

PRELIMINARY REMARKETING MEMORANDUM
Dated October 9, 2026

REMARKETING (Not a New Issue) – Book-Entry-Only

Ratings: Fitch: “AA”
Moody’s: “Aa1”
S&P: “AA+”
(See “RATINGS” herein.)

In the Original Opinion (defined herein), Original Co-Bond Counsel (defined herein) rendered an opinion, which assumed continuing compliance by the City (defined herein) after the date of the initial delivery of the Bonds (defined herein) (the “Initial Delivery Date”) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) would be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the Initial Delivery Date, and (2) would not be included in computing the alternative minimum taxable income of individuals or, except as otherwise described, corporations. Settlement of the Bonds’ remarketing that is the subject of this Remarketing Memorandum is subject to delivery by Co-Bond Counsel (defined herein) to the Paying Agent/Registrar (defined herein) of their opinion that such remarketing will not adversely affect the excludability of interest on the Bonds for federal income tax purposes. The Remarketing Agents (identified below) will be allowed to rely on the opinion. Co-Bond Counsel has not been asked to and has not rendered any opinion as to the current excludability of interest on the Bonds from gross income for federal income tax purposes. See “TAX MATTERS” herein.

\$96,110,000*

CITY OF SAN ANTONIO, TEXAS

(A political subdivision of the State of Texas located primarily in Bexar County)

WATER SYSTEM VARIABLE RATE JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2013F (NO RESERVE FUND)

CONVERSION OF VARIABLE RATE BONDS TO FIXED RATES

Originally Dated: October 1, 2013

Interest to accrue from the November 1, 2026 Conversion Date

Maturity Date: May 1, as shown on page ii

GENERAL...The City of San Antonio, Texas (the “City”), acting on behalf and for the benefit of the San Antonio Water System (“SAWS”), initially issued its \$100,000,000 Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund) (the “Bonds”) pursuant to the Constitution and the general laws of the State of Texas (the “State” or “Texas”), including particularly Chapters 1207, 1371, and 1502, as amended, Texas Government Code, the City’s Home Rule Charter, and the ordinance relating to the Bonds adopted by the City Council of the City (the “City Council”) on September 19, 2013, as amended by the ordinance of the City Council adopted on September 29, 2016 (such ordinance, as amended, the “Ordinance”). The definitive Bonds have been registered and delivered to Cede & Co., the nominee of the Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds in the New Interest Period (defined herein) may be acquired in denominations of \$5,000 or any integral multiple thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium (if any), and interest on the Bonds will be payable by U.S. Bank Trust Company National Association, Houston, Texas, as the paying agent/registrar for the Bonds, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” and “THE BONDS – Paying Agent/Registrar” herein.

REMARKETING...The Bonds are multi-modal variable interest rate obligations, currently outstanding in the aggregate principal amount of \$98,420,000 and bearing interest at a variable rate in the current interest mode that expires on October 31, 2026 (the “Current Interest Rate Period”). On November 1, 2026, \$2,310,000* in principal amount of the Bonds will be redeemed pursuant to optional redemption provisions applicable thereto, the remaining \$96,110,000* will be mandatorily tendered for purchase, and \$96,110,000* in Bonds will be remarketed and converted into a fixed rate period (the “New Interest Period”), during which such remarketed Bonds will bear interest at fixed rates to their stated maturity or prior redemption (the “Fixed Rates”). The Bonds are being remarketed to provide proceeds to pay the purchase price of the aforementioned mandatorily-tendered Bonds due on November 1, 2026 (although actual tender shall administratively occur on November 2, 2026, the first business day after such mandatory tender date). The foregoing is authorized pursuant to a resolution (the “Remarketing Resolution”) adopted by the SAWS Board of Trustees (the “Board”) on August 4, 2026 and the Ordinance, and is undertaken in accordance with applicable Texas law. In the Remarketing Resolution, the Board delegated to certain authorized SAWS officials (each, an “Authorized Official”) the authority to establish the final remarketing terms of the Bonds in the New Interest Period, which final terms will be evidenced in an “Approval Certificate”.

INTEREST...The Bonds will bear interest at the Fixed Rates identified on page ii, with such interest being initially payable on May 1, 2027 and on each November 1 and May 1 thereafter until stated maturity or prior redemption (each, an “Interest Payment Date”). Interest on the Bonds in the New Interest Period is calculated on the basis of a 360-day year of twelve 30-day months.

SECURITY...The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and secured by, together with the other currently outstanding Junior Lien Obligations, a junior lien on and pledge of the Net Revenues (as defined herein) of the City’s combined water and wastewater system (the “System”), remaining after the City’s satisfaction of its debt service payment and reserve fund obligations, among other matters, relating to the Senior Lien Obligations (as defined and described herein). **The Reserve Fund (defined herein) providing additional security for certain of the outstanding Junior Lien Obligations does not additionally secure the Bonds.** The City has not covenanted or obligated itself to pay the Bonds from money raised or to be raised from taxation (see “THE BONDS – Security and Source of Payment; Pledge of Net Revenues” herein). In the Ordinance, the City authorized the Board to manage, operate, and maintain the System.

CONCURRENT ISSUANCES . . .In close proximity to the remarketing and delivery by the City of the Bonds, the City expects it will sell its \$157,850,000* Water System Junior Lien Revenue Refunding Bonds, Series 2026B (No Reserve Fund) (the “Series 2026B Bonds”), which are expected to close on or about December 16, 2026. This Remarketing Memorandum relates only to the remarketing of the Bonds and not to the sale of the Series 2026B Bonds.

LEGALITY...The Bonds were originally delivered to the initial purchasers, together with the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Fulbright & Jaworski LLP (now Norton Rose Fulbright US LLP) and Escamilla & Poneck, LLP, as original co-bond counsel to the City. McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, LLP, both of San Antonio, Texas, serve as Co-Bond Counsel (“Co-Bond Counsel”) to the City in connection with the remarketing of the Bonds that is the subject of this Remarketing Memorandum. The remarketing of the Bonds will, through the services of DTC, be available for delivery on the settlement date of November 2, 2026. Certain legal matters with respect to the remarketing of the Bonds will be passed upon for the City by Co-Bond Counsel, and for the remarketing agents for the Bonds identified below (the “Remarketing Agents”) by their counsel Cantu Harden LLP, San Antonio, Texas.

BLAYLOCK VAN, LLC

PIPER SANDLER & CO.

RAYMOND JAMES

* Preliminary; subject to change.

MATURITY SCHEDULE**CUSIP No.⁽¹⁾ PREFIX: 79642G****\$96,110,000*****City of San Antonio, Texas****Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund)****CONVERSION OF VARIABLE RATE BONDS TO FIXED RATES****FIXED RATE CONVERSION SCHEDULE**

Stated Maturity (May 1)	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP No. ⁽¹⁾ Suffix	Stated Maturity (May 1)	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP No. ⁽¹⁾ Suffix
2031	5,425,000				2038	7,635,000			
2032	5,700,000				2039	8,015,000			
2033	5,985,000				2040	8,415,000			
2034	6,280,000				2041	8,840,000			
2035	6,595,000				2042	9,280,000			
2036	6,925,000				2043	9,745,000			
2037	7,270,000								

(Interest accrues from the Conversion Date)

REDEMPTION. . . The City has reserved the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2037, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on November 1, 2036 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In addition, any Term Bonds (defined herein) will be subject to mandatory sinking fund redemption. See “THE BONDS – Redemption” herein.

* Preliminary; subject to change.

⁽¹⁾ CUSIP® numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, SAWS, the Board, the Co-Financial Advisors, or the Remarketing Agents are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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USE OF INFORMATION

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), and in effect on the date of this Preliminary Remarketing Memorandum, this document constitutes an "official statement" of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Remarketing Memorandum, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized by the City, the Board, the Co-Financial Advisors, or the Remarketing Agents to give information or to make any representation other than those contained in this Remarketing Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation, promise or guarantee of the Co-Financial Advisors or the Remarketing Agents. This Remarketing Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Remarketing Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City (including the System) or other matters described herein.

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

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

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

NONE OF THE CITY, THE BOARD, THE REMARKETING AGENTS, OR THE CO-FINANCIAL ADVISORS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS REMARKETING MEMORANDUM REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS – CITY OF SAN ANTONIO

City Council	Length of Service	Term Expires	Occupation
Gina Ortiz Jones, Mayor	1 Year, 6 Months	May 31, 2029	Under Secretary of the Air Force
Dr. Sukh Kaur, District 1	3 Years, 6 Months	May 31, 2029	Education Consultant
Jalen McKee-Rodriguez, District 2	5 Years, 6 Months	May 31, 2029	Teacher
Phyllis Viagran, District 3	5 Years, 6 Months	May 31, 2029	Training Specialist
Edward Mungia, District 4	1 Year, 6 Months	May 31, 2029	Public Servant
Teri Castillo, District 5	5 Years, 6 Months	May 31, 2029	Housing Organizer
Ric Galvan, District 6	1 Year, 6 Months	May 31, 2029	Public Servant
Marina Alderete Gavito, District 7	3 Years, 6 Months	May 31, 2029	Nonprofit Executive
Ivalis Meza Gonzalez, District 8	1 Year, 6 Months	May 31, 2029	Consultant
Misty Spears, District 9	1 Year, 6 Months	May 31, 2029	Public Servant
Marc Whyte, District 10	3 Years, 6 Months	May 31, 2029	Attorney at Law

APPOINTED OFFICIALS – SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES

Board	Length of Service	Term Expires	Occupation
Jellynne LeBlanc Jamison Chairwoman	6 Years, 2 Months	May 31, 2030	President and CEO The Center for Health Care Services
Adriana Rocha Garcia Trustee	1 Year, 1 Month	May 31, 2029	President/CEO of Center for Health Empowerment in South Texas
Theresa Rodriguez Scepanski Trustee	1 Year, 1 Month	May 31, 2029	President/CEO of Community First Health Plans
Greg Mann Trustee	1 Year, 1 Month	May 31, 2029	Managing Principal of Milam Real Estate Capital, LLC
Ed Belmares Trustee	6 Years, 1 Month	May 31, 2028	Owner IConnect, LLC
Marilu Reyna Trustee	4 Years, 11 Months	May 31, 2030	Communications Executive BCFS
Gina Ortiz Jones, Mayor and Ex-Officio Member	1 Year, 4 Months	May 31, 2029	Under Secretary of the Air Force

SELECTED ADMINISTRATIVE STAFF – SAN ANTONIO WATER SYSTEM

Name	Position	Length of Service with System	Total Government Service
Robert R. Puente	President/Chief Executive Officer	18 Years, 7 Months	35 Years, 9 Months
Andrea Beymer	Executive Vice President/Chief Operating Officer	28 Years, 7 Months	28 Years, 7 Months
Sharon De La Garza	Senior Vice President – Human Resources & Risk Management	14 Years, 6 Months	30 Years, 6 Months
Donovan Burton	Senior Vice President – Water Resources & Governmental Relations	19 Years, 11 Months	34 Years, 3 Months
Gavino Ramos	Senior Vice President – Communications & External Affairs	11 Years, 8 Months	11 Years, 8 Months
Jaime Castillo	Senior Vice President of Operations Support/Chief of Staff	9 Years, 1 Month	16 Years, 9 Months
Edward Guzman	Senior Vice President/Chief Legal & Ethics Officer	6 Years, 3 Months	25 Years, 3 Months
Cecilia Velasquez	Senior Vice President/Chief Financial Officer ⁽¹⁾	16 Years, 4 Months	21 Years, 8 Months

⁽¹⁾ Ms. Cecilia Velasquez was named Senior Vice President/Chief Financial Officer on June 1, 2026, after Doug Evanson retired effective May 29, 2026.

