	4,400	2002	6.900-9.000	1,825		150	1,675
Series 1988A	16,200	1998	9.750	1,925		325	1,600
Series 1988B	11,200	1998	9.500	1,325		225	1,100
Series 1989	7,295	1999	9.000	1,125		150	975
Series 1991	10,075	2001	5.750-6.250	8,850		1,600	7,250
Series 1992	17,655	2013	3.875-5.750	17,655		1,085	16,570
Series 1993	4,700	1999	3.600-5.250	4,700			4,700
Subtotal	$ 107,385			$ 47,505	$	$ 4,770	$ 42,735
Taxable Certificates of Obligation							
Series 1988	$ 6,700	2008	9.100-11.600	$ 6,200	$	$ 200	$ 6,000
Series 1988C	3,850	2008	9.000-11.500	3,575		125	3,450
Hotel/Motel Occ Tax, Series 1988	3,500	2008	9.000-11.500	3,250		100	3,150
Stadium Agmt., Series 1992	44,945	1994	3.900-4.800	44,945		44,945	
Subtotal	$ 58,995			$ 57,970	$	$ 45,370	$ 12,600
Public Property Finance Contractual Obligations							
Series 1989	$ 4,540	1993	7.000	$ 1,085	$	$ 1,085	$
Subtotal	$ 4,540			$ 1,085	$	$ 1,085	$
Total	$ 1,287,374			$ 699,943	$	$ 59,865	$ 640,078

[1] A portion of the outstanding principal applicable to each series of bonds was advance refunded, prior to maturity, by the Series 1988, 1992, and 1993 refunding bonds. Proceeds from the refunding bonds were utilized to purchase securities, guaranteed by the United States of America, which were irrevocably deposited into escrow accounts whose principal is scheduled to mature on such dates that when added to interest earned in the escrow accounts, is fully sufficient to make timely payment on the refunded bonds. The refunded bonds represent an in-substance defeasance and are not a liability of the City. The final principal payment, on a calendar year basis, and interest rate applicable to the outstanding, non-refunded bonds is as shown in this table.

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

In July of 1993, the City recognized revenue of $1,867 in the restructuring of the escrow account for the bonds refunded with the City of San Antonio, Texas General Improvement Refunding Bonds, Series 1992. A portion of the revenue recognized resulted from the substitution of certain escrowed securities for certain other securities of the United States or its agencies and instrumentalities having maturity dates on or before the respective dates such proceeds are required. The balance of the revenue recognized resulted from a Forward Supply Contract with Lehman Brothers and Frost National Bank of San Antonio, (Escrow Agent) which permitted the escrow agent to invest in certain additional obligations of the United States in order to improve the efficiency of the escrow account of the refunded bonds and to take advantage of changes relating to Federal arbitrage restrictions on tax exempt refunded bond transactions.

A Special Revenue Fund (the Interim Financing Fund) was established to account for the proceeds from the escrow restructuring. The Interim Financing Fund was to disburse loans to capital projects in anticipation of future permanent financing. However, in fiscal year 1994, management determined that the proceeds from the escrow restructuring should be utilized for expenditures incurred on Alamodome soil remediation which is discussed in Note No. 11. It is not determinable at this time whether the Interim Financing Fund will be reimbursed for these expenditures.

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6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

Annual Requirements

The annual requirements to amortize all general long-term debt (excluding accumulated accrued benefits) outstanding as of September 30, 1994, are as follows:

Principal and Interest Requirements

Year Ending September 30,	General Obligation Bonds		Certificates of Obligation		Total Annual Requirements
	Principal	Interest	Principal	Interest	
1995	$ 11,010	$ 33,672	$ 6,715	$ 4,376	$ 55,773
1996	14,560	32,831	6,950	3,290	57,631
1997	16,695	31,915	5,375	2,854	56,839
1998	20,855	30,844	5,770	2,508	59,977
1999	25,470	29,607	5,340	2,133	62,550
2000	27,955	28,175	4,355	1,809	62,294
2001	29,265	26,626	4,660	1,525	62,076
2002	34,885	24,785	2,710	1,216	63,596
2003	37,530	22,625	1,365	1,032	62,552
2004	38,520	20,455	1,490	920	61,385
2005	34,849	23,268	1,635	797	60,549
2006	33,509	21,449	1,760	661	57,379
2007	37,585	14,692	1,915	516	54,708
2008	39,320	12,482	2,065	358	54,225
2009	41,205	10,143	575	186	52,109
2010	43,100	7,881	610	153	51,744
2011	45,930	5,432	645	118	52,125
2012	21,225	2,817	680	80	24,802
2013	19,565	1,657	720	41	21,983
2014	11,710	595	0	0	12,305
Total	$ 584,743	$ 381,951	$ 55,335	$ 24,573	$ 1,046,602

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6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

Authorized But Unissued Tax Bonds

Authorization Date	Purpose	Amount Authorized	Bonds Previously Issued	Bonds Authorized But Unissued
1-26-80[1]	Drainage and Flood Control	$ 21,637	$ 17,413	$ 4,224
1-26-80[1]	Fire Protection	4,257	2,125	2,132
1-26-80[1]	Libraries	4,978	3,926	1,052
1-26-80[1]	Street, Bridge, and Related Improvements	43,287	34,035	9,252
4-06-85	Drainage and Flood Control	50,890	44,300	6,590
11-3-87	Drainage	83,800	45,250	38,550
11-3-87	Street Improvements	56,200	43,295	12,905
5-07-94	Street Improvements	25,600	0	25,600
5-07-94	Drainage Improvements	34,400	0	34,400
5-07-94	Parks	41,600	0	41,600
5-07-94	Police Substation	8,100	0	8,100
Total		$ 374,749	$ 190,344	$ 184,405

[1]The City has authority pursuant to an election held on January 26, 1980, to issue $16,660 in bonds for libraries, fire protection, drainage and flood control, and street, bridge and related improvements, but the City does not currently intend to issue any such bonds

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 ten (10) percent of the total assessed valuation. The total assessed valuation for the fiscal year ending 1994 was $25,260,600 which provides a debt ceiling of $2,526,060. The total outstanding debt that is secured by an ad valorem tax pledge is $667,328

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 one hundred dollars 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% collections.

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6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

The following is a summary of changes in the accumulated accrued benefits for the year ended September 30, 1994

Accumulated Accrued Benefits

Description	Balance October 1, 1993	Additions	Reductions	Balance September 30, 1994
Pension Cost	$ 92,637	$ 1,774	$ 0	$ 94,411
Sick Leave	32,221	3,682	3,500	32,403
Annual Leave	17,107	7,386	7,354	17,139
Total Accrued Benefits	$ 141,965	$ 12,842	$ 10,854	$ 143,953

2. Proprietary Long-Term Debt

Proprietary 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 and Internal Service Funds). Long-term debt which is expected to be repaid from the resources of proprietary funds is reported in the respective proprietary fund. The long-term indebtedness of the City's Enterprise Funds is presented in the discussion that follows.

Airport System: The Airport System's long-term debt is equally and ratably secured solely by a first lien on and pledge of the Gross Revenues of the Airport System. The Airport System includes the City of San Antonio International Airport and Stinson Municipal Airport and all land, buildings, structures, equipment, and facilities pertaining thereof. 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. No additional long-term indebtedness was incurred by the Airport System during fiscal year 1994. Annual principal and interest requirements are shown in the table at the end of this section.

Parking System: The Parking System operation includes the ownership and operation of parking facilities, parking lots, parking meters and over 60,000 square feet of retail/office space. Long-term debt is allocated to the Parking System on a pro-rata basis from proceeds received from the issuance of general obligation debt and is paid from revenues derived from the operation of the Parking System. This allocated debt is additionally secured by an ad valorem tax pledge. No additional long-term indebtedness was incurred by the Parking System during fiscal year 1994. Annual principal and interest requirements are shown in the table at the end of this section

Golf Course System: The Golf Course System includes various golf courses, driving and practice ranges. Long-term debt is allocated to the Golf Course System on a pro-rata basis from proceeds received from the issuance of general obligation debt and is paid from revenues derived from the operation of the Golf Course System. This allocated debt is additionally secured by an ad valorem tax pledge. No additional long-term indebtedness was incurred by the Golf Course System during fiscal year 1994. Annual principal and interest requirements are shown in the table at the end of this section

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

Solid Waste System: Solid Waste was put 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 the Solid Waste System on a pro-rata basis from proceeds received from the issuance of general obligation debt. This allocated debt is additionally secured by an ad valorem tax pledge. No additional long-term indebtedness was incurred by the Solid Waste System during fiscal year 1994. Annual principal and interest requirements are shown in the table at the end of this section.

The annual requirements to amortize all long-term debt for the City's Enterprise Funds including revenue bonds, general obligations, and certificates of obligation outstanding at September 30, 1994, are as follows:

Proprietary Long-Term Debt Account Group

Year Ending Sept. 30	Airport System			Parking System			Golf Course System			Solid Waste System		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1995	$ 3,010	$ 6,404	$ 9,414	$ 375	$ 1,008	$ 1,383	$ 295	$ 366	$ 661	$ 370	$ 82	$ 452
1996	3,230	6,225	9,455	535	990	1,525	360	340	700	380	63	443
1997	3,445	6,028	9,473	600	970	1,570	265	317	582	400	49	449
1998	3,675	5,813	9,488	830	946	1,776	320	302	622	415	34	449
1999	3,920	5,580	9,500	1,100	909	2,009	410	283	693	435	18	453
2000	4,170	5,329	9,499	1,080	859	1,939	450	258	708			
2001	4,430	5,056	9,486	770	806	1,576	445	231	676			
2002	4,805	4,762	9,567	985	767	1,752	375	202	577			
2003	5,085	4,452	9,537	1,050	717	1,767	320	178	498			
2004	5,465	4,120	9,585	1,100	661	1,761	325	160	485			
2005	5,770	3,758	9,528	1,145	602	1,747	300	143	443			
2006	6,290	3,374	9,664	1,095	539	1,634	290	128	418			
2007	5,320	2,957	8,277	1,145	478	1,623	305	112	417			
2008	5,685	2,588	8,273	1,185	413	1,598	320	96	416			
2009	6,080	2,193	8,273	1,085	345	1,430	360	79	439			
2010	5,345	1,759	7,104	1,910	283	2,193	390	60	450			
2011	5,735	1,365	7,100	1,825	173	1,998	375	38	413			
2012	6,160	942	7,102	635	68	703	175	17	192			
2013	6,610	487	7,097	545	31	576	160	8	168			
2014	0	0	0	0	0	0	15	1	16			
Total	$ 94,230	$73,192	$ 167,422	$ 18,995	$ 11,565	$ 30,560	$ 6,255	$ 3,319	$ 9,574	$ 2,000	$ 246	$ 2,246

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6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

Leases

Long-term debt of the City's Internal Service Funds consisted of two lease-purchase agreements. Information Services which provides data processing, programming, and related computer services to other City departments entered into a lease-purchase agreement for the acquisition of a computer host processor. The City's Print Shop which provides binding, printing, and reproduction services to other City departments entered in a lease-purchase agreement for the acquisition of a print shop copier. The gross value of these assets at September 30, 1994, was $2,323. The remaining future lease payments under these capital leases together with the present value of the net minimum lease payments as of September 30, 1994, is as follows:

Total Future minimum lease payments	$1,570
Less amount representing interest	141
Present value of minimum lease payments	$1,429

Prior Years Defeased Debt

In prior years, the City advance refunded, prior to maturity, certain General Obligation Bonds, Revenue Bonds and Certificates of Obligation. 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 funds 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 of, premium, if any, and interest scheduled to come due on the refunded obligations. The refunded obligations represent an in-substance defeasance and are no longer a liability of the City, therefore, they are not included in the City's financial statements. On September 30, 1994, $573,229 of previously defeased bonds were outstanding.