SELECTED ADMINISTRATIVE STAFF – CITY OF SAN ANTONIO

Name	Position	Tenure with City of San Antonio	Tenure in Current Position
Erik J. Walsh	City Manager	32 Years, 6 Months	7 Years, 9 Months
María Villagómez	Deputy City Manager	29 Years, 2 Months	7 Years, 9 Months
Ben Gorzell, Jr.	Chief of Financial & Administrative Services	36 Years, 1 Month	1 Year, 8 Months
Justina Tate ⁽¹⁾	Assistant City Manager	18 Years	5 years
David McCary	Assistant City Manager	19 Years, 3 Months	6 Years, 10 Months
Jeff Coyle	Assistant City Manager	13 Years, 10 Months	5 Years, 9 Months
Alejandra Lopez	Assistant City Manager	9 Years, 5 Months	5 Years, 9 Months
John Peterek	Assistant City Manager	15 Years, 6 Months	1 Year, 8 Months
Andrew Segovia	City Attorney	10 Years, 4 Months	10 Years, 4 Months
Debbie Racca-Sittre	City Clerk	25 Years	4 Years, 7 Months
Troy Elliott	Chief Financial Officer	30 Years, 4 Months	1 Year, 8 Months
Alfredo Martinez ⁽²⁾	Director of Management and Budget	21 Years, 9 Months	11 Months

⁽¹⁾ Ms. Tate was appointed Assistant City Manager on June 10, 2026. Ms. Tate served as Interim Assistant City Manager since December 1, 2025. Prior to her appointment, Ms. Tate served as the Director of Management and Budget since December 2021.

⁽²⁾ Mr. Martinez was appointed Director of Management and Budget on June 10, 2026. Mr. Martinez served as Interim Director of Management and Budget since December 1, 2025. Prior to his appointment, Mr. Martinez served as Assistant Director of Management and Budget since November 2019.

CONSULTANTS AND ADVISORS

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

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

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

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PRELIMINARY REMARKETING MEMORANDUM
RELATING TO
\$96,110,000*
CITY OF SAN ANTONIO, TEXAS
(A political subdivision of the State of Texas located primarily in Bexar County)
WATER SYSTEM VARIABLE RATE JUNIOR LIEN REVENUE AND REFUNDING BONDS,
SERIES 2013F (NO RESERVE FUND)

INTRODUCTION

This Remarketing Memorandum, which includes the Appendices hereto, provides certain information regarding the remarketing of \$96,110,000* City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund) (the “Bonds”). Capitalized terms used in this Remarketing Memorandum have the same meanings assigned to such terms in the Ordinance (hereinafter defined), except as otherwise indicated herein (see “SELECTED PROVISIONS OF THE ORDINANCE” in APPENDIX D).

There follows in this Remarketing Memorandum descriptions of the Bonds, and their remarketing, and certain information regarding the San Antonio Water System (“SAWS”), its water and wastewater system (the “System”), and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Co-Financial Advisors, PFM Financial Advisors LLC, Arlington, Virginia, and Estrada Hinojosa, San Antonio, Texas, by electronic mail or upon payment of reasonable copying, handling and delivery charges.

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

In close proximity to the remarketing and delivery by the City of the Bonds, the City expects it will sell its \$157,850,000* Water System Junior Lien Revenue Refunding Bonds, Series 2026B (No Reserve Fund) (the “Series 2026B Bonds”), which are expected to close on or about December 16, 2026. This Remarketing Memorandum relates only to the remarketing of the Bonds and not to the sale of the Series 2026B Bonds.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State of Texas (the “State” or “Texas”) duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1837, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and 10 Councilmembers. The terms of the Mayor and the Councilmembers are two years and subject to four term limitations imposed in the City’s Home Rule Charter. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, gas, water and sanitary sewer utilities, health and social services, culture/recreation and parks, public transportation, public improvements, planning and zoning, and general administrative services. The U.S. Census Bureau ranks the City as the second largest city in Texas and the seventh largest city in the United States. The 2020 Census population for the City was 1,434,625 and for Bexar County (the “County”) was 2,009,324. The City’s Information Technology Services Department estimated the City’s population to be 1,522,498 in 2026. The City covers approximately 511 square miles within the County. For additional information regarding the City, see “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY”.

CITY’S COMBINED WATER AND WASTEWATER SYSTEM

The System consists of the City’s combined water and wastewater system. Management, operation, and maintenance of the System is vested in the SAWS’ Board of Trustees (the “Board”) under the various City ordinances authorizing the issuance of SAWS’ debt obligations, including the Ordinance.

PLAN OF FINANCING

PURPOSE

Proceeds from the sale of the Bonds were initially used to (i) build, improve, extend, enlarge, and repair the System, (ii) refund certain of the System’s then outstanding commercial paper notes to increase the capacity of the System’s Tax-Exempt Commercial Paper Program (as further defined and described herein), and (iii) pay the costs of their issuance.

REMARKETING

The Bonds are multi-modal variable interest rate obligations, currently outstanding in the aggregate principal amount of \$98,420,000 and bearing interest at a Term Rate that expires on October 31, 2026 (the “Current Interest Rate Period”). On November 1, 2026, \$2,310,000* in principal amount of the Bonds will be redeemed pursuant to optional redemption provisions applicable thereto, the remaining \$96,110,000* will be mandatorily tendered for purchase, and \$96,110,000* in Bonds will be remarketed and converted into a fixed rate period (the “New Interest Period”), during which such remarketed Bonds will bear interest at fixed rates to their stated maturity or prior redemption (the “Fixed Rates”). The Bonds are being remarketed to provide proceeds to pay the purchase price of the aforementioned mandatorily-tendered Bonds due on November 1, 2026 (although actual tender shall administratively occur on November 2, 2026, the first business day after such mandatory tender date) (the “Purchase

* Preliminary; subject to change.

Price”). The foregoing is authorized pursuant to a resolution (the “Remarketing Resolution”) adopted by the Board on August 4, 2026, and the Ordinance, and is undertaken in accordance with applicable Texas law. See “THE BONDS” herein.

AUTHORITY FOR ISSUANCE AND REMARKETING

The Bonds were initially issued pursuant to the Constitution and the general laws of the State, including particularly Chapters 1207, 1371, and 1502, as amended, Texas Government Code, the City’s Home Rule Charter, and an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City (the “City Council”) on September 19, 2013, as amended by the ordinance of the City Council adopted on September 29, 2016 (such ordinance, as amended, the “Ordinance”). The remarketing of the Bonds into the New Interest Period is authorized pursuant to the Remarketing Resolution and the Ordinance and is undertaken in accordance with applicable Texas law. In the Remarketing Resolution, the Board delegated to certain authorized SAWS officials (each, an “Authorized Official”) the authority to establish the final remarketing terms of the Bonds in the New Interest Period, which final terms will be evidenced in an “Approval Certificate”.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are originally dated October 1, 2013 and will now mature on May 1 in each of the years and in the amount shown on page ii hereof. The Bonds were initially issued as multi-modal variable rate bonds, initially issued in a SIFMA Index Mode that expired on October 31, 2016. Pursuant to a resolution adopted on September 13, 2016, the Bonds were remarketed into the term rate period, effective November 1, 2016 and expiring on October 31, 2021. Thereafter, pursuant to a resolution adopted on May 4, 2021, the Bonds were again remarketed into the Current rate period, effective November 1, 2021 and expiring on October 31, 2026. The Bonds are now being remarketed and converted into a fixed rate period, where the Bonds will bear interest at fixed rates to their stated maturity or prior redemption (heretofore defined as the New Interest Period). In the New Interest Period, the Bonds are deliverable in denominations of \$5,000 or any integral multiple thereof, for any one maturity. The Bonds were originally prepared (and shall remain) as one fully registered bond certificate and registered in the name of, and delivered only to Cede & Co., as nominee for the Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** DTC acts as securities depository for the Bonds. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System” herein).

The Bonds are issued as Junior Lien Obligations–No Reserve Fund and, as a result thereof, are not additionally benefited by the prior creation and establishment of the Reserve Fund (see “SECURITY FOR THE BONDS – Parity Lien Ordinance Amendment”).

SECURITY AND SOURCE OF PAYMENT; PLEDGE OF NET REVENUES

The Bonds are special obligations of the City, payable both as to principal and interest, solely from and secured by, together with the other Junior Lien Obligations (as described herein), a junior lien on and pledge of the Net Revenues of the System remaining after satisfaction of all City payment and reserve fund obligations, among other matters, relating to the Senior Lien Obligations. **The Bonds are not additionally benefited by the creation and establishment of a Reserve Fund. The City has not covenanted or obligated itself to pay the Bonds from money raised or to be raised from taxation.**

All Net Revenues of the System remaining after satisfaction of financial obligations of the City resulting from the prior pledge thereof and lien thereon securing the payment of the Senior Lien Obligations and any Additional Senior Lien Obligations (as defined in the Ordinance) hereafter issued by the City have been irrevocably pledged to the payment and security of the Junior Lien Obligations, which includes the Bonds, the Previously Issued Junior Lien Obligations, the Junior Lien Obligations–No Reserve Fund, and any Additional Junior Lien Obligations (as each such term is defined in the Ordinance) hereafter issued by the City, including the establishment and maintenance of special funds or accounts created for the payment and security thereof. This pledge constitutes a junior lien on the Net Revenues of the System. In addition to the foregoing, the City has, in the Ordinance, reserved the right to pledge, and has in fact pledged, on a subordinate and inferior lien level of priority to the pledge thereof and lien thereon securing the payment of the Junior Lien Obligations, the Net Revenues of the System as security for the Subordinate Lien Obligations (as defined in the Ordinance), as well as the right to pledge, on a further subordinated and inferior lien level of priority to the pledge thereof and lien thereon securing the payment of the Subordinate Lien Obligations, the Net Revenues of the System as security for the Inferior Lien Obligations (as defined in the Ordinance). To date, the City has not issued any Inferior Lien Obligations. For a complete description of the security for the Bonds, see “SECURITY FOR THE BONDS” herein.

PERFECTION OF SECURITY FOR THE BONDS

Chapter 1208, Texas Government Code, as amended, applies to the initial issuance and the remarketing of the Bonds and the pledge of the Net Revenues, and such pledge is therefore, valid, effective, and perfected. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City has covenanted in the Ordinance to take such measures as it determines is reasonable and necessary to enable a filing of a security interest in said pledge to occur.

OUTSTANDING DEBT

As of the date of settlement of the Bonds into the New Interest Period, the City will have outstanding the Senior Lien Obligations secured and payable from Net Revenues as follows:

Dated Date	Outstanding Debt ⁽¹⁾	Issue Description
February 1, 2025	<u>\$84,735,000</u>	Water System Revenue Refunding Bonds, Series 2025B
Total	<u>\$84,735,000</u>	

⁽¹⁾ Unaudited as of the date of this Remarketing Memorandum.

In addition to the outstanding Senior Lien Obligations presented above, the City will, as of the date of settlement of the Bonds into the New Interest Period, have outstanding the Junior Lien Obligations secured by and payable from Net Revenues as follows:

Dated Date	Outstanding Debt ⁽¹⁾⁽²⁾	Issue Description
August 1, 2012	\$11,300,000	Water System Junior Lien Revenue Bonds, Series 2012 (TWDB CWSRF Tier III)
April 1, 2013	18,520,000	Water System Junior Lien Revenue Bonds, Series 2013A
October 1, 2013	10,220,000	Water System Junior Lien Revenue Bonds, Series 2013C
October 1, 2013	29,530,000	Water System Junior Lien Revenue Bonds, Series 2013D
October 1, 2013	96,110,000*	The Bonds
May 15, 2014	16,880,000	Water System Junior Lien Revenue Bonds, Series 2014C
June 1, 2014	9,580,000	Water System Junior Lien Revenue Bonds, Series 2014D
January 1, 2015	51,550,000	Water System Junior Lien Revenue Bonds, Series 2015A
February 1, 2015	61,920,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund)
January 1, 2016	31,050,000	Water System Junior Lien Revenue Refunding Bonds, Series 2016A (No Reserve Fund)
January 1, 2016	12,770,000	Water System Junior Lien Revenue Refunding Bonds, Taxable Series 2016B (No Reserve Fund)
October 1, 2016	263,540,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund)
December 1, 2016	8,850,000	Water System Junior Lien Revenue Bonds, Series 2016D
December 1, 2016	10,185,000	Water System Junior Lien Revenue Bonds, Series 2016E
January 1, 2017	53,320,000	Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund)
May 1, 2018	187,560,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund)
April 1, 2018	8,110,000	Water System Junior Lien Revenue Bonds, Series 2018B
September 1, 2019	23,780,000	Water System Junior Lien Revenue Bonds, Series 2019B
September 1, 2019	66,315,000	Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund)
January 1, 2020	227,615,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund)
February 1, 2020	20,365,000	Water System Junior Lien Revenue Bonds, Series 2020B
July 1, 2020	149,835,000	Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund)
November 1, 2020	9,435,000	Water System Junior Lien Revenue Bonds, Series 2020D
July 1, 2021	248,840,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund)
February 1, 2022	77,785,000	Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund)
October 1, 2022	241,740,000	Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund)
August 1, 2023	261,425,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund)
October 1, 2024	258,295,000	Water System Junior Lien Revenue Bonds, Series 2024B (No Reserve Fund)
February 1, 2025	181,225,000	Water System Junior Lien Revenue Refunding Bonds, Series 2025A (No Reserve Fund)
October 1, 2025	293,260,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2025C (No Reserve Fund)
December 1, 2025	25,760,000	Water System Junior Lien Revenue Bonds, Series 2025E (TWDB-SWIFT)
March 1, 2026	5,760,000	Water System Junior Lien Revenue Bonds, Taxable Series 2026A (TWDB)
Total*	<u>\$2,972,430,000*</u>	

* Preliminary; subject to change.

⁽¹⁾ Unaudited as of the date of this Remarketing Memorandum.

⁽²⁾ Includes the Bonds, whose remarketing is the subject of this Remarketing Memorandum.

In addition to the outstanding Senior Lien Obligations and Junior Lien Obligations presented above, the City has outstanding, as of the date of this Remarketing Memorandum, the following Subordinate Lien Obligations:

<u>Dated Date</u>	<u>Amount Outstanding⁽⁶⁾</u>	<u>Issue Description</u>
September 11, 2024	\$165,310,000	Water System Subordinate Lien Revenue Refunding Bonds, Series 2024A ⁽³⁾
October 22, 2025	150,895,000	Water System Subordinate Lien Revenue Bonds, Series 2025D ⁽⁴⁾
	<u>\$316,205,000</u>	

<u>Authorized Amount</u>	<u>Amount Outstanding⁽⁶⁾</u>	<u>Issue Description</u>
\$400,000,000	\$235,000,000	Water System Commercial Paper Notes, Subseries A-1 ⁽¹⁾
100,000,000	-	Water System Commercial Paper Notes, Series B ⁽²⁾
<u>\$500,000,000⁽⁵⁾</u>	<u>\$235,000,000</u>	

* Data is unaudited.

(1) JPMorgan (defined herein) supports the Series A Notes in the total amount of \$400,000,000. See "COMMERCIAL PAPER NOTE PROGRAM".

(2) Represents the liquidity support in the total combined amount of \$100,000,000 currently available from Truist Bank (defined herein) for the Series B Notes. See "COMMERCIAL PAPER NOTE PROGRAM" herein.

(3) Truist Securities, Inc. provides liquidity support pursuant to a Standby Bond Purchase Agreement for these obligations.

(4) TD Financial Products LLC provides liquidity support pursuant to a Standby Bond Purchase Agreement for these obligations.

(5) Represents the combined authorization of the Series A Notes (including Subseries A-1 and Subseries A-2), and the Series B Notes. See "COMMERCIAL PAPER NOTE PROGRAM" herein.

(6) Data is unaudited.

None of the above obligations, including the Bonds, are a charge upon any other income or revenues of the City, other than Net Revenues, and will never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues with respect to the Bonds, and no judgment against the City may be enforced by levy and execution against any property owned by the City.

See the "Combined System Revenue Debt Service Requirements" table under "DEBT AND OTHER FINANCIAL INFORMATION" for a description of the debt service requirements on all outstanding indebtedness issued by the City for the benefit of the System.

FLOW OF FUNDS

The flow of funds of the System requires that Gross Revenues of the System be applied in sequence to: (i) current Maintenance and Operating Expenses, including maintenance of an operating reserve equal to two months of expenses for the current Fiscal Year; (ii) payment of amounts required on any Senior Lien Obligations issued by the City; (iii) payment of amounts required on any Junior Lien Obligations issued by the City; (iv) payment of amounts required on any Subordinate Lien Obligations issued by the City; (v) payment of amounts required on any Inferior Lien Obligations issued by the City; and (vi) transfers to the City's General Fund and to the Renewal and Replacement Fund. The City has not issued any Inferior Lien Obligations, but the City is authorized to do so under the Ordinance. (See "THE BONDS – Security and Source of Payment; Pledge of Net Revenues" herein; see also "SECURITY FOR THE BONDS – Flow of Funds" and "APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE" herein).

RATES

The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to (i) pay all Maintenance and Operating Expenses of the System, (ii) produce "Pledged Revenues" (substantively defined in the Ordinance to mean the senior and superior lien on and pledge of Net Revenues of the System securing the repayment of the Senior Lien Obligations and any Additional Senior Lien Obligations, plus any additional revenues, income, receipts, or other resources of the City pledged as security for the Senior Lien Obligations) at least equal to 1.25 times the interest on and the principal of the Senior Lien Obligations and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Senior Lien Obligations, and (iii) produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on the currently outstanding Junior Lien Obligations, which includes the Bonds, as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Additional Junior Lien Obligations hereafter issued by the City. (See "SECURITY FOR THE BONDS – Rate Covenant" for a description of additional rate covenants of the City).

In May 2026, the Board voted to unanimously move forward with a multi-year rate request. At the City Council meeting on June 18, 2026, to discuss and approve the request, the City Council voted 6-3 to defer consideration of the proposal until October 2026. SAWS continued to work with City staff on this matter, and the October 2026 request for approval, which was approved on October 8, 2026 covers years 2027-2030 (with the first increase targeted to take effect January 1, 2027). The four-year structure is designed to provide rate and timing certainty, with the goal of reducing annual authorization and giving the System flexibility to manage the capital program efficiently.

ADDITIONAL OBLIGATIONS

In the Ordinance, the City has reserved the right to issue (i) Additional Senior Lien Obligations, which are primarily secured by and payable from a lien on and pledge of the Net Revenues of the System (included in the definition of Pledged Revenues) that is senior and superior to the pledge thereof and lien thereon securing the Bonds (**but only to refund any currently outstanding Senior Lien Obligations for debt service savings and for no other purpose**), (ii) Additional Junior Lien Obligations, which are secured by and payable from a lien on and pledge of the Net Revenues of the System on parity with the pledge thereof and lien thereon securing the Bonds, (iii) Additional Subordinate Lien Obligations, which are primarily secured by and payable from a lien on and pledge of the Net Revenues of the System that is subordinate and inferior to the pledge thereof and lien thereon securing the Bonds, and (iv) Inferior Lien Obligations, which are primarily secured by and payable from a lien on and pledge of the Net Revenues of the System that is subordinated and inferior to the pledge thereof and lien thereon securing the Subordinate Lien Obligations and any Additional Subordinate Lien Obligations.