Special Assessment Debt

Special Assessment Revenue Bonds in the amount of $5,870 were issued November 12, 1987 and $5,295 remains outstanding as of September 30, 1994. The City is not obligated in any manner for this debt, therefore, the liability is not recorded in the City's financial statements. The City acts as an agent of the Downtown Improvement District. Transactions related to this debt are recorded in the Special Downtown Improvement District Agency Fund, and related capital expenditures are included in the Capital Projects Fund.

B. City Public Service (CPS)

Revenue Bond Indenture Requirements: the trust indenture executed by the City in conjunction with the issuance of the revenue bonds dated February 1, 1951 through August 1, 1974 (Old Series Bonds) contains, among others, the following provisions:

1. All of the assets of the gas and electric systems, together with the net revenues of the systems, as defined, are pledged with the Harris Trust and Savings Bank of Chicago, Illinois, as Corporate Trustee, to secure the payment of the Old Series Bonds.

6. LONG-TERM DEBT (Continued)

B. City Public Service (CPS) (Continued)

2 Gross revenues of the gas and electric systems shall be applied to (a) expenses of operating and maintaining the systems, (b) debt service and reserve requirements on the Old Series Bonds, (c) payment of an "in lieu of tax" amount to the City [tax equivalent], (d) an amount equal to 12 1/2 percent of gross revenues to the improvements and contingencies fund, (e) additional benefits and payments to the City to bring City benefits and payments to 14 percent of gross revenues, (f) additional payments to the improvements and contingencies fund until such fund equals 20 percent of the value of fixed capital assets and (g) the balance to a surplus fund

3 The following funds are established (a) general fund, (b) improvements and contingencies fund, (c) bond construction fund (containing the proceeds of revenue bonds), (d) principal and interest current requirements (containing the monthly payments of annual debt requirements), and (e) bond reserve fund (containing an amount equal to the next fiscal year's principal and interest requirements) These funds may be invested with authorized depository banks or in U.S. government securities

Beginning with the fiscal year ended January 31, 1976, new series electric and gas systems revenue improvement bonds (New Series Bonds) were issued These bonds are junior and subordinate to the Old Series Bonds The bond ordinances authorizing these issues provide that no further bonds or obligations will be authorized or issued under the terms of the trust indenture for Old Series Bonds While any of the Old Series Bonds are outstanding, the New Series Bonds are payable solely from the net revenues of the systems (1) deposited and available for deposit in the improvements and contingencies fund and (2) from funds payable to the City At such time as the trust indenture covering the Old Series Bonds becomes inoperative, revenues will be applied as follows (a) for maintenance and operating expenses of the systems, (b) for payments of the New Series Bonds, (c) for the payment of any obligations inferior in lien to the New Series Bonds which may be issued, (d) for an amount equal to 6 percent of the gross revenues of the systems to be deposited in a repair and replacement fund, (e) for cash payments and benefits to the City not to exceed 14 percent of the gross revenues of the systems and (f) any remaining revenues to the repair and replacement fund The New Series Bonds ordinances require that a bond reserve fund at least equal to the average annual principal and interest requirements of all outstanding New Series Bonds be established

As of January 31, 1994, bond reserve requirements for the Old Series Bonds and New Series Bonds have been met

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6. LONG-TERM DEBT (Continued)

B. City Public Service (CPS) (Continued)

Revenue Bonds

A summary of revenue bonds is as follows

City Public Service
Revenue Bonds
For Fiscal Year Ended January 31

Bond Series	Maturities	Weighted-Average Interest Rate on Outstanding Bonds	1994	1993
Old Series, 1974	1995-1997	7 000%	$ 38,250	$ 50,970
New Series Serial Bonds, 1977-1992	1995-2017	6 349%*	2,258,235	2,549,670
Unamortized New Series Bonds issue discount			(87,454)	(93,256)
New Series Capital Appreciation Bonds, 1989 and 1991	2002-2012	6 350%	502,565	502,565
Unamortized Capital Appreciation Bond Discount			(287,062)	(301,591)
			2,424,534	2,708,358
Less current maturities of bonds			76,580	86,455
Revenue bonds, net of current maturities			$2,347,954	$2,621,903

*All new series bonds, including capital appreciation bonds

Principal due for the next five years are

City Public Service
Principal Requirements

Year	Principal Outstanding: Old Series Bonds	Principal Outstanding: New Series Bonds	Total
1995	$ 12,000	$ 64,580	$ 76,580
1996	12,750	69,060	81,810
1997	13,500	73,535	87,035
1998	0	83,460	83,460
1999	0	84,210	84,210

In prior years, CPS refunded certain previously issued and outstanding New Series Bonds through the issuance of New Series Revenue Refunding Bonds The refunded bonds and related trust accounts are not included in CPS

6. LONG-TERM DEBT (Continued)

B. City Public Service (CPS) (Continued)

financial statements At January 31, 1994, portions of the bonds which have been defeased were still outstanding as follows

City Public Service Defeased Bonds Outstanding	
Fiscal year 1987 refunding	$ 253,350
Fiscal year 1988 refunding	168,725
Fiscal year 1990 refunding	324,925
Fiscal year 1992 refunding	33,765
Fiscal year 1993 refunding	202,555

Subsequent to January 31, 1994, CPS issued $777,700 of New Series 1994 Revenue Refunding Bonds at an average interest cost of 5.01%, with delivery on February 23, 1994 These bonds were issued to redeem $666,700 in certain outstanding New Series Bonds and $65,000 in Tax Exempt Commercial Paper (TECP). This will result in interest savings, fixed long-term bond rates, and restoration of a portion of CPS' borrowing capacity under the Commercial Paper Program.

C. San Antonio Water System (SAWS)

On April 30, 1992, City Ordinance No. 75686 was adopted This ordinance authorized the issuance of $635,925 Water System Revenue Refunding Bonds, Series 1992, dated April 15, 1992 These bonds were issued to refund in advance of maturity $253,065 Water Revenue Bonds authorized and outstanding under terms of City Ordinance No 52091, $330,125 Sewer Revenue Bonds authorized and outstanding under terms of City Ordinance No 51975, $14,500 other bonded debt of annexed water districts, and $49,200 Sewer System Commercial Paper The purpose of this advance refunding was to release and discharge the covenants contained in City Ordinance No 52091 and No 51975 in order to permit the City to consolidate the operations of the water related utilities Bonds outstanding as of May 31, 1994 and 1993 that were considered defeased in 1992 are $554,215 and $628,665, respectively.

The System: City Ordinance No 75686 defines the System as all properties, facilities, plants owned, operated and maintained by the City and/or the Board of Trustees, for the supply, treatment, transmission and distribution of treated potable water, chilled water and steam, for the collection and treatment of wastewater and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, and any other projects and programs of the Board, provided however, that the City retains the right to incorporate a stormwater system as provided by the Texas Local Government Code See "Stormwater" below.

Funds Flow: City Ordinance No. 75686 requires that Gross Revenues of the System be applied in sequence to (1) current maintenance and operation expenses including maintenance of an operating reserve equal to two months of expenses; (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

6. LONG-TERM DEBT (Continued)

C. San Antonio Water System (SAWS) (Continued)

amounts required on Inferior Lien Obligations, and (7) transfers to the City's General Fund and to the Renewal and Replacement Fund

Reuse Contract: SAWS has a contract with City Public Service, the city owned electricity and gas utility, for the provision of reuse water The revenues derived from the contract have been restricted in use to only reuse activities and are excluded from the calculation of Gross Revenues, and are not included in any transfers to the City's General Fund

Stormwater: In addition to the water related utilities which the Board has under its control, the City Council approved Ordinance No 77949 on May 13, 1993, which established initial responsibilities over the stormwater program with the Board and adopts a schedule of rates to be charged for stormwater services and programs The stormwater program is deemed to not be a part of the "System" as the term is defined in City Ordinance No 75686, however, City Council will reevaluate whether the stormwater program becomes a part of the "System" at a later date Accordingly, operations of the stormwater program are not considered when determining compliance with debt covenants contained in City Ordinance 75686 or in calculating payments to be made to the City

No Free Service: City Ordinance No 75686 also provides for no free services except for municipal fire-fighting purposes and certain stormwater utility service

Gain on Reorganization of Refunding Escrow

In December 1992, the System recorded a gain of $1,239 in the restructuring of the escrow account of the refunded bonds Part of the gain resulted from a Forward Purchase and Assignment Agreement with Sakura Global Capita, Inc and Frost National Bank of San Antonio, (Escrow Agent) to permit the Escrow Agent to invest in certain additional obligations of the United States of America in order to improve the efficiency of the escrow fund of the refunded bonds and to take advantage of changes relating to federal arbitrage restrictions on tax-exempt refunded bond transactions The substitution of certain escrowed securities for certain other securities of the United States or its agencies and instrumentalities having maturity dates on or before the respective dates such proceeds are required, also provided part of the gain

Revenue Bonds

Water System Revenue Refunding Bonds - Series 1992, outstanding in the amount of $603,970 and $620,550 as of May 31, 1994 and May 31, 1993, respectively, and collateralized by an irrevocable first lien on and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System necessary to render efficient service Debt service on these bonds is due in varying amounts, from a low of $17,996 in fiscal year 2014 to a high of $53,934 in fiscal year 1999, including interest at rates of 5 0% to 6 5%

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6. LONG-TERM DEBT (Continued)

C. San Antonio Water System (SAWS) (Continued)

Annual Requirements

Water System Revenue Refunding Bonds
Series 1992
Principal and Interest Requirements

Year Ending May 31	Principal	Interest	Total All Bonds
1995	$ 17,345	$ 36,587	$ 53,932
1996	18,205	35,720	53,925
1997	19,155	34,774	53,929
1998	20,190	33,739	53,929
1999	21,325	32,609	53,934
Thereafter	507,750	291,325	799,075
	$ 603,970	$ 464,754	$ 1,068,724

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6. LONG-TERM DEBT (Continued)

C. San Antonio Water System (SAWS) (Continued)

Capitalized Interest Costs

Interest costs incurred on revenue bonds totaled $37,488 and $39,008 during fiscal years 1994 and 1993 respectively, of which $873 and $1,044 respectively, was capitalized as part of the cost of the System's utility plant additions

Debt Coverage Ratio

San Antonio Water System
Revenue Bond Debt Coverage Ratio

	May 31 1994	May 31 1993
Operating Revenues	$ 159,164	$ 143,355
Less Revenues from City Public Service Contract	2,001	1,978
Revenues from Stormwater Program	11,418	0
	145,745	141,377
Nonoperating Revenues	5,011	6,682
Less Interest on Debt Service and Project Funds	2,535	2,649
	2,476	4,033
	148,221	145,410
Maintenance & Operation Expense	76,788	80,392
Less Stormwater Program expenses	8,416	4,015
	68,372	76,377
Pledged Revenues	$ 79,849	$ 69,033
Maximum Annual Principal and Interest Requirements on Outstanding Revenue Bonds	$ 53,934	$ 53,934
Debt Coverage Ratio	1.48%	1.28%
Debt Service requirement for Current Fiscal Year	$ 53,930	$ 52,827
Debt Coverage Ratio	1.48%	1.31%

7. SHORT-TERM DEBT

A. City Public Service (CPS)

In October 1988, the City Council of San Antonio, Texas (City Council) adopted an ordinance authorizing the issuance of up to $300,000 in TECP to assist in the financing of eligible projects, including fuel acquisition and capital improvements to the utility systems (the Systems) The ordinance was amended effective April 26, 1993, to allow the additional use of TECP to refinance or refund any outstanding obligations which are secured by and payable from a lien on and/or a pledge of net revenues of the Systems The ordinance was also amended to allow

7. SHORT-TERM DEBT (Continued)

A. City Public Service (CPS) (Continued)

CPS to enter into enhancement financing agreements. The program's scheduled maximum maturities will not extend beyond November 1, 2028. As of January 31, 1994, $298,400 in principal amount was outstanding, with a weighted-average interest rate of approximately 2.39% and an average life outstanding of approximately 78 days. The amount of outstanding TECP at January 31, 1993, was $30,000. During 1994, CPS issued $211,000 of TECP to call long-term bonds and $63,000 to fund construction costs. Under a planned payback, $5,600 of the $211,000 was redeemed during 1994. Planned redemption in 1995 amounts to $16,100.