The issuance of Additional Senior Lien Obligations is subject to the requirements of the ordinances of the City authorizing the respective issuance of Senior Lien Obligations and include, as the primary threshold matter, the ability to demonstrate that the Pledged Revenues, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18-month period ending not more than ninety (90) days preceding the month the ordinance authorizing the issuance of the Additional Senior Lien Obligations is adopted, are equal to at least 125% of the maximum annual debt service requirements for all Senior Lien Obligations to be outstanding after giving effect to the issuance of the Additional Senior Lien Obligations then proposed.

The City's issuance of Additional Junior Lien Obligations payable from a parity lien pledge of the Net Revenues, which (together with the Previously Issued Junior Lien Obligations and the Junior Lien Obligations–No Reserve Fund (which includes the Bonds)) will be equally and ratably secured by a junior lien on and pledge of the Net Revenues of the System, is subject to complying with certain conditions in the Ordinance. For the issuance of Additional Junior Lien Obligations the repayment of which is not insured by a municipal bond insurance policy and that are not sold to the Texas Water Development Board (the "TWDB"), and in addition to certain other covenants, the Net Revenues, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18-month period preceding the month the ordinance authorizing the issuance of the Additional Junior Lien Obligations is adopted, must be equal to at least the average annual requirement for the payment of principal of and interest on all outstanding Junior Lien Obligations after giving effect to the Additional Junior Lien Obligations then proposed. For the issuance of Additional Junior Lien Obligations the repayment of which is not insured by a municipal bond insurance policy and that are sold to the TWDB, the City must show that Net Revenues for the same reporting period identified above are at least equal to one and one-fourth times the average annual requirement for the payment of principal of and interest on all outstanding Junior Lien Obligations after giving effect to the Additional Junior Lien Obligations then proposed. The issuance of Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations (defined herein) also requires satisfaction of certain conditions precedent, including additionally funding, as necessary, the Reserve Fund (defined herein). (See "SECURITY FOR THE BONDS – Reserve Fund" herein.) The Ordinance also specifies the conditions upon which Additional Subordinate Lien Obligations and Inferior Lien Obligations may be issued. See "APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE" for terms and conditions to be satisfied for the issuance of Additional Junior Lien Obligations herein.

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

REDEMPTION*

Optional Redemption. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on November 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. Any consecutive serial maturities of the Bonds grouped into one or more "term" Bonds (the "Term Bonds"), if any, shall be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance.

SELECTION OF BONDS FOR REDEMPTION

If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal.

* Preliminary; subject to change.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. By the date fixed for such redemption, due provision must be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND SUCH PROVISION MADE FOR THE PAYMENT OF THE BONDS, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE AFTER THE DATE FIXED FOR REDEMPTION, AND THEY WILL NOT BE REGARDED AS BEING OUTSTANDING EXCEPT FOR THE RIGHT OF THE REGISTERED OWNER TO RECEIVE THE REDEMPTION PRICE FROM THE PAYING AGENT/REGISTRAR OUT OF THE FUNDS PROVIDED FOR SUCH PAYMENT.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (hereinafter defined), or of any Direct Participant or Indirect Participant (hereinafter defined) to notify the Beneficial Owner (hereinafter defined), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption.

AMENDMENTS

Subject to the provisions of the Ordinance, the City may amend the Ordinance without the consent of or notice to any registered owners of Bonds in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds, no such amendment, addition, or rescission may (i) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the rate of interest thereon, or the redemption price therefor, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or rescission.

DEFEASANCE

The Ordinance provides that any Bond will be deemed paid and will no longer be considered to be outstanding within the meaning of the Ordinance when payment of principal of and interest on such Bond to its stated maturity or date of prior redemption has been made or provided for. Payment may be provided by deposit of any combination of (i) money in an amount sufficient to make such payment and/or (ii) Government Securities (defined herein). Any such deposit must be certified by an independent public accountant, the System's Co-Financial Advisors, the Paying Agent/Registrar, or another qualified third party certifying as to such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. An Authorized Official may limit the foregoing eligible securities, as deemed appropriate, in connection with the remarketing of the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for any purpose, including the application of any limitation on indebtedness. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending

the terms of the Bonds are extinguished; provided, however, that, the City's right to redeem the Bonds defeased to stated maturity is not extinguished if the City has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Remarketing Memorandum. The City, the Board, the Co-Financial Advisors, and the Remarketing Agents believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City and the Board cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Remarketing Memorandum. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal of and interest on the Bonds to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Board, the Co-Financial Advisors, or the Remarketing Agents.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR

The paying agent/registrar is U.S. Bank Trust Company National Association, Houston, Texas (the "Paying Agent/Registrar"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar must be a commercial bank, trust company, financial institution, or other agency organized under the laws of the State and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice will also give the address of the new Paying Agent/Registrar.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar in Houston, Texas. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (defined herein) (see "THE BONDS – Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Initially, the Bonds were issued utilizing the Book-Entry-Only System of the DTC. No physical delivery of the Bonds will be made to the Beneficial Owners of the Bonds and the registered owner of the Bonds appearing on the books of the Paying Agent/Registrar will be Cede & Co., the nominee of DTC. The use of the Book-Entry-Only System may affect the method and timing of payment to the Beneficial Owners of the Bonds. (See "THE BONDS - Book-Entry-Only System" above.)

TRANSFER, EXCHANGE AND REGISTRATION

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

the Paying Agent/Registrar will be required to transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the following principal or interest payment date, or (ii) with respect to any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for determining the person to whom interest on a Bond is payable on any Interest Payment Date during the New Interest Period means the fifteenth day of the month preceding an Interest Payment Date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

PAYMENT RECORD

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

BONDHOLDERS' REMEDIES

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of such Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing the issuance and remarketing of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, as remarketed (as further described under the caption "PLAN OF FINANCING – Authority for Issuance and Remarketing"), the City has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the City's sovereign immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the City for breach of the covenants included in the Bonds or the Ordinance.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Texas Supreme Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Texas Supreme Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Texas Supreme Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in contract-claims context. The Texas Supreme Court reviewed Wasson for a second time and issued an opinion on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code, determination of which will dictate the availability of the defense of immunity for causes of action arising under such contract.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Net Revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the

action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The original opinion of Fulbright & Jaworski LLP (now Norton Rose Fulbright US LLP) and Escamilla & Poneck, LLP, as co-bond counsel to the City at the time of initial delivery of the Bonds (“Original Co-Bond Counsel”), the form of which is attached hereto as APPENDIX E (and later referred to herein as the “Original Opinion”), notes that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and principles of equity which permit the exercise of judicial discretion.

SOURCES AND USES OF BOND PROCEEDS

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

Sources of Funds	
Par Amount of the Bonds	
[Net] Reoffering Premium	
Total Sources of Funds	
Uses of Funds	
Purchase Fund Deposit	
Remarketing Agents’ Compensation	
Cost of Issuance (including Contingency)	
Total Uses of Funds	

SECURITY FOR THE BONDS

COMBINED SYSTEM

The City has previously authorized the creation of the System, a single, unified water system consisting of the City’s then existing waterworks, wastewater, and water reuse systems, together with all future improvements and additions thereto, and all replacements thereof. In addition, the System Ordinance (hereinafter defined) permits the City to incorporate into the System a stormwater system (including all existing drainage facilities) and any other related system to the extent permitted by law. Currently, the City assumes the overall responsibility of the stormwater program. See “THE CITY AND SAN ANTONIO WATER SYSTEM – Stormwater System” herein. The System will not include (i) any Special Projects which are declared by the City, upon the recommendation of the Board, not to be part of the System and which are financed with obligations payable from sources other than ad valorem taxes, Pledged Revenues, or Net Revenues, or (ii) any water or water-related properties and facilities owned by the City as part of its electric and gas systems.

PLEDGED REVENUES

The Bonds are special obligations of the City which, together with the currently outstanding Previously Issued Junior Lien Obligations, Junior Lien Obligations–No Reserve Fund, and any Additional Junior Lien Obligations hereafter issued (collectively, the “Junior Lien Obligations”), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues of the System that is junior and inferior to the pledge thereof and lien thereon securing the repayment of the Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City (which first lien on Net Revenues is included in the definition of “Pledged Revenues”), along with any other additional revenues, income, receipts, or other resources that are pledged by the City to the payment of the Junior Lien Obligations (but excluding revenues excluded from Gross Revenues). At this time, no such additional revenues, income, receipts, or other resources are so pledged. The term “Net Revenues” means Gross Revenues less Maintenance and Operating Expenses. The term “Gross Revenues” means all revenue with respect to or on account of the operation and ownership of the System (which, since dissolution of the DSP, includes the DSP System), excluding (i) payments received by the Board under the CPS Contract (as defined herein) together with earnings thereon, (ii) income derived from the investment or deposit of money in the Construction Fund and, until the Reserve Fund contains the Required Reserve Amount, money in the Reserve Fund, and (iii) certain other amounts. Maintenance and Operating Expenses means all current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including, for example, the cost of all salaries, labor, and materials; certain expenses of repairs and extensions; the costs of employee benefits; and the costs of purchasing water and wastewater treatment services from other entities, but excluding allowance for depreciation and other items not requiring an outlay of cash, and excluding interest on the Bonds or any other Debt. For a more detailed description of the defined terms referenced above, see “APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE” herein.

The Bonds do not constitute an indebtedness or general obligation of the City, the State, or any other entity; the Bonds are not payable from any funds raised or to be raised by taxation; and owners of the Bonds shall never have the right to demand payment thereof from the levy of ad valorem taxes or from any other source not pledged to the payment of the Bonds. No lien has been created on the physical properties of the System to secure payment of the Bonds (see “BONDHOLDERS’ REMEDIES” herein).

FLOW OF FUNDS

The Ordinance provides that the Gross Revenues will be deposited by the Board, upon receipt, into the System Fund and will be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, including, but not limited to, Chapter 1502 (formerly Texas Revised Civil Statutes Annotated Article 1113, as amended), to be a first charge on and claim against the Gross Revenues, including a two-month reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year, which amount shall be retained in the System Fund.

SECOND: to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City.

THIRD: to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security, and benefit of the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued by the City.

FOURTH: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security and benefit of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City.

FIFTH: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Inferior Lien Obligations hereafter issued by the City.

SIXTH: to the payment of the amounts to be transferred to the City's General Fund and into the Renewal and Replacement Fund, in accordance with the applicable provisions of the Ordinance.

For a more detailed description of the funds referenced above, and the Board's obligations with respect thereto, see "APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE" herein.

BOND FUND; EXCESS BOND PROCEEDS

For purposes of providing funds to pay the principal of and interest on all Junior Lien Obligations (including the Bonds) as the same become due and payable, the City shall maintain, at the depository, a separate and special fund or account created and known as the "Bond Fund". The City has covenanted that there shall be deposited from the System Fund into the Bond Fund prior to each principal and interest payment date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Junior Lien Obligations then falling due and payable, such deposits to pay maturing principal and accrued interest on the Junior Lien Obligations to be made in substantially equal monthly installments on or before the first day of each month, beginning on or before the first day of the month next following the delivery of the Bonds to the Remarketing Agents. No such deposit shall be required if, on the first day of each month, revenues sufficient to pay the maturing principal and interest payments are and remain on deposit in the Bond Fund. If the Net Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Junior Lien Obligations shall continue to be made as hereinabove described until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all Outstanding Junior Lien Obligations (principal and interest), or (ii) the Junior Lien Obligations are no longer Outstanding.

Accrued interest and premium, if any, received from the Remarketing Agents shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Net Revenues. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Net Revenues.

PARITY LIEN ORDINANCE AMENDMENT

By ordinance of the City Council adopted on March 8, 2012, the City has amended the respective City ordinances authorizing the issuance of each series of the then-outstanding Previously Issued Junior Lien Obligations. These ordinance amendments permitted the City to issue, under certain circumstances described below, Junior Lien Obligations–No Reserve Fund, which are City obligations payable from and secured by a junior and inferior lien on and pledge of Net Revenues on parity with the lien thereon and pledge thereof securing the Reserve Fund–Secured Junior Lien Obligations (defined below), but that are not additionally benefited by money on deposit in the Reserve Fund.

Prior to the effectiveness of these ordinance amendments, all Additional Junior Lien Obligations were required to be additionally secured by a lien on and pledge of the Reserve Fund. The aforementioned ordinance amendments, which are now effective, allow the City to issue Junior Lien Obligations–No Reserve Fund so long as such Junior Lien Obligations–No Reserve Fund are sold to parties other than the TWDB. The City remains permitted to issue from time-to-time Reserve Fund–Secured Junior Lien Obligations upon satisfaction of the conditions described below under "SECURITY FOR THE BONDS – Reserve Fund" (in addition to the other prerequisites to the issuance of Additional Junior Lien Obligations described herein under "THE BONDS – Additional Obligations").

The necessary amendments to City ordinances to permit the issuance of Junior Lien Obligations–No Reserve Fund were consented to by each bond insurer and surety fund provider for each series of then-outstanding Previously Issued Junior Lien Obligations, as well as the TWDB (being the sole owner or consent right holder with respect to this matter for each series of then-outstanding Previously Issued Junior Lien Obligations).

As used herein, "Junior Lien Obligations–No Reserve Fund" means the City's (i) Bonds, (ii) Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund), (iii) Water System Junior Lien Revenue Refunding Bonds, Series 2016A (No Reserve Fund), (iv) Water System Junior Lien Revenue Refunding Bonds, Taxable Series 2016B (No Reserve Fund), (v) Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund), (vi) Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund), (vii) Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund), (viii) Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund), (ix) Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund), (x) Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund), (xi) Water System Junior Lien Revenue and Refunding Bonds, Series 2021A

(No Reserve Fund), (xii) Water System Junior Lien Revenue Refunding Bonds, Series 2022A (No Reserve Fund), (xiii) Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund), (xiv) Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund), (xv) Water System Junior Lien Revenue Bonds, Series 2024B (No Reserve Fund), (xvi) Water System Junior Lien Revenue Refunding Bonds, Series 2025A (No Reserve Fund), (xvii) Water System Junior Lien Revenue and Refunding Bonds, Series 2025C (No Reserve Fund), (xviii) upon issuance, the 2026B Bonds, and (xix) any Additional Junior Lien Obligations hereafter issued that are not additionally benefited by money on deposit in the Reserve Fund; the term “Reserve Fund–Secured Junior Lien Obligations” means the Previously Issued Junior Lien Obligations and any Additional Junior Lien Obligations that are secured by a parity lien on and pledge of the Reserve Fund and specifically excluding the Junior Lien Obligations–No Reserve Fund.

RESERVE FUND

The City ordinances authorizing the respective issuance of the Previously Issued Junior Lien Obligations require the Board to accumulate and maintain a reserve for the payment of the currently outstanding Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations (the “Required Reserve Amount”) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the most recently issued series of Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations) of the Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations. To comply with this requirement, the City has heretofore created and established and now maintains, a separate and special fund or account known as the “City of San Antonio, Waterworks and Sewer System Junior Lien Revenue Bond Reserve Fund” (the “Reserve Fund”), which fund or account is maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the System Fund during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the currently outstanding Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on any Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations. As of the date of the remarketing of the Bonds, the Reserve Fund is fully funded with a combination of cash, investments, and reserve fund surety policies issued by qualified providers. **The Reserve Fund does not additionally secure the Bonds.**

Except as hereinafter described, as and when Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations are delivered and incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the City ordinances authorizing the respective issuance of the Previously Issued Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the issue of the then proposed Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations, or, at the option of the City, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund, but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount other than as the result of the issuance of Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations (as described in the preceding paragraph), the City has covenanted and agreed to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said Fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the City to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The City has further covenanted and agreed that, subject only to the prior payments to be made to the Bond Fund relating to the Junior Lien Obligations and as required by the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations or any Additional Senior Lien Obligations hereafter issued by the City, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of the ordinances authorizing the respective issuance of Previously Issued Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations and any other ordinance pertaining to the issuance of any Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the City may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the System Fund; provided, however, to the extent that such excess amount represents bond proceeds, then such amounts must be transferred to the Bond Fund.

See “THE BONDS – Security and Source of Payment; Pledge of Net Revenues” and “SELECTED PROVISIONS OF THE ORDINANCE – Reserve Fund” in APPENDIX D herein.

PAYMENTS TO GENERAL FUND OF THE CITY

General. Pursuant to the Ordinance, the Board is required to transfer to the General Fund of the City, no later than the last business day of each month, an amount of money calculated not to exceed 5% (or such lesser amount as may be determined from time to time by the City Council) of the Gross Revenues (after payment of all Maintenance and Operating Expenses and debt service requirements on any outstanding Debt) for the preceding month to be utilized by the City in the manner permitted by the provisions of Chapter 1502. The amount so transferred shall be net of all amounts owed by the City to the Board for use of the System’s services and facilities by the City and its instrumentalities. The amounts payable to the General Fund of the City are required to be paid *pari passu* with deposits to the Renewal and Replacement Fund. (See “SECURITY FOR THE BONDS – Renewal and Replacement Fund” below.)

To the extent that the available Net Revenues in any month are insufficient for the Board to make all or part of the transfer otherwise required to be made to the General Fund of the City, the Board is required to make up such shortfall (i) in the next month in which available Net Revenues exceed the amounts otherwise required to be transferred to the General Fund of the City and the *pari passu* payment to the Renewal and Replacement Fund, or (ii) to the extent such shortfall has not been made up by the last month of the Fiscal Year, solely from any surplus funds deposited into the Renewal and Replacement Fund during such Fiscal Year. The Board's obligation to make up any shortfall in a Fiscal Year does not carry over to a subsequent Fiscal Year.

Effective with the City's 2020 Fiscal Budget, the transfer to the City increased from 2.7% to 4.0% of Gross Revenues. In SAWS' evaluation of this increase, the foregoing has not materially impacted the System's current financial position or its operations. SAWS transferred \$36,185,000 to the City in SAWS' Fiscal Year 2025.

See "APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE – Payments to City General Fund" herein.

RENEWAL AND REPLACEMENT FUND

The Renewal and Replacement Fund has been established and confirmed under the Ordinance for the purpose of (i) paying the costs of improvements, enlargements, extensions, additions, replacements or other capital expenditures related to the System, (ii) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, (iii) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, (iv) depositing any funds received by the City pursuant to the contract with CPS Energy, the City owned electricity and gas utility, for the provision of recycled water (the "CPS Contract"), and such funds, including any interest or income thereon, are required to be maintained in a separate, segregated account of the Renewal and Replacement Fund and may only be used to pay Maintenance and Operating Expenses of the System's water reuse facilities or the debt service requirements on any obligations incurred as permitted by the CPS Contract and in no event may any such amount, including interest and income thereon, be transferred to the General Fund of the City, except as permitted by the CPS Contract, (v) paying bonds or other obligations of the System for which other System revenues are not available, (vi) in the last month of any Fiscal Year to make up any shortfall in the required payments to the General Fund of the City, or (vii) for any other lawful purpose in support of the System.

Deposits to the Renewal and Replacement Fund are required to be *pari passu* with the gross amount payable to the General Fund of the City (prior to the deduction of any charges for water utility services provided by the System to the City) until the full amount payable to the City has been paid. That is, such deposits to the Renewal and Replacement Fund are to be made equally and ratably, without preference, and on a dollar-for-dollar basis with the gross amount payable to the General Fund of the City, prior to the deduction of any charges for services, until the full amount to be paid to the General Fund of the City in a Fiscal Year has been paid. Thereafter all surplus Net Revenues are to be deposited to the Renewal and Replacement Fund. See "APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE – Renewal and Replacement Fund" herein.

RATE COVENANT

The City has agreed, while any of the Senior Lien Obligations and Junior Lien Obligations are outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- (a) to pay Maintenance and Operating Expenses;
- (b) to produce Pledged Revenues sufficient to pay (i) 1.25 times the Annual Debt Service Requirements for such Fiscal Year on the Senior Lien Obligations, and (ii) the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Senior Lien Obligations and any other obligations or evidence of indebtedness issued or incurred that are payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues;
- (c) to produce Net Revenues, together with any other lawfully available funds (including the proceeds of Debt which the City expects will be utilized to pay all or part of the principal and interest on any obligations described in this subparagraph), sufficient to pay the principal of and interest on the currently outstanding Junior Lien Obligations and the Subordinate Lien Obligations or any Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, and/or Inferior Lien Obligations hereafter issued by the City and the amounts required to be deposited in any special fund created for the payment and security of any such obligations, and any other obligations payable from and secured by a junior, subordinate or inferior lien on and pledge of the Net Revenues;
- (d) to produce Net Revenues, together with any other lawfully available funds, to make the required transfers to the General Fund of the City as described in the Ordinance; and
- (e) to pay any other Debt payable from the Net Revenues or secured by a lien on revenues of the System.