The TECP has been classified as long-term in accordance with the refinancing terms under a revolving credit agreement with a consortium of banks which supports the commercial paper. Under the terms of the agreements, CPS may borrow up to an aggregate amount not to exceed $300,000 for the purpose of paying amounts due under the TECP. The credit agreement has a term of two years, currently extended until November 1, 1995, and may be renewed for additional periods. There have been no borrowings under the credit agreement as of January 31, 1994. The TECP is secured by the net revenues of the Systems. Such pledge of net revenues is subordinated and inferior to the pledge securing payment of the Old Series Bonds, the New Series Bonds and any New Series to be issued in the future.

B. San Antonio Water System (SAWS)

On May 14, 1992, the City Council authorized SAWS to establish a tax-exempt short-term borrowing program (the "Commercial Paper Program") in an amount not to exceed $50,000 at any one time outstanding. The purpose of the Commercial Paper Program is to provide funds for the interim financing of a portion of the costs of capital improvements to the System. Scheduled maturities of the short-term borrowing under the Commercial Paper Program may not extend past May 14, 2032.

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 sufficient to pay the principal of the Commercial Paper Program. Unless and until the existing Credit Agreement is amended or a new credit agreement is entered into which would allow the City to borrow in excess of $50,000, the City may not have outstanding more than $50,000 in borrowing under the Commercial Paper Program.

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 Credit Agreement. The City and Credit Suisse Bank (the "Bank") have entered into a revolving credit agreement (the "Credit Agreement") pursuant to which the Bank is obligated under the Credit Agreement to loan to the City an aggregate amount not to exceed $50,000 for the purpose of paying amounts due on the Commercial Paper Program. Any borrowing under the Credit Agreement is equally and ratably secured by and payable from the above-described sources pledged for payment of the Commercial Paper Program and from a pledge of the Net Revenues of the System, such pledge being subordinate to the pledge of Net Revenues securing all Senior Lien Obligations.

The System issued $30,000 in notes under the Commercial Paper Program during the fiscal year ended May 31, 1994. The proceeds of the notes have been used solely for financing of capital improvements of the System. All $30,000 are outstanding at May 31, 1994. Interest rates on the notes range from 2.65% to 3.05% and from 39 to 98 days in maturity.

8. PENSION AND RETIREMENT PLANS

A. General Plan Information

The City of San Antonio, SAWS and CPS participate in several contributory retirement plans. These are funded plans covering substantial full-time employees. Payroll and contribution information as of the year end for each entity is presented below:

Contributory Pension and Retirement Plans

Entity	Title	Type of Plan	Total Payroll	Covered Payroll	Employee Contribution	Employer Contribution	Total Contributions
City	Firemen and Policemen's Fund	Single Employer Defined Benefit Plan	$ 253,559	$ 111,685	$ 12,464	$ 24,928	$ 37,392
	Texas Municipal Retirement System (TMRS)	Non Traditional Defined Contribution Agent Plan	253,559	111,428	6,685	9,710	16,395
Component Units							
[1]SAWS	Texas Municipal Retirement System (TMRS)	Non Traditional Defined Contribution Agent Plan	36,715	36,056	1,082	1,067	2,149
	PMLIC Contract	Agent Multiple Employer Defined Benefit Plan	36,715	35,210		2,076	2,076
[2]CPS	CPS All Employees Plan	Single Employer Defined Benefit Plan	119,122	113,139	5,497	16,160	21,657

[1] Year ended May 31, 1994.

[2] Year ended January 31, 1994

8. PENSION AND RETIREMENT PLANS (Continued)

B. City of San Antonio

Firemen and Policemen's Pension Plan

The Firemen and Policemen's Pension Fund (the Pension Fund) was established in accordance with the laws of the State of Texas. On September 30, 1994, membership of the pension fund consisted of:

Retirees and Beneficiaries	1,126
Vested Active Participants	811
Non-vested Active Participants	1,950
	3,887

The City provides benefits for all of their eligible full-time fire and police employees through the Pension Fund. Employees retiring after August 31, 1981, but before October 1, 1984 who have served and contributed for twenty years or more shall upon application to the Board of Trustees of the Pension Fund receive a retirement pension based on the average of the employee's total salary excluding overtime pay for the highest five years of pay at the rate of 2% for each year served. The pension of an employee who retired after September 30, 1984, but before October 1, 1987 shall be based on the highest four years of the employee's pay excluding overtime pay. The pension of an employee who retires after September 30, 1987 shall be based on the highest three years of the employee's salary excluding overtime pay. The pension of an employee who retires after September 30, 1991 shall be based on the highest three of the last five years of the employee's salary excluding overtime pay.

For those employees retiring prior to October 1, 1983, the highest pension paid for thirty years service may not exceed 60% of the average so determined. Employees retiring after October 1, 1983 with at least 31 years service shall receive an additional 1% pension increment for each whole year served over thirty years, up to a maximum of 70% of such salary. Members retiring after October 1, 1989 with 20 years service receive 40% of the average salary calculated. For each additional year served beyond 20, up to 30 years of service the member receives an additional 3.5% of the average salary. Members retiring with greater than 30 years of service receive an additional 1% for each additional year served, up to a maximum of 80% of such salary.

If 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 his total salary excluding overtime pay based on the same number of years of the employee's pay as used to compute retirement benefits. If a member is killed in the line of duty, the member's surviving spouse and dependent children are entitled to a pension equal to actual salary at time of death.

A calculation was performed by the Pension Fund's actuary to estimate the accrued pension cost as of September 30, 1994. (See summary of actuarial present value of pension benefits at Part E of this footnote.) Significant assumptions used in the actuarial valuation of the pension benefits include (a) a rate of return on the investment of present and future assets of 8.5%, (b) projected salary increases of 6% per year, and (c) an inflation rate of 5%. The pension benefit obligation amounts reflect changes in the plan since the previous actuarial valuation which had the effect of increasing the pension benefit obligation by $11,074.

The accumulative accrued pension cost represents the accumulation of the difference between the amounts funded and estimated amounts of pension expense determined under the guidelines of GASB Statement No. 5. The accumulated accrued pension cost as of September 30, 1994 is estimated to be $94,411. This cost will be funded in future years and is recorded as a liability in the General Long-Term Debt Account Group.

8. PENSION AND RETIREMENT PLANS (Continued)

B. City of San Antonio (Continued)

Contribution requirements are not actuarially determined, but instead requirements are established by state law. In the current year the City contributed 22.32% of covered payroll and employees contributed 11.16% of covered payroll. The employer's required contribution of $24,928 and the employee's required contribution of $12,464 were made to the Pension Fund. (See summary of contribution information at Part A of this footnote)

Texas Municipal Retirement System

The City provides benefits for all of its eligible employees (excluding firemen and policemen) through a nontraditional, joint contributory, defined contribution plan in the Texas Municipal Retirement System (TMRS) which administers over 636 pension plans. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the 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 plan. Monetary credits for service since the plan began are a percent 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 which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. 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 ten or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after ten years, but he must leave his accumulated contributions in the plan. If a member withdraws his employee's contributions with interest, he is not entitled to the City-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Even though the substance of the plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the City for services rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits.

A calculation of the pension benefit obligation was performed by TMRS's actuary. (See summary of actuarial present value of benefits, Part E of this footnote.) Significant assumptions used in the actuarial valuation of pension benefits include a rate of return on the investment of present and future assets of 8.5% per year. There is no need to project salary increases since the benefit credits earned for service to date are not dependent on future salaries. Because of the money-purchase nature of the plan, the interest rate assumption currently 8.5% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets is not determined for the City's plan, but the market value for TMRS as a whole was 118.0% of book value as of December 31, 1993.

8. PENSION AND RETIREMENT PLANS (Continued)

B. City of San Antonio (Continued)

Assets are valued at amortized cost for bonds and original cost for short-term securities and stocks The actuarial assumptions used to compute the actuarially determined City's contribution rate are the same as those used to compute the pension benefit obligation The pension benefit obligation amounts reflect changes in actuarial assumptions since the previous actuarial valuation, which had the effect of increasing the pension benefit obligation by $1,646

Contribution requirements are actuarially determined The contribution rate for the City's employees is 6% and the matching percent is currently 8.8%, 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 Part of the City's contribution rate, the normal cost, is to fund the currently accruing monetary credits, with the other part, the prior service contribution rate, calculated as the level percent of payroll needed to amortize the unfunded actuarial liability over the remainder of the plan's twenty-five year amortization period When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new twenty-five year period Currently, the unfunded actuarial liability is being amortized over the twenty-five year period which began January, 1991 The unit credit cost actuarial method is used for determining the City contribution rate 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

Since the City needs to know 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

The City adopted changes in the plan since the previous actuarial valuation, which had the effect of increasing the City's contribution rate for fiscal 1994 by .08% of payroll

Required contribution information

Covered Payroll (as of the actuarial valuation date)	$ 111,428
Employer contributions	
Normal costs	$ 6,485
Percentage of Covered Payroll	5.82%
Amortization of Unfunded	
Actuarial Accrued Liability	$ 3,321
Percentage of Covered Payroll	2.98%

C. San Antonio Water System (SAWS)

SAWS retirement program includes benefits provided by Texas Municipal Retirement System, a contract with Principal Mutual Life Insurance Company, and Social Security

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

8. PENSION AND RETIREMENT PLANS (Continued)

C. San Antonio Water System (SAWS) (Continued)

1 28 Years of credited service regardless of age, or
2 25 Years of credited service and at least age 50, or
3 10 Years of credited service and at least age 60

The normal retirement benefit is based upon two factors, average compensation and years of credited service

Average Compensation is defined as the monthly average of compensation for the three consecutive years ending December 31, out of the latest ten prior to retirement which give the highest average

The normal retirement benefit under the Principal Mutual contract is equal to

1 1 2% of the Average Compensation, as defined, times years of credited service not in excess of 25 years, plus
2 0.75% of the Average Compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
3 0 375% of the Average Compensation, times years of credited service in excess of 35 years

Upon retirement, an employee must select from one of 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