See "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION – Monthly Water, Sewer, and Water Supply Fee Rates" and "APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE – Rates and Charges" herein.

COMMERCIAL PAPER NOTE PROGRAM

The City Council has authorized a Tax-Exempt Commercial Paper Program for the System (the "TECP") in the amount of \$500,000,000, to be issued from time to time as the City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-1 (the "Subseries A-1 Notes"), City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-2 (the "Subseries A-2 Notes", and collectively with the Subseries

A-1 Notes, the “Series A Notes”), City of San Antonio, Texas Water System Commercial Paper Notes, Series B (the “Series B Notes”), and City of San Antonio, Texas Water System Commercial Paper Notes, Series C (the “Series C Notes”, and collectively with the Series A Notes and Series B Notes, the “Commercial Paper Notes”). The purpose of the TECP is to provide funds for the interim financing of a portion of the costs of capital improvements to the System. Scheduled maturities of the short-term borrowing under the TECP may not extend past September 13, 2058. Liquidity support for the entire TECP is currently in place with the following liquidity agreements. The City entered into two separate revolving credit agreements, the first with JPMorgan Chase Bank, National Association (“JPMorgan”), which expires in accordance with its terms on October 31, 2029 (the “Subseries A-1 Credit Agreement”) and the second with Truist Bank (“Truist”), which expires in accordance with its terms on October 31, 2028 (the “Truist Credit Agreement”). The TECP is also supported by a note purchase agreement directly placed with JPMorgan (the “Subseries A-2 Purchase Agreement” and together with the Subseries A-1 Credit Agreement, the “Series A Credit Agreements”; collectively with the Truist Credit Agreement, the “Credit Agreements”), the term of which runs concurrently with the Subseries A-1 Credit Agreement, and the Subseries A-2 Notes are not currently eligible to be publicly marketed and sold. JPMorgan supports the Series A Notes under the Series A Credit Agreements in the amount of \$400,000,000.

As of the date of this Remarketing Memorandum, \$235,000,000 in Commercial Paper Notes are outstanding consisting of \$235,000,000 in Subseries A-1 Notes. Any advances for payment of the Commercial Paper Notes under the Credit Agreements are secured by a lien and pledge of the Net Revenues of the System subordinate to the Senior Lien Obligations, and the Junior Lien Obligations (including the Bonds), and on a parity with the Commercial Paper Notes (which are the only Subordinate Lien Obligations currently outstanding), and the System’s obligations under the interest rate hedge transaction described herein. (See “DEBT AND OTHER FINANCIAL INFORMATION – Interest Rate Hedge Transaction” herein.)

The City obligations under the Commercial Paper Program are secured by a lien on and pledge of Net Revenues on parity with the lien thereon and pledge thereof that secures any Subordinate Lien Obligations.

THE CITY AND SAN ANTONIO WATER SYSTEM

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State of Texas (the “State” or “Texas”) duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1837, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and 10 Councilmembers. The terms of the Mayor and the Councilmembers are two years and subject to four term limitations imposed in the City’s Home Rule Charter. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, gas, water and sanitary sewer utilities, health and social services, culture/recreation and parks, public transportation, public improvements, planning and zoning, and general administrative services. The U.S. Census Bureau ranks the City as the second largest city in Texas and the seventh largest city in the United States. The 2020 Census population for the City was 1,434,625 and for Bexar County (the “County”) was 2,009,324. The City’s Information Technology Services Department estimated the City’s population to be 1,522,498 in 2026. The City covers approximately 511 square miles within the County.

HISTORY AND MANAGEMENT OF THE SYSTEM

On February 13, 1992, the City Council determined that it was in the best interest of the citizens of the City and the customers served by the water and wastewater systems to consolidate all water-related systems, functions, agencies and activities into one agency. This action was taken due to the myriad of issues confronting the City related to the development and protection of its water resources. The consolidation provided the City a singular voice of representation when promoting or defending the City’s goals and objectives for water resource protection, planning and development when dealing with local, regional, state, and federal water authorities and officials.

Final City Council approval for the consolidation was given on April 30, 1992 with the approval of Ordinance No. 75686 (the “System Ordinance”). The System Ordinance approved the creation of the System, a single unified system consisting of the City’s existing waterworks (formerly the City Water Board), wastewater and water reuse systems (formerly departments of the City), together with all future improvements and additions thereto, and all replacements thereof. In addition, the System Ordinance authorizes the City to incorporate into the System a stormwater system and any other related system to the extent permitted by law.

Simultaneously with the creation of the System, the City sold its \$635,925,000 City of San Antonio, Texas 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 its waterworks, wastewater and water reuse systems; and refunding certain other outstanding obligations relating to the City’s waterworks, wastewater and water reuse systems, which are secured by and payable from a pledge of revenues derived from, the City’s waterworks, wastewater and water reuse systems, respectively. The City believes that refunding the obligations and establishing the System in 1992 has allowed the City greater flexibility in meeting future financing requirements. More importantly, it has allowed the City to develop, implement, and plan for its water needs through a single agency.

The System provides water and wastewater service to the majority of the population within the corporate limits of the City and Bexar County. The System employs over 2,000 personnel and maintains over 14,000 miles of water and sewer mains.

The complete management and control of the System is vested in the Board, which initially had five members. Subsequent legislation authorized expansion to a board consisting of seven members. The Board consists of the Mayor of San Antonio (as an ex-officio Board member) and up to six persons who are residents of the City or reside within the area serviced by the System. With the exception of the Mayor, all other Board members are appointed by the City Council for four-year, staggered terms, and are eligible for reappointment for one additional four-year term. Four Board members must be appointed from four different quadrants in the City and two Board members are appointed from the north and south

sides of the City. Notwithstanding the foregoing, the membership on the Board may be increased to an amount greater than seven, to include the Mayor of the City as an ex-officio member, as otherwise appointed by the City Council.

SAWS' Annual Comprehensive Financial Report for the fiscal year ended December 31, 2025 which provides the System's recent audited operating results and is available through SAWS' website at www.saws.org.

The present members of the Board are:

Board	Length of Service	Term Expires	Occupation
Jelynnne LeBlanc Jamison Chairwoman	6 Years, 2 Months	May 31, 2030	President and CEO The Center for Health Care Services
Ed Belmares Vice Chair	6 Years, 1 Month	May 31, 2028	Owner IConnect, LLC
Marilu Reyna Secretary	4 Years, 11 Months	May 31, 2030	Communications Executive BCFS
Adriana Rocha Garcia Trustee	1 Year, 1 Month	May 31, 2029	President and CEO of Center for Health Empowerment in South Texas
Theresa Rodriguez Scepanski Trustee	1 Year, 1 Month	May 31, 2029	President and CEO of Community First Health Plans
Greg Mann Trustee	1 Year, 1 Month	May 31, 2029	Managing Principal of Milam Real Estate Capital, LLC
Gina Ortiz Jones Ex-Officio member	1 Year, 4 Months	May 31, 2029	Under Secretary of the Air Force

Except as provided in the System Ordinance, the Board has absolute and complete authority and power to control, manage, and operate the System and controls the expenditure and application of the Gross Revenues of the System and in connection therewith is vested with all of the powers of the City with respect thereto, including all powers necessary or appropriate for the performance of all covenants, undertakings, and agreements of the City contained in the System Ordinance, and with the exception of fixing rates and charges for services rendered by the System and other matters hereinafter described, the Board has full power and authority to make rules and regulations governing the furnishing of services of the System to customers for the payment of the same, and for the discontinuance of such services upon the failure of customers to pay for the services.

The Board, to the extent authorized by law, has authority to make extensions, improvements, and additions to the System and to acquire by purchase or otherwise properties of every kind in connection therewith.

EXCEPTIONS

As noted, under the System Ordinance, only the City Council can fix rates and charges for service rendered by the System. Similarly, State law provides that only the City Council can authorize the sale of revenue bonds or other securities, exercise the use of condemnation for the acquisition of real property, and select and appoint members of the Board. Additionally, Ordinance No. 74050 adopted on August 1, 1991, provides that the disposition of real property by the System requires some degree of oversight by the City.

The general operations of the System are under the supervision of the President/Chief Executive Officer who is employed by the Board. The Board shall appoint and employ all other officers, employees, and professional consultants, which it may deem desirable.

ADVISORY COMMITTEES

There are three ongoing advisory committees which provide comment and report to the Board and the System staff on System projects and activities: the Community Experience Committee ("CEC"), the Community Conservation Committee ("CCC"), and the Capital Improvements Advisory Committee ("CIAC"). Members for each of these committees are sought to represent diverse interests from the System's service area.

Community Experience Committee. The CEC was created on April 6, 2021. The members of the committee are appointed by the Board with input from City Council and other stakeholders. The purpose of the CEC is to both involve the community in the System's development of operations and outreach, as well as provide key representatives that can act as ambassadors to the community. The CEC will work with System staff to provide customer perspectives and serve as an outlet of information to the community on System activities and programs.

Community Conservation Committee. The CCC was organized in 1996 to provide input to System staff and the Board on conservation issues. The CCC is the cornerstone of the System's public involvement in conservation and drought management efforts. The members of the committee are appointed by the Board with input from City Council and other stakeholders.

The CCC provides input on program development, program performance, and new program ideas. Some of its work is accomplished through focus groups that enlist community experts to address specific issues – residential, commercial, institutional, and industrial. Over the last several years, the CCC's major accomplishments included the development of a pilot program to evaluate and reduce water use among the System's top commercial and residential users and assistance in the development of better marketing methods to inform the community about conservation programs. The CCC has also been instrumental in providing input as the System's conservation focus shifted to a primarily outdoor paradigm.

Capital Improvements Advisory Committee. The CIAC advises the City Council on impact fees and was first formed in 1987. The 11-member committee is appointed by City Council (one from each City Council district and one member appointed by the Mayor to represent the City's extraterritorial jurisdiction), with representation from the real estate and development industry and the general community.

Impact fees are one-time fees charged to developers for new development to pay for general benefit facilities such as treatment plants, tanks, wells, water supply projects, and large transmission mains and outfall mains. Collecting adequate impact fees helps fund construction of infrastructure needed to support growth with minimum impact on existing ratepayers. The impact fees are required to be updated at least every 5 years, with the most recent update approved May 16, 2024. (See “SAWS’ STATISTICAL SECTION AND MANAGEMENT DISCUSSION – Impact Fees” herein.)

ADMINISTRATION AND OPERATING PERSONNEL

The President/Chief Executive Officer of SAWS is Robert R. Puente. Prior to joining SAWS in May 2008, Mr. Puente served in the Texas House of Representatives where he was Chair of the House Natural Resources Committee and served on the House Local Ways and Means Committee. Mr. Puente was first elected to the Texas House of Representatives in 1991. Mr. Puente also received his Doctor of Jurisprudence from The University of Texas School of Law in 1982, and practiced law as a private attorney and managed his own firm from 1983 to 2008.

The Executive Vice President/Chief Operating Officer is Andrea Beymer. Ms. Beymer joined SAWS in 1997 as a graduate engineer and served in various roles during her more than 25 years with the organization. Most recently, she has led the Engineering and Construction department at SAWS since 2017.

The Senior Vice President of Human Resources and Risk Management is Sharon De La Garza. Ms. De La Garza joined the System in 2012. Prior to joining SAWS, Ms. De La Garza was Assistant City Manager for the City of San Antonio, having spent a total of ten years with the City. Ms. De La Garza also served as the Assistant Human Resources Director and Human Resource Director for the City of Dallas, Texas from 1999 to 2004.

The Senior Vice President of Water Resources & Governmental Relations is Donovan Burton. Mr. Burton joined SAWS in November of 2006. Prior to joining SAWS, he worked for 10 years for a local State Representative in Austin, heading up a legislative office and a committee with primary jurisdiction over military and homeland security issues. Mr. Burton also served in the U.S. Navy for four years from 1989-1993.

The Senior Vice President of Communications & External Affairs is Gavino Ramos. Mr. Ramos joined the System in early 2015. Prior to joining the System, Mr. Ramos served as Director of Corporate Communications for the Leonard Holding Company. Mr. Ramos also serves as the Vice Chairman of the Alamo Regional Mobility Authority.

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

The Senior Vice President/Chief Legal and Ethics Officer is Edward Guzman. Mr. Guzman joined SAWS in August of 2020 as Senior Corporate Counsel/Environmental Law and Regulatory Compliance. Prior to joining SAWS, he worked for 13 years in the San Antonio City Attorney’s Office as a Deputy City Attorney heading up the Regulatory Division. Mr. Guzman began his legal career as a felony prosecutor in the Bexar County District Attorney’s Office. Mr. Guzman received his Doctor of Jurisprudence from the University of Texas School of Law in 1994.

The Senior Vice President/Chief Financial Officer is Cecilia Velasquez. Ms. Velasquez joined SAWS internal audit department in 2010. Before her promotion to her current role, Ms. Velasquez served as Vice President of Customer Experience & Strategy Initiatives, and Vice President – Financial Services and Controller for the System. Prior to joining SAWS, Ms. Velasquez served in various roles within the internal audit department at the University of Texas.

Name	Position	Length of Service with System	Total Government Service
Robert R. Puente	President/Chief Executive Officer	18 Years, 5 Months	35 Years, 7 Months
Andrea Beymer	Executive Vice President/Chief Operating Officer	28 Years, 5 Months	28 Years, 5 Months
Sharon De La Garza	Senior Vice President – Human Resources & Risk Management	14 Years, 4 Months	30 Years, 4 Months
Donovan Burton	Senior Vice President – Water Resources & Governmental Relations	19 Years, 9 Months	34 Years, 1 Month
Gavino Ramos	Senior Vice President – Communications & External Affairs	11 Years, 6 Months	11 Years, 6 Months
Jaime Castillo	Senior Vice President of Operations Support & Innovation/Chief of Staff	8 Years, 11 Months	16 Years, 7 Months
Edward Guzman	Senior Vice President/Chief Legal & Ethics Officer	6 Years, 1 Month	25 Years, 1 Month
Cecilia Velasquez	Senior Vice President/Chief Financial Officer ⁽¹⁾	16 Years, 2 Months	21 Years, 6 Months

⁽¹⁾ Ms. Cecilia Velasquez was named Senior Vice President/Chief Financial Officer on June 1, 2026, after Doug Evanson retired effective May 29, 2026.

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SYSTEM STRUCTURE

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

The Internal Audit Department, which is responsible for financial and operational audits of System departments, divisions, activities, and programs, reports functionally to the Board and administratively to the President/Chief Executive Officer.

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

Executive Vice President/Chief Operating Officer. The Executive Vice President/Chief Operating Officer is responsible for the day-to-day operations of the System. The following groups report directly to the Chief Operating Officer: Production, Treatment, Distribution and Collection, and Engineering and Construction. Additionally, the emergency operations center, emergency services, security and Watership Non-Revenue Water ("NRW") departments report to the Chief Operating Officer.

- Emergency Operations Center ("EOC") – Manages the 24-hour call center and conducts intake, coordination, and dispatch of emergency and non-emergency incidents. The EOC serves as the communications and response hub for both internal operations and customer-facing emergencies.
- Emergency Services – Coordinates emergency response preparation, operational continuity planning, disaster recovery, and operational preparedness. Also develops and maintains plans that ensure operational resilience during disruptive events.
- Security – Manages enterprise physical security, asset protection, investigations, access control, proactive security program, and associated support contracts for all SAWS facilities. Also works closely with local, state, and federal law enforcement agencies to support threat mitigation and critical infrastructure protection.
- Water Stewardship NRW – Refines measurements and implements strategies to reduce water loss across the System.

PRODUCTION

The Production group is responsible for the production and distribution of potable water and the distribution of recycled water for reuse purposes. The group consists of the following departments:

- Production – Manages the operation and maintenance across SAWS service area of SAWS potable water facilities, recycled water distribution facilities, Agua Vista Facility, and H2Oaks Facility, which includes the Aquifer Storage and Recovery operations. Also manages the Production Mechanical Maintenance, Electrical and Instrumentation and Controls units which support these facilities.

TREATMENT

The Treatment Group provides the essential function of managing the 24-hour-a-day operation and maintenance of the water recycling centers ("WRC"), recycled water system, lift stations, and odor control stations. The group is responsible for treating wastewater to meet National Pollutant Discharge Elimination System Permit ("NPDES") requirements and state regulatory standards, which includes maintaining high quality effluent for downstream use by CPS Energy, distribution to recycled water customers, and discharge to remote outfalls that sustain flows in the San Antonio River. The group consists of the following departments:

- Operations Support – Responsible for administrative duties and data and metrics in support of the Treatment and Production Operations and Maintenance departments.
 - Administrative Support – Responsible for employee timekeeping, invoicing, purchase requisitions and general office support.
 - Data and Metrics – Responsible for routine reporting on business performance metrics, assistance with purchasing contract management and business process documentation.
- Treatment Maintenance – Oversees maintenance aspects of treatment operations.
 - Mechanical Maintenance – Responsible for maintenance of mechanical equipment.
 - Special Projects – Performs a wide range of maintenance tasks, like weir cleaning, complex pipe fitting, welding, and crane and heavy equipment support.
 - Lift Station Maintenance – Manages routine inspection and maintenance of over 150 lift stations.
 - Predictive Maintenance – Performs diagnostics and analysis to reduce critical infrastructure failures and improve the reliability of facilities.
 - Electrical Maintenance – Responsible for maintenance of electrical systems for WRCs, lift stations, and odor control facilities.
 - Instrumentation & Controls – Responsible for maintenance of instrumentation and control systems for WRCs, lift stations, and odor control facilities.
- Treatment Operations Support – Oversees the operations of the WRCs.
 - Biosolids – Operates the processing of biosolids at the SMC WRC, where over 95% of the product is beneficially used through composting contracts.
 - Recycle Operations – Operates the remote recycled water outfalls and recycled water distribution to customers.
 - Odor Control – Manages the odor control program across the wastewater collection system.
 - Chlorination – Disinfects developer-installed water pipelines and samples water quality prior to new mains being put in service.

DISTRIBUTION AND COLLECTION

The Distribution and Collection operates, maintains, and repairs over 14,000 miles of water and wastewater mains, over 130 miles of recycled water distribution lines, and 9 miles of chilled water lines ensuring the System's customers receive uninterrupted, quality water and associated services. This is accomplished by providing:

- Operations Centers – SAWS utility crews are dispatched from five strategically positioned operations centers across the City: Northeast, East Side, North Side, West Side, and the Steven M. Clouse Operations Center on the South Side. Each facility is equipped with the resources required to repair and maintain underground water, wastewater, recycled water, and chilled water infrastructure within the SAWS service area. The Heavy Equipment Services team supports utility crews by providing essential tools, materials, and operator services.
- Pipeline Support – Conducts investigations related to water and sewer leaks, utility locations, and customer concerns. Proactively maintains the wastewater collection system by cleaning and televising lines to assess their condition and identify defects. Oversees inspection programs for valves, fire hydrants, manholes, and dead-end mains. Carries out asphalt and concrete restoration within city rights-of-way in-house.
- Operations Support - Handles administrative tasks for various departments, including business analytics, compliance reporting, maintenance planning, Infor/Lawson user assistance and training, invoice processing, procurement, and occupational license training. SAWS' internal construction teams work on water and sewer main replacement projects to contribute to asset management. The department also oversees construction and inspection contracts for water/sewer point repairs and asphalt/concrete restoration.

ENGINEERING AND CONSTRUCTION

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

- Asset Management – Oversees risk and condition tracking activities to maximize utilization of SAWS assets and infrastructure.
- Construction – Inspects water delivery, wastewater, and water supply infrastructure construction projects.
- Development – Manages impact fee program, develops water and wastewater master plans, and coordinates infrastructure necessary for new development.
- Pipelines – Plans and coordinates design activities for water and wastewater system projects, including replacement and rehabilitation of existing mains as well as the design of new water and wastewater mains. Coordinates the adjustments of SAWS facilities within public right of way (state, county, and city) in accordance with the Governmental program.
- Plants and Major Projects – Plans and coordinates design activities for water transmission mains, water production facilities, recycled water production facilities, lift stations, odor control facilities, and water and wastewater treatment plants.
- Project Controls – Oversees the CIP and provides support from project initiation through project completion. Focuses on cost, schedule, scope, document and data management, quality control, and compliance audits.
- Resiliency – Oversees implementation of projects in compliance with the emergency preparedness plan and Texas Senate Bill No. 3.