The following information related to the Texas Municipal Retirement System and Principal Mutual Life Insurance has been prepared as of January 1, 1994

Texas Municipal Retirement System

SAWS provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (TMRS) The actuarial assumptions used to compute the actuarially determined SAWS contribution rate are the same as those used to compute the pension benefit obligation The pension benefit obligation amounts reflect changes in actuarial assumptions since the previous actuarial valuation which had the effect of increasing the pension benefit obligation by $190 for SAWS's plan Contributions are actuarially determined The contribution rate for the employees is 3% of salary, and SAWS matching rate approximates 100% of the employee rate, both as adopted by the governing body of SAWS

Required contribution information

Covered Payroll (as of the actuarial valuation date)	$ 36,056
Employer contributions	
Normal costs	$ 674
Percentage of Covered Payroll	1.87%
Amortization of Unfunded	
Actuarial Accrued Liability	$ 299
Percentage of Covered Payroll	0.83%

8. PENSION AND RETIREMENT PLANS (Continued)

C. San Antonio Water System (SAWS) (Continued)

The System adopted changes in the plan since the previous actuarial valuation, which had the effect of increasing the System's contribution rate for 1994 by 0 03% of payroll

Principal Mutual Life Insurance Company

The contract with Principal Mutual Life Insurance Company (PMLIC) was added by SAWS to its retirement program as a supplement to the TMRS and Social Security benefits. PMLIC serves as an agent multiple-employer provider that acts as a common investment and administrative agent for SAWS

Members are eligible to retire upon attaining the normal retirement age of 65, and may elect early retirement, with reduced benefits at ages 60 and above with ten or more years of service or, at ages 50-59 with twenty-five years or more of service, or with twenty-eight years of service regardless of age

SAWS provides supplemental pension benefits for all full-time employees through this defined benefit plan. Employees are eligible to participate in the plan on January 1 of the calendar year following date of hire. Employees who were previously with the Wastewater and Reuse Departments of the City who are now part of SAWS will have a beginning service date of May 19, 1992 An employee covered by the plan may vest a portion of the plan benefits if termination occurs after sufficient years of service have been credited The plan allows an employee to accrue vesting benefits as follows.

Years of Service	Vested Percentage
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

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 average salary and years of credited service. Average salary is defined as the three consecutive highest base monthly salaries the employee had on January 1 during the ten years preceding retirement The normal retirement benefit is equal to

1 1 2% of the average compensation, as defined, times years of credited service not in excess of twenty-five years, plus

2 0 75% of the average compensation times years of credited service in excess of twenty-five but less than thirty-five years, plus

3 0 375% of the average salary times years of credited service in excess of thirty-five years

8. PENSION AND RETIREMENT PLANS (Continued)

C. San Antonio Water System (SAWS) (Continued)

Upon retirement, an employee must select from one of seven payment plans Each payment plan provides monthly payments as long as the retired employee lives The options address how plan benefits are distributed to designated beneficiaries of the retired employees.

A calculation of the pension benefit obligation was performed by PMLIC's actuary as of January 1, 1994 (See summary of actuarial present value of benefits at Part E of this footnote.) Significant assumptions used in the actuarial valuation of pension benefits include (a) a rate of return on the investment of present and future assets of 7 5% per year, compounded annually, (b) projected salary increases of 6 0% per year due to inflation and merit and (c) plan expenses of 5 0% of estimated plan costs. Benefits for retired employees are fully guaranteed at retirement Fixed income assets are valued on a contract basis Long-term equity investments are adjusted by spreading unrealized appreciation and depreciation over four years Short-term investments, real estate, and bonds are valued at market

The PMLIC contract funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due The actuarial cost method is known as the entry age normal-frozen initial liability method This method spreads the total cost of the projected pension benefits for each employee from the date the employee is first eligible for the plan to the employee's normal retirement date. As plan benefits are related to compensation, the cost is spread as a level percentage of compensation

The actuarial valuation which was performed for the plan year reflect the minimum contribution of $3,161 and the unfunded frozen initial liability of $12,474 The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation

Required contribution information:

Covered Payroll (as of the actuarial valuation date)	$ 35,210
Employer Contributions	
Normal Costs	$ 1,348
Percentage of Covered Payroll	3 83%
Amortization of Unfunded Actuarial Accrued Liability	$ 936
Percentage of Covered Payroll	2.65%

SAWS's contribution to the PMLIC contract was $2,076 for the year ended May 31, 1994 SAWS does not make contributions based on the above actuarial computed amounts SAWS contributes the actuarial computed normal cost plus interest on the Unfunded Frozen Initial Liability, and interest on the normal cost for the year The SAWS's expense for 1994 represents 5 9% of annual covered wages and salaries SAWS is the sole contributor to the plan

D. CPS All Employee Plan

CPS has a defined-benefit contributory pension plan (Plan) covering substantially all employees who have completed one year of service Plan assets are held in a separate trust which is periodically audited Participating

8. PENSION AND RETIREMENT PLANS (Continued)

D. CPS All Employee Plan (Continued)

employees contribute 5% of their base pay and are normally fully vested in CPS' contribution after completing fifteen years of credited service.

Normal retirement is age 65, however, early retirement is available with twenty-five years of benefit service. Retirement benefits are based on length of service and compensation, and benefits are reduced for retirement before age 55.

On December 31, 1993, membership of the pension fund consisted of:

Retirees and Beneficiaries	688
Vested Active Participants	1,463
Non-vested Active Participants	1,247
Partial Vested	632
	4,030

A calculation of the pension benefit obligation was performed by the Plan's actuary. (See summary of actuarial present value of pension benefits at Part E of this footnote.) Significant assumptions used in the actuarial valuation of pension benefits include (a) a rate of return on the investment of present and future assets of 8.5% per year; and (b) projected salary increases of 6.5% per year.

Contribution requirements are actuarially determined. The significant actuarial assumptions used to compute the contribution requirement are the same as those used to compute the pension benefit obligation. The total employer and employee pension cost which was funded in the current year, includes amortization of past-service costs over thirty years using the unit credit cost actuarial method.

Required contribution information:

Covered Payroll (as of the actuarial valuation data)	$ 113,139
Employer contributions:	
Normal costs	$ 12,900
Percentage of Covered Payroll	11.40%
Amortization of Unfunded Actuarial Accrued Liability	$ 3,260
Percentage of Covered Payroll	2.88%

Prior to GASB Statement No. 5, CPS reported the Plan status as the actuarial present value of accumulated plan benefits. Under such method, the actuarial present values of accumulated plan benefits using an assumed rate of return of 8.5% was $269,203 at December 31, 1992. At that time, the fair market value of net assets available for plan benefits was $322,031. As of December 31, 1993, the actuarial present value of accumulated plan benefits was $313,021. This value compares to the net asset value of $357,591 as reported in Part E of this footnote.

Employees that retired prior to 1983 are receiving annuity payments from an insurance carrier as well as receiving some benefits directly from CPS. These incremental costs for 1994 and 1993 were $586 and $625, respectively, and were recorded when paid.

(amounts are expressed in thousands except for membership)

8. PENSION AND RETIREMENT PLANS (Continued)

E. Summary of Actuarial Present Value of Pension Benefits

Summary of Actuarial Present Value of Pension Benefits

	City of San Antonio		Component Units			Total
			SAWS		CPS	
	Firemen & Policemen's Pension Fund	TMRS	TMRS	PMLIC Contract	All Employee Plan	(Memorandum Only)
Retirees and Beneficiaries	$ 299,932	$ 40,488	$ 3,498	$	$ 137,598	$ 481,516
Terminated Employees		37,898	1,965	978		40,841
Current Employees:						
Accumulated Contributions Including Allocated Invested Earnings		91,547	10,640			102,187
Employer - Financed Vested	262,522	135,723	9,133	6,411	203,542	617,331
Employer - Financed Nonvested	196,274	15,395	1,396	7,507	53,585	274,157
Total Pension Benefit Obligation	758,728	321,051	26,632	14,896	394,725	1,516,032
Less: Net Assets Available for Benefits	507,885	244,657	20,717	12,625	357,591	1,143,475
Unfunded Pension Benefit Obligation	$ 250,843	$ 76,394	$ 5,915	$ 2,271	$ 37,134	$ 372,557
Date of Last Actuarial Valuation	9-30-94	12-31-93	12-31-93	1-1-94	12-31-93	
Periodic Actuarial Revaluation	Each Year	Each Year	Each Year	Each Year	Each Year	
Actuarial Cost Method	Projected Unit Credit	Unit Credit	Unit Credit	Entry Age-Normal Frozen Initial Liability	Unit Credit	
Asset Valuation Basis	Amortized Cost	Amortized Cost and Original Cost	Amortized Cost and Original Cost	Fair Market Value	Fair Market Value	

(amounts are expressed in thousands)

8. PENSION AND RETIREMENT PLANS (Continued)

E. Summary of Actuarial Present Value of Pension Benefits (Continued)

Governmental Accounting Standards Board (GASB) Statement No 5 requires disclosure of the amounts shown as the "pension benefit obligation " The Pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date The measure is intended to help users assess the funding status of the pension fund on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems The measure used is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contribution to the pension fund

F. Required Three Year Trend Information

Trend information indicates progress made in accumulating sufficient assets to pay benefits when due Trend information for the latest three years is presented below

Pension Plan	Fiscal Year	Net Assets Available for Benefits as % of Pension Benefit Obligation	Unfunded Pension Benefit Obligations as % of Covered Salaries and Wages	Employer Contribution as % of Covered Salaries and Wages
Firemen and Policemen's Pension Fund	1992	59%	248%	22%
	1993	64%	232%	22%
	1994	67%	225%	22%
*TMRS – City of San Antonio	1992	77%	53%	9%
	1993	78%	53%	9%
	1994	76%	69%	9%
*TMRS – SAWS	1991	79%	22%	3%
	1992	78%	14%	3%
	1993	78%	16%	3%
PMLIC Contract - SAWS	1991	56%	37%	6%
	1992	31%	25%	4%
	1993	85%	6%	6%
CPS All Employee Plan	1991	84%	49%	13%
	1992	89%	37%	14%
	1993	91%	33%	14%

(amounts are expressed in thousands)

8. PENSION AND RETIREMENT PLANS (Continued)

F. Required Three Year Trend Information(Continued)

Location of Ten Year Trend Information

Ten Year Required Supplemental Information is presented in the following reports:

-Firemen and Policemen's Pension Fund Annual Report for the year ended September 30, 1994

- TMRS

  "Required Supplementary Information" Section of this Report

- Principal Mutual Life Insurance Company Contract

  Component Unit Financial Report of the San Antonio Water System (SAWS) for the year ended May 31, 1994

- CPS All Employees Plan Annual Report for the year ended December 31, 1993

*Trend information is based on the TMRS Report issued as of December 31, 1993 for the City and SAWS

9. POST EMPLOYMENT RETIREMENT BENEFITS

In addition to the pension benefits discussed in Note 8 the City, SAWS and CPS provide all their retired employees with certain health and life insurance benefits The City provides two post employment benefit programs to its retirees The first program is a health insurance plan which provides for all non-uniformed City retirees and for all, pre-October 1, 1989, uniformed (fire and police) City retirees. Currently, there are 5,220 active civilian employees who may become eligible in the future. Employees become eligible for the program when they reach eligibility for the TMRS Pension Plan, discussed in Note 8 At September 30, 1994, there were 1,030 retirees participating in the program The program covers eligible expenses at eighty percent after a deductible of $225 (single)/$450 (family) for non-Medicare and $125/$250 for Medicare retirees The cost of the program is reviewed annually, and actuarially determined costs of medical claims are funded jointly by the City and retirees on a pay as you go basis shared on a 67% City - 33% retiree cost allocation Total expenditures for the year for retirees were $2,855 For the year ended September 30, 1994, total contributions were as follows

City	$ 2,120
Employees	927
TOTAL	$ 3,047

The second post employment benefit program of the City provides post retirement health care benefits for eligible Fire and Police Retirees, in accordance with provisions established by contract with the local Fire and Police Unions The benefits of this plan are financed on a pay as you go basis There are currently 2,960 active Firemen and Policemen contributing to the plan, which may be eligible for benefits under this plan in the future The plan is currently providing benefits to 316 eligible retirees. The benefits of the plan are not available until the employee has contributed a total of $3 into the plan and has provided twenty years of service. An Internal Service Fund is used to account for the cost of this plan Under this plan, the City assumes all health care costs related to its retiring public

(amounts are expressed in thousands except for membership)

9. POST EMPLOYMENT RETIREMENT BENEFITS (Continued)

safety employees The City reimburses 80 percent of the amount of eligible claims for standard medical costs and 100 percent for hospitalization costs incurred by the retiree and their eligible dependents The City contributes $67 per month per employee. The employee is responsible for contributing $50 per month The amounts of the City and employee contributions have not been actuarially determined For the year ended September 30, 1994 total contributions were as follows:

City	$ 3,361
Employees	730
TOTAL	$ 4,091

Expenditures for this plan are recognized as claims are reported and include a provision for claims incurred but not yet reported Total expenditures for retired employees was $1,590 for the year

Substantially all of SAWS's and CPS's full time employees may become eligible for certain health care and life insurance benefits if they reach retirement age while employed at those entities SAWS provides for these benefits through insurance companies and recognizes the cost of providing these benefits on a pay-as -you -go basis CPS and its retired employees fund these benefits and CPS recognizes these costs as employer contributions are made Costs of providing these benefits for the current year are as follows

	Costs	Employees
SAWS	$ 982	207
CPS	1,788	1,535
TOTAL	$ 2,770	1,742

In addition, retired employee and covered dependents contributed $654 for these benefits In view of the potential economic significance of CPS benefits, a preliminary review of the present value of post employment benefit obligations for current retirees has been initiated The amounts are currently estimated to be $61,000 for health and $12,500 for life insurance benefits. The preliminary actuarial analysis of the present value of post employment benefit obligations for other participants fully eligible for benefits are estimated to be $42,000 for health, $66 for life insurance and $1,000 for disability benefits CPS began partial accrual and funding of projected future benefits in 1992 Funding totaled $5,000 in both 1994 and 1993

10. JOINT OPERATIONS

CPS South Texas Project (STP)

CPS is one of four participants in the STP, which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas The other participants in the project are the project manager, Houston Lighting & Power Company (HL&P), Central Power and Light Company (CPL), and the City of Austin (Austin) Under the terms of the STP Participation Agreement, each participant provides funding for its share of construction and operating expenditures Full operating licenses were issued by the Nuclear Regulatory Commission (NRC) on March 22, 1988 for Unit 1 and March 28, 1989 for Unit 2 In service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2 CPS' 28% ownership in the STP represents 700 megawatts of plant capacity The plant was idle for virtually all of fiscal 1994 pending resolution of issues raised by the NRC At January 31, 1994, CPS' investment in the STP utility plant was approximately $1,900,000 net of accumulated depreciation

11. COMMITMENTS AND CONTINGENCIES

A. City of San Antonio

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 is 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 material adverse effect on the City's financial position at September 30, 1994 Grants awarded by federal, state and other governmental agencies but not yet earned nor received in cash as of September 30, 1994 were $63,494

Revenue from City Public Service

The Trust Indenture of City Public Service provides for payments to the City up to 14% of CPS gross revenues, as defined as to be paid or provided to the City For the year ended September 30, 1994, the City recorded as revenue from CPS $124,636 in the General Fund

Capital Improvement Program

The City is undertaking various capital improvements to its airport system during the 1994-1995 Fiscal Year The remaining estimated cost of these improvements is $19,719 Approximately $11,537 of the remaining costs will be funded by federal grants

Revenue from San Antonio Water System

City ordinance No 75686 provides for payments to the City up to 2 7% of SAWS gross revenues, as defined, to be paid or provided to the City For the year ended September 30, 1994, the City recorded as revenue from SAWS $6,404 in the General Fund

Litigation

The City is involved in various lawsuits related to alleged personal and property damages, breach of contract, environmental matters, and discrimination cases in which the amount of damages sought aggregates approximately $70,000 The Office of the City Attorney estimates the probable liability for these suits will approximate $14,100 The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund The City makes significant estimates in determining the amounts of unsettled claims under its self-insurance program and believes that the self-insurance reserves recorded as appropriations in the General Fund are adequate to cover losses for which the City may be liable It is not determinable whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the general purpose financial statements

The City's sole source of water is the Edwards Aquifer (the Aquifer) In May 1991, legal action was brought against the City and various other users of the Aquifer based on the Endangered Species Act, to force the City into utilizing alternative water sources and thereby protect endangered species in the Aquifer In January 1993, the United States District Court for the Western District of Texas in Midland, Texas ordered the U S Fish and Wildlife Service to make certain determinations in order to protect endangered species in the Aquifer and further directed that the Texas Water Commission make certain plans to manage the Aquifer The ruling of the Court is considered

11. COMMITMENTS AND CONTINGENCIES (Continued)

A. City of San Antonio (Continued)

adverse to the City in that full implementation of proposed findings could reduce the amount of water available to the area by as much as sixty percent. A monitor has been appointed by the Court to assist in developing a management plan. The City has already undertaken implementation of a systematic program to manage its water supply and is involved in negotiations with various interested parties to resolve the water resource issues through the legislative process. As part of this effort to centralize water resource management, the City consolidated all water related agencies forming San Antonio Water System. On February 24, 1995, the Court indicated that unless a satisfactory state plan of regulation is adopted by the legislature, the Court would implement an Emergency Withdrawal Reduction Plan for the Aquifer region.

In 1986, the City adopted a Military Aircraft Overlay Zone Ordinance intended to regulate the type and density of development in and around the take-off and landing corridors of Kelly Air Force Base located within the City. In a suit, the owners of 455 acres of land in the zone sought damages claiming that the City had taken their property by inverse condemnation. In January of 1993, the Court ruled that the City ordinance is constitutionally valid and enforceable, but that the City has in effect taken the property by rendering it worthless and awarded damages in the amount of $7,600 plus accrued interest. The City is currently appealing this case and is negotiating with the parties to find an alternative settlement which would include a purchase of a portion, all, or additional property in or adjacent to the Overlay Zone.

Arbitrage

The City has issued certain tax-exempt bonds which are subject to arbitrage regulations. The Internal Revenue Service has imposed restrictions on the use of proceeds from these bonds, and requires that interest income earned on proceeds in excess of the related interest expense on the tax-exempt bonds be remitted to the federal government. If certain restrictions are not met, bonds could lose their tax-exempt status retroactive to the date of original issuance. Such bonds are subject to review and audit by the IRS which could result in liabilities for additional arbitrage rebate due to the federal government, interest, fines, penalties and lawsuits. No audits have occurred, and the possibility of future audits, and an estimate of the possible future impact of such audits cannot be currently determined. However, the City estimates and records a liability for the amount of arbitrage rebate due on a timely basis.

South Texas Regional Environmental Enterprise Zone (STREEZ)

On July 14, 1994, the San Antonio City Council approved a Citizen's Advisory Committee recommendation for a new landfill site location in Moore, Texas. The project entitled "South Texas Regional Environmental Enterprise Zone", (STREEZ) is based on the concept of co-location of landfill technology with complementary resource recovery facilities. Representatives from the City, Medina County, Frio County, and Atascosa County are currently negotiating the final terms of an agreement which would provide for the co-ownership and operation of the landfill. Funding for the project however has already commenced. The City approved the following in its 1993-94 Budget: $1,500 for siting and permitting, $350 for feasibility studies, and $3,000 for the purchase of land. Additional funding for the City's share of costs related to the completion of the STREEZ project is currently estimated at $7,200.

Alamodome Soil Remediation

The City of San Antonio has undertaken an aggressive approach in dealing with environmental remediation issues resulting from the construction of the Alamodome. This regulatory activity has occurred at the direction of the

11. COMMITMENTS AND CONTINGENCIES (Continued)

A. City of San Antonio (Continued)

Texas Natural Resources Conservation Commission. To date, this effort has included the formulation of a comprehensive conceptual plan for corrective action items which deals with all facets of required activity.

Along with this plan several activities have occurred in the form of preparation of work plans, boring and sampling in order to characterize different areas, proper documentation and applications where necessary, and remedial activity of contaminated materials from the site. Future proposed activity will include groundwater discharge permit implementation, on-site landfill removal and remediation, addressing of off-site soil disposal locations and an overall historic and investigate site analysis and report. The remaining cost for Alamodome soil remediation cannot be determined at this time.

Landfill Postclosure Care Costs

In October of 1993, the City Council approved closure of the Nelson Gardens Landfill which effective immediately stopped accepting solid waste. Federal and State laws require the City to incur certain post closure care costs over the next twenty years subsequent to landfill closure. The City has estimated these costs to be $3.8 million in 1994 dollars. This estimated cost has been recorded as a liability and expensed in the Solid Waste Fund as of September 30, 1994. The City will fund this liability year to year with annual appropriations through the City's budget process. Due to the immateriality of this amount, the City did not restate prior year balances.

B. CPS

South Texas Project (STP)

The participants in STP have made claims against HL&P regarding the performance of its obligations as Project Manager during construction of STP - Austin by suit filed in 1982, and CPL and CPS by call for arbitration made in 1988 in response to HL&P's suit for contribution for any damages owed Austin. The Austin trial in 1989 resulted in a jury verdict in favor of HL&P which has been updated on appeal. Pursuant to a 1992 settlement between CPL and HL&P, CPL withdrew its demand for arbitration and HL&P reimbursed CPL for certain costs and expenses incurred in pursuing the arbitration and litigation. Also, HL&P and CPL have agreed to support and to seek consent of the other owners of STP to certain amendments of the Participation Agreement, including changes in the management of the Project through which HL&P would be replaced as Project Manager by an independent entity. Although the settlement does not directly affect CPS' pending demand for arbitration of issues similar to those raised by CPL, HL&P and CPL have agreed that the arbitrator named by CPL for that proceeding will be replaced by one mutually acceptable to HL&P and CPL. These and/or additional proceedings are expected to include issues relating to the liability of HL&P for the failure of STP to operate during most of fiscal 1994. In the opinion of management of CPS, the outcome of such proceedings will not have a material adverse effect on the financial position or results of operations of CPS.

Nuclear Insurance

The Price-Anderson Amendments Act of 1988, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities is in effect until August 1, 2002. The limit of liability for licensees of nuclear power plants is $9,400,000 per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $79,300 (amount may be adjusted for inflation) for each licensed reactor, but not more than $10,000 per reactor for each nuclear incident in any one year. CPS and each of

11. COMMITMENTS AND CONTINGENCIES (Continued)

B. CPS (Continued)

the other participants of STP are subject to such assessments, which CPS and the other participants have agreed will be borne on the basis of their respective ownership interests in STP CPS' ownership interest in STP is 28% 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 $400,000 for the nuclear industry as a whole, provides protection from nuclear-related claims of workers employed in the nuclear industry after January 1, 1988, who do not use the workers' compensation system as sole remedy and bring suit against another party STP could be assessed up to about $3,100 per reactor or a total of $6,200 to pay its maximum share for this liability coverage during the life of the plant

NRC regulations require licensees of nuclear power plants to obtain on-site property damage insurance in a minimum amount of $1,060,000 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 participants of STP currently maintain on-site property damage insurance in the amount of $2,700,000, which was the maximum amount of such insurance available at December 31, 1993 The $2,700,000 of nuclear property insurance is composed of a $1,300,000 primary layer of insurance and a layer of excess insurance that would contribute $1,400,000 of additional coverage that is subject to a retrospective assessment from each electric utility which is a member of Nuclear Electric Insurance Limited (NEIL) An additional $50,000 of primary layer insurance coverage became available on January 1, 1994 The participants of STP increased the primary insurance coverage to the $1,350,000 maximum available on the policy renewal date of March 1, 1994 In the event that property losses as a result of an accident at the nuclear plant of any utility insured by NEIL exceed the accumulated funds available to NEIL, the maximum retrospective assessment for STP would be approximately $7,600 for the current policy year that began November 15, 1993 CPS would be liable for its ownership interest share of any retrospective assessment with respect to STP and for the cost of cleanup, repair or replacement in excess of the policy limits

Railroad Freight Rate Settlement

In December 1986, CPS approved a settlement offer from two railroads involved in disputed issues about the proper and lawful freight rates As a result, CPS received payments of $9,200 and $17,600 in fiscal year 1993 and 1992, respectively CPS received an additional final payment totaling $9,600 during fiscal 1994 from the railroad settlement that is expected to be returned to customers as payments are received The final amount due in 1994 was recorded as current other receivable

Other

Purchase and construction commitments amounted to approximately $690,000 at January 31, 1994 This amount includes approximately $419,000 that is expected to be paid for natural gas purchases to be made under the contracts currently in effect; the actual amount to be paid will be dependent upon CPS' actual requirements during the contract period and the price of gas Also included is $33,000 for coal purchases, $175,000 for coal transportation and $20,000 for treated cooling water based upon the minimum firm commitment under these contracts

11. COMMITMENTS AND CONTINGENCIES (Continued)

B. CPS (Continued)

Litigation

CPS is involved in various legal proceedings related to alleged personal and property damages, breach of contract, condemnation appeals and discrimination cases In addition, CPS power generation activities and other utility operations are subject to extensive state and federal environmental regulation In the opinion of management of CPS, the outcome of such proceedings will not have a material adverse effect on the financial position or results of operations of CPS

C. SAWS

Other

SAWS is committed under various contracts for completion of construction or acquisition of utility plant totaling approximately $25,300 and $31,800 as of May 31, 1994 and 1993, respectively Funding of this amount will come from available revenues of SAWS, contributions from developers, and restricted assets

Litigation

SAWS is the subject of various claims and litigation which have arisen in the ordinary course of its operations Management, in consultation with legal counsel, is of the opinion that SAWS' liabilities in these cases, if decided adversely to SAWS, will not be material

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12. SEGMENT INFORMATION

The City has five enterprise operations which include the Airport System, Parking Facilities, Golf Course System, Solid Waste System, and Alamodome System Segment information for these operations and the City's significant discretely presented component units, CPS and SAWS, for the year ended September 30, 1994 is as follows

Segment Information

	Airport System	Parking Facilities	Golf Course System	Solid Waste System	Alamodome System[1]	Total Primary Government	Gas and Electric System (CPS)[2]	San Antonio Water System (SAWS)[3]
Operating Revenues	$ 29,435	$ 5,175	$ 6,339	$ 32,989	$ 3,686	$ 77,624	$ 907,152	$ 159,164
Operating Expenses exclusive of Depreciation	16,588	3,356	4,825	28,281	3,319	56,369	639,680	76,788
Depreciation	6,219	497	471	510	93	7,790	136,957	38,623
Operating Income	6,628	1,322	1,043	4,198	274	13,465	130,515	43,753
Other Revenue (Expenses)	(5,196)	(937)	(296)	(3,150)	3,024	(6,555)	(170,687)	(36,273)
Operating Transfers In (Out)	(1,385)	(286)	(593)	(516)	(502)	(3,282)		
Extraordinary Items								(6,366)
Net Income (Loss)	$ 47	$ 99	$ 154	$ 532	$ 2,796	$ 3,628	$ (40,172)	$ 1,114
Total Assets	$ 226,091	$ 21,185	$ 12,810	$ 20,901	$	$ 280,987	$ 4,644,064	$ 1,362,289
Total Equity	$ 123,237	$ 1,970	$ 5,866	$ 11,702	$	$ 142,775	$ 1,738,670	$ 720,168
Working Capital	$ 4,989	$ 989	$ 485	$ 11,602	$	$ 18,065	$ 96,935	$ 26,317
Additions to Fixed Assets	$ 3,195	$ 561	$ 36	$ 1,112	$ 44	$ 4,948	$ 124,591	$ 49,450
Net Capital Contributions	$ 60,493	$ 187	$ 5,526	$ 3,676	$	$ 69,882	$	$ 452,253
Outstanding Revenue Bonds	$ 92,145	$	$	$	$	$ 92,145	$ 2,424,534	$ 580,569
Outstanding Bonds and Certificates of Obligation	$	$ 18,813	$ 6,222	$ 2,000	$	$ 27,035	$	$

[1]Effective June 6, 1994, the Alamodome is accounted for in a Governmental Fund type (Special Revenue)
[2]For the Fiscal Year Ended January 31, 1994
[3]For the Fiscal Year Ended May 31, 1994

13. INSURANCE

Property and Casualty Liability

The City is insured through Scottsdale Insurance Company for liability coverage. The blanket policy provides premises and auto liability along with police professional errors and omissions and EMS Medical Malpractice Royal Indemnity Company provides property coverage on the City's building and contents inventory. Departments are assessed premiums to cover expenditures. 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.

Employee Health Benefits

The City provides its current employees with a comprehensive employee benefit program including coverage for medical, dental and life insurance, vision, dependent care reimbursement accounts and additional life insurance for its employees and their dependents. The City's self insured medical programs are provided to all City employees. Obligations for benefits are accrued in the City's Self-Insurance Employee Benefits Insurance Fund based upon the City's estimates of the aggregate liability for unpaid benefits.

Worker's Compensation

The City is a member of the Texas Municipal League (TML) Worker's Compensation Joint Insurance Fund, an unincorporated association of political subdivisions of the State of Texas. The TML Worker's Compensation Joint Insurance Fund of the State of Texas is not intended to operate as an insurance company, but rather is intended to be the contracting mechanism by which the City as a member provides self-insurance worker's compensation benefits to its employees. The City also contracts with a third party administrator for the administration, investigation, and adjustment services for the handling of workers compensation claims. Departments are assessed premiums to cover expenditures. All loss contingencies, including claims incurred but not reported, if any, are recorded in the City's Self-Insurance Worker's Compensation Fund. The City also has an excess worker's compensation policy with Continental Casualty Insurance Company.

Unemployment Compensation Program

The Unemployment Compensation Program of the Self Insurance Fund provides a central account for payment of unemployment compensation claims. Claims are administered by a third party contract and are paid to the State Employment Commission on a reimbursement basis. All costs incurred are recorded on a claims paid basis.

Extended Sick Leave Program

The Extended Sick Leave Program of the Self Insurance Fund is used to pay benefits associated with the City's employee long-term disability plan. Benefits are administered by the City. Actual costs are incurred when extended leave is taken.

Employee Wellness Program

The Self-Insurance Employee Wellness Program Fund is used to account for revenues and operating expenses of the City Occupational Health Clinic operated by the San Antonio Metropolitan Health District. The clinic's operation is supported by transfers from the Workers' Compensation Fund and the Employee Health Benefits Fund as expenses are incurred.

13. INSURANCE (Continued)

Fire and Police Prefunded Health

The Fire and Police Prefunded Health Fund provides for post-retirement health care benefits for Police and Fire Retirees Claims are administered by a third party administrator Costs are recorded on an as incurred basis The City accounts for this plan in an Internal Service Fund entitled "Fire and Police Prefunded Health Program"

14. DEFICITS IN RETAINED EARNINGS

Deficit retained earnings at year end are recorded in the Insurance Reserve and Workers' Compensation Program Self-Insurance Funds in the amounts of $9,861 and $2,950 respectively The deficit in the Workers' Compensation Fund is the result of recording the long-term liability related to claims that were previously recorded in the General Long-Term Debt Account Group The City has established a plan to fund these deficits through premiums charged to the various City funds in future years

Following is a reconciliation of the deficit retained earnings disclosed above to total Internal Service Fund Unreserved Retained Earnings as of September 30,1994

Other Internal Services		$ 6,488
Information Services		2,703
Self Insurance Programs		
Fire and Police Pre-Funded Health Program	$ 18,327	
Insurance Reserve Fund	(9,861)	
Worker's Compensation Program	(2,950)	
Other Self Insurance Programs	3,951	
Total Self Insurance Program		9,467
Total Internal Service Fund Unreserved Retained Earnings		$ 18,658

A deficit retained earnings reserve for equipment renewal and replacement at year end is recorded in the Information Services Fund (Internal Service) in the amount of $3,814 This deficit is attributable to depreciating contributed property, land, and equipment, while not depreciating or amortizing the Offsetting Contributed Capital It is management's understanding that this dilemma is being studied in Governmental Accounting to determine a remedy

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15. CONTRIBUTED CAPITAL

Activity for the year ended September 30, 1994, related to contributed capital is as follows

Contributed Capital

	Airport System	Parking Facilities	Golf Course System	Solid Waste System	Primary Government Totals	Gas and Electric System (CPS)[1]	San Antonio Water System (SAWS)[2]
Contributed Capital October 1	$ 57,575	$ 187	$ 5,526	$ 3,676	$ 66,964	$ 0	$ 431,591
Additions -							
Customers							20,662
Federal	4,331				4,331		
Deductions -							
Amortization of Federally Contributed Fixed Assets	(1,413)				(1,413)		
Contributed Capital September 30	$ 60,493	$ 187	$ 5,526	$ 3,676	$ 69,882	$ 0	$ 452,253

[1]For the fiscal year ended January 31, 1994
[2]For the fiscal year ended May 31, 1994

16. CHANGE IN FUND TYPE

Alamodome Conveyance

In 1988, the City and VIA Metropolitan Transit Authority (VIA) entered into an agreement to construct a multipurpose domed facility (the "Alamodome") and a transit passenger station Construction of the project was funded by proceeds from a special one-half cent sales tax collected by VIA for a five year period which ended on March 31, 1994, and Intergovernmental Assistance Funds provided by VIA The Alamodome which opened in May 1993, was owned by VIA and leased to the City Subsequently, the City and VIA mutually concluded that it was in their best interest to have title to the Alamodome conveyed to the City The City which operates the facility, has in consideration for conveyance of title, assumed a portion of the environmental remediation responsibilities related to the project which are discussed in Footnote No 11 On April 27, 1994, an agreement with an effective date of June 6, 1994, was entered into and executed which conveyed title of the Alamodome from VIA to the City

With this conveyance, Management determined that the focus of operations had changed from operating for profit to operating for governmental purposes for the betterment of all citizenry Accordingly, the Alamodome operations, formerly accounted for in a Proprietary Type Fund (Enterprise), are now accounted for in a Governmental Type Fund (Special Revenue) The transfer was effectuated June 6, 1994 with a Residual Equity Transfer Out of the Enterprise Fund in the amount of $1,352 and Residual Equity Transfers In to the Alamodome Special Revenue Fund and General Fixed Assets Account Group in the amounts of $761 and $591, respectively In addition, on the date of transfer, deferred revenues and other assets were transferred from the Enterprise Fund to the Special Revenue Fund With this change in fund type, these accounts which were previously being deferred and amortized under the Full Accrual Basis of Accounting (Enterprise Funds) were recognized and expensed under the

16. CHANGE IN FUND TYPE (Continued)

Modified Accrual Basis of Accounting (Governmental Funds) This resulted in an additional $672 being reported as a Residual Equity Transfer In to the Special Revenue Fund

17. SUBSEQUENT EVENTS

A. City of San Antonio

Sale of General Obligation Debt

On December 8, 1994, the City approved the sale of $30,450 City of San Antonio, Texas, General Improvement Bonds, Series 1994 and $10,600 City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 1994 The issuance of the Series 1994 obligations is representative of the City's on-going capital improvement financing for infrastructure and "quality of life" purposes The citizens of the City voted and approved the authorization of the issuance of the bonds in elections held in 1985, 1987 and 1994 The bonds and certificates are scheduled to mature serially on August 1, of each year commencing August 1, 1995, through and including August 1, 2014 The proceeds of the combined obligations will be used to finance municipal infrastructure improvements to include construction of various drainage and flood control projects, constructing street improvements, to acquire and construct park facilities, to construct and make public safety improvements, make municipal facility improvements and provide funding for costs to be incurred in connection with the City's solid waste program

Crockett Street Development Project

The City is in the final stages of consummating matters related to a downtown redevelopment project entitled "Crockett Street Development Project" whereby the City has taken actions and shall enter into agreements with the owners of the property to make infrastructure improvements thereto In this regard, the City shall enter into an agreement to extend a loan to the owners to provide the funding to make such infrastructure improvements The final loan agreement may include all or a portion of the funding utilizing funds from the HUD Section 108 program and all or a portion of the funding derived from UDAG recapture funds available to the City The total principal amount of the loan to the owners will not exceed $5,000 Payments on the loan are to be paid to the City in approximately equal annual amounts through and including the year 2015, through the collection of a special assessment tax to the Crockett Street Public Improvement District, which was established and approved by City Council Resolution No. 94-57-59 dated December 15, 1994, as authorized under the Public Improvement District Assessment Act

Convention Center Expansion

In 1990, the City commissioned Arthur Andersen & Co to complete a convention center expansion feasibility analysis The study concluded that the convention market in the City and nationally was healthy and expanding The study further concluded that.. "historic market trends, current market conditions, and the ability of the City to attract future tourism and convention business warrant expansion of the HBG Center". In 1994, the City enlisted the services of the Urban Land Institute to, among other things, reexamine the necessity for the City to undertake a convention center program and to suggest alternative expansion options This study was completed in the Fall of 1994 and it was recommended that the City commence with the construction of additional new convention accommodations and renovate certain existing facilities The City is currently in the initial phase of assembling the convention center expansion team and designing the construction program The tentative schedule of events is to

17. SUBSEQUENT EVENTS (Continued)

A. City of San Antonio (Continued)

begin site preparation in the Summer of 1995, begin construction of the international center in September, 1995 and begin construction of the new convention center buildings in the Summer of 1996 Scheduled completion of the new construction is projected to be December, 1998 It is anticipated that renovation of the existing facilities will commence in 1999 The total project is scheduled for completion by the year 2001 While the scope of the project has been generally defined, the total financing costs and related financial impact of the convention center expansion has not yet been determined

B. SAWS

On August 13, 1994, the citizenry of the City of San Antonio voted on proceeding with completion of the Applewhite Reservoir project as part of a multifaceted water plan Completion of the project was not approved by the voters On September 6, 1994, the San Antonio Water System, as the agency in charge of the project, approved a resolution abandoning the project in accordance with City Council ordinance directing all necessary actions be taken to terminate all State and Federal Permits, and to prepare a disposition plan for the properties previously acquired for the project

SAWS has assets recorded on the books in the amount of $30,747 for the Applewhite Project incurred as follows

Land Acquisition	$ 16,158
Dam and Spillway Construction	3,900
Archaeological Studies	1,401
Permits and Administration	1,456
Legal Costs	4,919
Interest and Bond Sales Cost	2,913
	$ 30,747

The carrying value of these assets related to the Applewhite Project will be adjusted in fiscal year 1995 when a plan for disposition is prepared and an estimate can then be made of the net realizable value of the assets Management does not believe that this adjustment will be material to SAWS

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City of San Antonio
Texas

Required Supplementary Information

(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION - (UNAUDITED)
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
CITY OF SAN ANTONIO, TEXAS
LAST TEN FISCAL YEARS

TMRS FISCAL YEAR	NET ASSETS AVAILABLE FOR BENEFITS (1)	PENSION BENEFIT OBLIGATION (1)	PERCENTAGE FUNDED	UNFUNDED PENSION BENEFIT OBLIGATION (1)	ANNUAL COVERED PAYROLL (3)	UNFUNDED PENSION BENEFIT OBLIGATION AS % OF COVERED PAYROLL
1984-85	$ 75,292	$ 117,940	64%	$ 42,648	$ 84,537	50%
1985-86	88,531	135,042	66%	46,511	93,939	50%
1986-87	101,442	151,366	67%	49,924	95,350	52%
1987-88	112,036	164,848	68%	52,812	97,080	54%
1988-89	131,738	182,221	72%	50,483	106,176	48%
1989-90	149,732	202,611	74%	52,879	107,365	49%
1990-91	168,151	224,199	75%	56,048	105,991	53%
1991-92	191,473	247,227	77%	55,753	108,667	51%
1992-93	215,575	275,248	78%	59,673	111,633	53%
1993-94	244,657	321,051	76%	76,394	111,428	69%

	REVENUES BY SOURCE				EXPENSES BY TYPE		
FISCAL YEAR	EMPLOYEE CONTRIBUTIONS (1)	EMPLOYER CONTRIBUTIONS (1)	INVESTMENT INCOME (1)	ACTUARIAL ADJUSTMENT	BENEFITS PAID (1)	REFUNDS (1)	TRANSFERS (1) (2)
1984-85	$ 4,013	$ 4,993	$ 7,033	$ 0	$ 1,218	$ 1,060	$ 2,567
1985-86	4,491	5,917	8,281		1,458	1,136	2,179
1986-87	4,741	6,474	9,683		1,620	1,166	5,879
1987-88	4,736	6,405	10,963		2,127	1,502	7,918
1988-89	5,332	7,067	12,451		2,472	1,378	1,778
1989-90	6,449	9,448	14,464		2,772	1,849	7,749
1990-91	6,499	9,488	16,485		3,260	2,005	9,759
1991-92	6,520	9,732	18,599		3,793	2,204	2,737
1992-93	6,698	10,125	20,638		4,205	2,383	4,017
1993-94	6,293	8,924	22,552	6,558 (4)	4,475	2,185	5,126

NOTES: (1) Trend data presented is audited information as of December 31, 1993 which is the fiscal year of TMRS. Source of information is TMRS Annual Report.

(2) These amounts represent transfers to the TMRS Current Service Annuity Reserve Fund or the TMRS Perpetual Endowment Fund. The Current Service Annuity Reserve Fund maintains all reserves for current service annuities and disburses all payments on current service annuities. The Endowment Fund consists of gifts, awards, funds and assets accruing to TMRS which are not specifically required for other purposes.

(3) Abstracted from City payroll reports for calendar year 1993.

(4) Actuarial Adjustment for TMRS fiscal year 1992.

(amounts expressed are in thousands)

REQUIRED SUPPLEMENTARY INFORMATION - (UNAUDITED)
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
SAN ANTONIO WATER SYSTEM
LAST TEN FISCAL YEARS

TMRS FISCAL YEAR	NET ASSETS AVAILABLE FOR BENEFITS (1)	PENSION BENEFIT OBLIGATION (1)	PERCENTAGE FUNDED	UNFUNDED PENSION BENEFIT OBLIGATION (1)	ANNUAL COVERED PAYROLL (3)	UNFUNDED PENSION BENEFIT OBLIGATION AS % OF COVERED PAYROLL
1984	$ 7,058	$ 10,967	64%	$ 3,909	$ 12,644	31%
1985	8,033	12,052	67%	4,019	13,701	29%
1986	9,027	13,233	68%	4,206	14,356	29%
1987	10,034	14,469	69%	4,435	15,875	28%
1988	11,539	16,085	72%	4,546	16,348	28%
1989	13,090	16,560	79%	3,470	17,469	20%
1990	14,645	18,360	80%	3,714	18,723	20%
1991	16,410	20,724	79%	4,314	19,387	22%
1992	17,421	22,319	78%	4,898	34,108	14%
1993	20,717	26,632	78%	5,915	36,056	16%

FISCAL YEAR	REVENUES BY SOURCE: EMPLOYEE CONTRIBUTIONS (1)	REVENUES BY SOURCE: EMPLOYER CONTRIBUTIONS (1)	REVENUES BY SOURCE: INVESTMENT INCOME (1)	ACTUARIAL ADJUSTMENT	EXPENSES BY TYPE: BENEFITS PAID (1)	EXPENSES BY TYPE: REFUNDS (1)	EXPENSES BY TYPE: TRANSFERS (1) (2)
1984	$ 345	$ 355	$ 656	$ 0	$ 166	$ 101	$ 116
1985	379	389	771		173	135	283
1986	411	418	874		183	140	179
1987	431	442	986		354	163	374
1988	476	473	1,111		208	98	249
1989	524	512	1,269		205	131	199
1990	555	556	1,432		229	156	527
1991	577	582	1,810		261	149	535
1992	1,023	1,094	1,935		292	95	1,906
1993	1,057	1,110	1,835	435 (4)	360	156	312

NOTES: (1) Trend data presented is audited information as of December 31, 1993 which is the fiscal year of TMRS. Source of information is TMRS Annual Report. And the separately issued component unit financial report of SAWS for the fiscal year ended May 31, 1994.

(2) These amounts represent transfers to the TMRS Current Service Annuity Reserve Fund or the TMRS Perpetual Endowment Fund. The Current Service Annuity Reserve Fund maintains all reserves for current service annuities and disburses all payments on current service annuities. The Endowment Fund consists of gifts, awards, funds and assets accruing to TMRS which are not specifically required for other purposes.

(3) Abstracted from SAWS payroll reports for calendar year 1993.

(4) Actuarial Adjustment for TMRS fiscal year 1992.

(amounts expressed are in thousands)

APPENDIX D

Form of Co-Bond Counsel Opinion

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
Attorneys at Law
A Registered Limited Liability Partnership
Including Professional Corporations
1500 NationsBank Plaza
300 Convent
San Antonio, Texas 78205

WICKLIFF & HALL
A Professional Corporation
7800 Shoal Creek Blvd.
Suite 128-S
Austin, Texas 78757

[Date of Closing]

CITY OF SAN ANTONIO, TEXAS
HOTEL OCCUPANCY TAX REVENUE BONDS, SERIES 1996
IN THE AGGREGATE PRINCIPAL AMOUNT OF $182,012,480.60

WE HAVE ACTED AS CO-BOND COUNSEL for the City of San Antonio, Texas (the "City") in connection with the issuance of the bonds described above (the "Bonds") 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 certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds (the "Official Statement") has been limited as described therein. We have relied solely on information and certifications furnished to us by the City with respect to the adequacy of the "Pledged Revenues", described below, for payment of the Bonds.

IN OUR CAPACITY AS 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 City Council of the City including the ordinance authorizing the Bonds (the "Ordinance"); customary certificates of officers, agents, and representatives of the City and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined 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 as we have deemed relevant. We have also examined executed Bonds No. CII-1 and CABI-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT the Bonds have been authorized, issued, and delivered in accordance with law; the Bonds constitute valid and legally binding special obligations of the City enforceable in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally; and the Bonds constitute valid and legally binding special obligations of the City secured by and payable from a first lien on and pledge of the "Pledged Revenues" of the "Expansion Hotel Occupancy Tax", and a pledge of a portion of the "General Hotel Occupancy Tax", together with the earnings from the investment of certain funds, all as described in the Ordinance.

THE CITY has reserved the right, subject to the restrictions stated in the Ordinance, and without obtaining the consent of the registered owners of the Bonds, (1) to issue "Additional Bonds" which also may be secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as the Bonds and (2) to issue additional obligations to be secured by and payable from a lien on and pledge of the "Pledged Revenues", subject and subordinate to the Bonds defined in the Ordinance.

THE CITY also has reserved the right, subject to the restrictions stated in the Ordinance, to amend the Ordinance with the approval of the holders of a majority of the principal amount of all Parity Bonds.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Ordinance.

BASED ON THE FOREGOING, IT IS OUR OPINION that under existing law interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code. Accordingly, interest on the Bonds will not be included as an alternative minimum tax preference item for individuals and corporations under section 57(a)(5) of the Code, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax and the environmental tax imposed on corporations by sections 55 and 59A of the Code. The statutes, regulations, published rulings, and court decisions on which such opinions are based are subject to change.

IN RENDERING THESE OPINIONS, we have relied upon representations and certifications of the Issuer with respect to matters solely within the knowledge of the Issuer and assume continuing compliance by the Issuer with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the Issuer fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT THAT the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals seeking the earned income tax credit, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

Respectfully submitted,

APPENDIX E

UNAUDITED FINANCIAL INFORMATION

The unaudited Hotel Motel Tax Fund accounts for activity related to the General Hotel Occupancy Tax. This includes operations of the Henry B. Gonzalez Convention Center, the Convention and Visitors' Bureau of the City, as well as various other programs.

The unaudited Hotel Motel Tax Capital Improvement Fund accounts for the activity related to the Expansion Hotel Occupancy Tax. A separate special revenue fund has been established since the expenditure of these funds is restricted by State law to expansion of the Henry B. Gonzalez Convention Center.

The unaudited General Fund information is included to update a portion of the material included in Appendix C hereto. It is anticipated that the City's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 1995 will be available in late April.

UNAUDITED

SPECIAL REVENUE FUNDS
HOTEL MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCES-COMPARED TO BUDGET
(NON GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 1995

	1995			
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	1994 ACTUAL
Revenues				
Taxes	$ 23,834,000	$ 24,240,718	$ 406,718	$ 22,661,797
Charges for Current Services	3,393,300	3,736,841	343,541	3,363,273
Miscellaneous:				
Interest	378,390	221,433	(156,957)	172,488
Recovery of Expenditures	35,000	85,222	50,222	34,417
Other	22,690	28,877	6,187	38,561
Total Revenues	27,663,380	28,313,091	649,711	26,270,536
Expenditures				
Convention and Tourism:				
Personal Services	2,853,130	2,646,075	207,055	2,570,725
Contractual Services	7,707,730	8,300,548	(592,818)	7,353,515
Commodities	150,741	106,463	44,278	133,197
Other Expenditures	76,050	76,050		88,630
Capital Outlay	52,834	30,758	22,076	65,044
Total	10,840,485	11,159,894	(319,409)	10,211,111
Arts and Cultural Affairs:				
Personal Services	444,280	421,646	22,634	329,701
Contractual Services	171,796	179,000	(7,204)	128,015
Commodities	10,310	21,851	(11,541)	10,688
Other Expenditures	1,280	1,280		
Capital Outlay	8,931	13,807	(4,876)	5,841
Total	636,597	637,584	(987)	474,245
Convention Facilities:				
Personal Services	4,344,900	4,117,683	227,217	4,143,104
Contractual Services	2,943,657	2,630,179	313,478	2,560,287
Commodities	609,495	375,622	233,873	265,622
Other Expenditures	632,350	632,350		652,150
Capital Outlay	196,331	196,181	150	161,452
Total	8,726,733	7,952,015	774,718	7,782,615
Non-Departmental:				
Personal Services	205,420	160,746	44,674	177,060
Contractual Services	251,883	244,647	7,236	236,777
Commodities	29,347	24,213	5,134	27,747
Other Expenditures	367,990	337,400	30,590	421,209
Capital Outlay	1,811	6,694	(4,883)	3,328
Total	856,451	773,700	82,751	866,121
Contributions to Other Agencies	3,346,834	3,330,579	16,255	2,809,843
Total Expenditures	24,407,100	23,853,772	553,328	22,143,935
Excess of Revenues Over Expenditures	3,256,280	4,459,319	1,203,039	4,126,601
Other Financing Sources (Uses)				
Operating Transfers In	57,394	57,394		
Operating Transfers Out	(5,370,029)	(5,303,635)	66,394	(6,285,094)
Total Other Financing Sources (Uses)	(5,312,635)	(5,246,241)	66,394	(6,285,094)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(2,056,355)	(786,922)	$ 1,269,433	$ (2,158,493)
Fund Balances, October 1	5,302,665	5,302,665		
Add Encumbrances		343,290		
Fund Balances, September 30	$ 3,246,310	$ 4,859,033		

UNAUDITED

SPECIAL REVENUE FUNDS
HOTEL MOTEL TAX CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCES-COMPARED TO BUDGET
(NON GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 1995

	1995			
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	1994 ACTUAL
Revenues				
Taxes	$ 6,810,000	$ 6,924,565	$ 114,565	$ 5,063,211
Miscellaneous		446,534	446,534	3,192
Total Revenues	6,810,000	7,371,099	561,099	5,066,403
Expenditures				
Convention and Tourism:				
Contractual Services	10,000	10,000		65,000
Other Expenditures		59,358	(59,358)	41,142
Total Expenditures	10,000	69,358	(59,358)	106,142
Excess of Revenues Over Expenditures	6,800,000	7,301,741	501,741	4,960,261
Other Financing (Uses)				
Operating Transfers Out	(7,140,852)	(7,108,212)	32,640	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(340,852)	193,529	$ 534,381	$ 4,960,261
Fund Balances, October 1	4,960,261	4,960,261		
Add Encumbrances		4,198,310		
Fund Balances, September 30	$ 4,619,409	$ 9,352,100		

UNAUDITED

GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 1995 AND 1994

Assets

	1995	1994
Cash and Cash Equivalents	$ 2,758,903	$ 139,019
Investments	30,267,624	36,959,311
Receivables:		
Taxes, Including Interest, Penalties and Liens	16,203,251	15,334,092
Less Allowances for Uncollectibles	(1,443,899)	(1,373,778)
Other Accounts	4,993,197	4,372,428
Accrued Interest	436,159	711,806
Accrued Revenue	24,465,390	22,083,688
Due from Other Funds	8,420,112	9,815,142
Due from Other Governmental Agencies	3,291,724	1,977,129
Inventories of Materials and Supplies, at Cost	2,488,818	2,416,929
Prepaid Expenditures	10,977	14,509
Total Assets	$ 91,892,256	$ 92,450,275

Liabilities and Fund Balances

Liabilities:		
Vouchers Payable	1,670,387	1,537,435
Accounts Payable-Other	509,044	387,135
Accrued Payroll	6,696,744	5,212,749
Accrued Leave Payable	1,779,093	1,718,878
Deferred Revenue	19,656,661	18,494,592
Due to Other Funds	152,723	11,227
Total Liabilities	30,464,652	27,362,016
Fund Balances:		
Reserved for Encumbrances	3,064,202	3,221,252
Reserved for Inventories of Materials and Supplies	2,488,818	2,416,929
Reserved for Prepaid Expenditures	10,977	14,509
Unreserved		
Designated for Subsequent Years' Expenditures	2,485,119	2,212,136
Undesignated	53,378,488	57,223,433
Total Fund Balances	61,427,604	65,088,259
Total Liabilities and Fund Balances	$ 91,892,256	$ 92,450,275

UNAUDITED

GENERAL FUND
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	1995			
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	1994 ACTUAL
Revenues				
Taxes	$ 195,793,030	$ 202,220,554	$ 6,427,524	$ 191,063,575
Licenses and Permits	7,375,030	8,530,428	1,155,398	7,646,164
Intergovernmental	2,262,770	2,016,305	(246,465)	2,012,771
Revenues from Utilities	131,678,150	127,343,665	(4,334,485)	131,039,382
Charges for Services	15,915,850	16,670,522	754,672	17,041,469
Fines and Forfeits	6,444,940	8,262,390	1,817,450	6,667,543
Miscellaneous	5,818,830	9,764,240	3,945,410	7,467,656
Total Revenues	365,288,600	374,808,104	9,519,504	362,938,560
Expenditures				
General Government	49,203,079	41,258,244	7,944,835	37,713,078
Public Safety	226,512,999	224,243,941	2,269,058	207,864,688
Streets and Roadways	8,925,072	8,631,332	293,740	8,410,717
Health Services	10,253,606	10,110,888	142,718	9,507,641
Sanitation	2,752,256	2,635,611	116,645	2,607,459
Welfare	9,652,948	9,497,854	155,094	7,494,516
Culture and Recreation	40,101,672	37,721,057	2,380,615	33,539,332
Economic Development and Opportunity	4,545,259	4,348,839	196,420	4,079,776
Total Expenditures	351,946,891	338,447,766	13,499,125	311,217,207
Excess of Revenues Over Expenditures	13,341,709	36,360,338	23,018,629	51,721,353
Other Financing Sources (Uses)				
Operating Transfers In	8,566,853	8,970,092	403,239	10,324,220
Operating Transfers Out	(53,434,603)	(52,055,287)	1,379,316	(48,815,661)
Total Other Financing Sources (Uses)	(44,867,750)	(43,085,195)	1,782,555	(38,491,441)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(31,526,041)	(6,724,857)	$ 24,801,184	$ 13,229,912
Fund Balances, October 1 as Previously Reported	57,796,351	57,796,351		
Prior Period Adjustment (See Note 1, Section U)	7,291,908	7,291,908		
Beginning Fund Balance as Restated	65,088,259	65,088,259		
Add Encumbrances		3,064,202		
Fund Balances, September 30	$ 33,562,218	$ 61,427,604		

APPENDIX F

Specimen Bond Insurance Policy

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

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Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:**

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

SPECIMEN

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