Senior Vice President – Human Resources & Risk Management. The Senior Vice President – Human Resources & Risk Management is responsible for all aspects of human resources. Human Resources is committed to attracting, training, and retaining a workforce of qualified employees to achieve the goals and mission of SAWS. SAWS' core values of Excellence, Integrity, Respect and Safety are supported by developing and implementing comprehensive, innovative, and proactive programs in employee relations and development, total compensation, benefits, wellness, risk management, and workplace safety. Human Resources consists of the following departments:

- Talent Acquisition & Succession – Proactively implements recruitment strategies to attract, secure and retain top talent for SAWS. Recruits employee resources required by all administrative and operational areas. Screens and selects candidates for hiring departments, manages offers and initial hiring process for employee onboarding. Forecasts and assists organizational areas with succession management;
- Employment Relations and Learning and Development – Provides proactive assistance to employees and supervisors regarding the interpretation and implementation of policies, procedures, and directives. Provides direction and oversight for a variety of employment matters, including performance and disciplinary issues, investigations into formal complaints, and other workplace concerns. Develops strategies and designs for organizational development, talent and performance management, employee engagement, and change management functions. Manages learning initiatives around a continuous cycle of needs analysis, design, project management, delivery, and evaluation. Helps lead culture change through processes that support organizational learning, including the continual enhancement of the performance evaluation process;
- Compensation, Benefits, Wellness & Human Resources Information System – Develops and manages the employees' compensation, benefit, and wellness programs, balancing competitiveness and cost efficiency for these plans and programs. Responsible for the plan development and fiscal accountability of all medical and prescription plans, pension programs, wellness initiatives, and oversees the administration of these plans and programs. Maintains internal HR employee data systems and develops custom reports for external compliance and internal requests;
- Risk Management and Claims – Manages all facets of the comprehensive commercial insurance program including administration of premises risk assessments. Administers all workers compensation, casualty, and subrogation claims. Processes FMLA leave requests, reviews ADA requests for reasonable accommodations, and maintains accurate employee records of requests, and

- Safety & Environmental Health – Coordinates all workplace safety activities to ensure a safe environment for employees. Partners with organizational management in anticipating safety challenges and exploring opportunities for improvement. Identifies incidents and accidents and provides training programs to ensure compliance and prevent recurrences.

Senior Vice President – Water Resources & Governmental Relations. The Senior Vice President – Water Resources & Governmental Relations is responsible for the development and management of water supplies, drought management, and water rights acquisitions. The group consists of the following departments:

- Water Resources – Implements SAWS’ long-range Water Management Plan by managing current water supplies and developing new sources to support regional growth. Oversees the Vista Ridge LLC contract—SAWS’ largest water supply project—and promotes the direct recycled water program. Leads efforts to reduce water loss, optimize water use, and manage distribution system production data, including TWDB Water Loss Audit reporting. Leak detection operations identify hidden leaks and coordinate repairs with Distribution and Collection. The team also assists with pinpointing excavation sites using specialized tools when requested;
- Governmental Relations & Backflow Compliance – Manages strategic policy issues and relationships with elected officials, regional, state, and federal agencies. Identifies governmental matters requiring executive attention. Oversees cross-connection compliance, including customer backflow testing, and manages the stormwater construction inspection monitoring program;
- Resource Protection & Compliance (“RPC”) – Ensures water quality meets all federal and state standards by monitoring sources, distribution interactions, and enforcing regulations under the Clean Water Act. Responsible for compliance with EPA Lead and Copper Program. Oversees permitting and monitoring of wastewater discharges to protect recycling center operations and SAWS’ discharge compliance. As a co-permittee with the City of San Antonio, RPC also supports stormwater permit compliance and ensures SAWS meets its obligations as a public utility; and
- Environmental Laboratory Services – Provides accurate, responsive analytical testing to support SAWS operations, with a focus on data integrity. Offers full-service environmental testing, including microbiological and chemical analyses for water and wastewater. Accredited by TCEQ under the National Environmental Laboratory Accreditation Program.

Senior Vice President – Communications & External Affairs. The Senior Vice President – Communications & External Affairs is responsible for providing proactive strategic outreach and partnerships to inform and involve System customers and stakeholders, driving the image and success of the organization. This is accomplished through:

- Communications – Manages and directs mass communications efforts through the following departments:
 - Creative Services – Develops creative content for all internal and external communication efforts including newsletters, brochures, website, and advertisements.
 - Public Relations – Manages news media relations for accuracy and appropriate messaging in news coverage concerning SAWS. Coordinates community events, and directs advertising to promote awareness of SAWS’ programs, projects, and image.
 - Social Media & Outreach – Manages and coordinates messaging (organic and paid) on nationally recognized SAWS social media channels. Plans and executes community outreach events as well as internal SAWS events to engage employees.
- External Affairs – Manages outreach efforts with customers, neighborhood and civic leaders, and City Council members. Implements the SAWS Affordability Program that aids economically disadvantaged customers so that they have access to water and sewer service. Develops and conducts adult and youth educational programs to inform and promote water awareness in the community; and
- Conservation – Delivers nationally recognized programs that achieve cost-effective water savings while enhancing quality of life. San Antonio’s cheapest source of water is conservation – water not used. To help keep rates affordable, SAWS aggressively promotes efficient commercial and residential water use through education, outreach, incentives, and drought ordinance rules.

Senior Vice President – Operations Support & Innovation/Chief of Staff. The Senior Vice President – Operations Support & Innovation/Chief of Staff oversees the operation of Fleet, Facilities, Energy Strategy, District Chilled Water Operations, and Supply. The group consists of the following departments:

- Fleet – Provides comprehensive maintenance services for all SAWS vehicles and equipment. The Fleet Department also manages vehicle acquisition and replacement, operations and support, sustainability and innovation (including the vehicle electrification initiative), and asset inventory management, which covers the disposal of all assets;
- Facilities – Provides building maintenance and management services at SAWS facilities;
- District Chilled Water Operations - Manages and maintains District cooling service to customers in downtown San Antonio and at Port San Antonio, as well as marketing to new customers and services;
- Office of Energy Strategy optimizes energy demand management and efficiency rebates, electric/gas services metering, bill review and payment for SAWS’ activities; and
- Supply - Oversees the inventory control process by organizing and managing the flows of materials inventory from their initial purchase to destination.

Senior Vice President/Chief Legal and Ethics Officer. The Senior Vice President/Chief Legal and Ethics Officer provides legal advice and counsel to the Board and System management and is responsible for strategic management and all real estate assets and purchases, and administration of all contracts for construction and professional services. This group consists of the following departments:

- Legal Services – Provides full service, in-house legal support to the Board, Executive Management, and staff; manages the activities of outside legal counsel. The range of legal expertise includes water resources, labor and employment, litigation management, real estate, general transactional, environmental, and public law;

- Contracting – Manages the administration of all construction and professional services contracts and oversees administration of the System’s Small Business Opportunity Program;
- Corporate Real Estate – Manages real property acquisitions, dispositions, and lease management activities and supports all construction and maintenance activities by obtaining all rights of entry and easements;
- Records Management – Manages all utility records in compliance with Texas Local Government Records Act, Texas Public Information Act, and best records management practices; and
- Purchasing – Manages the processing and contracting of all procurement requests for materials, supplies, and services.

INFORMATION SYSTEMS

Information Systems delivers quality, secure, cost-effective applications and information technology services, which promote innovation to sustain growth while enabling SAWS to better serve its valued customers. This group is further broken down into the following departments:

- Enterprise Solutions:
 - Geographic Information Systems (“GIS”) – Develops, analyzes, and delivers geographic data and solutions related to SAWS’ infrastructure and activities.
 - Control Systems – Implements, monitors, and maintains supervisory control and data acquisition systems.
 - Enterprise Resource Planning – Responsible for the programming, configuration, implementation, support, and sustainability for core business applications.
 - Data and Platform Services – Manages the enterprise data warehouse, business intelligence and GIS platforms to provide SAWS timely information for decision making.
 - Innovative Systems – Delivers rapid and effective development of innovative solutions for SAWS with a specific focus on improving customer experience through technology.
- Shared Services:
 - Shared Services – Drives proactive technology solutions and manages business process re-engineering, documentation, quality assurance, and change management.
 - IT Portfolio – Oversees project lifecycle management, prioritization, governance, and performance reporting according to business unit priority and organizational values.
 - Client Services – Provides desktop support, manages software and technology requisitions, and supports organization-wide IT initiatives.
 - Billing and Print Shop – Executes daily billing operations and printing services, ensuring USPS compliance and supporting organizational print needs.
- IT Infrastructure and Operations:
 - Engineering – Manages network and internet services, IP telephony, call center systems, network security, and wireless architecture and engineering.
 - Control Systems – Oversees implementation and maintenance of SCADA systems.
 - Infrastructure – Handles systems and database administration, hardware/software, storage, backups, and disaster recovery.
 - Telecommunications – Installs and maintains telecommunication services including cabling systems, microwave radio, mass notification, and power systems for SAWS facilities.
- Continuous Improvement & Innovation - Conducts organization-wide performance reviews and process analysis to optimize operations, improve budget efficiency, enhance customer service, and implement innovative management practices.

INFORMATION SECURITY

Information Security is responsible for providing architectural standards, secure system development, and ensuring the confidentiality, integrity, and availability of SAWS information technology services. This group was created in 2023 to focus on cybersecurity risk management, compliance, and security awareness for all employees. The group consists of the following departments:

- Enterprise Architecture: Responsible for developing and maintaining the organization’s information system architectural vision and strategy. Oversees the implementation of architectural standards and best practices to achieve seamless integration and efficiency across different departments and information technology systems; and
- Security Operations: Responsible for monitoring and defending SAWS information technology infrastructure and assets cybersecurity threats. Actively monitors security alerts and incidents, investigates potential security breaches, and responds to any security issues. Oversees the vulnerability management program and leads cybersecurity awareness training to comply with applicable laws.

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

FINANCIAL SERVICES

The Financial Services Group is headed by the Senior Vice President/Chief Financial Officer and ensures the utility’s efficient operation by effectively managing and reporting on the corporate financial position, ensuring financial compliance with current legal and regulatory requirements, and providing timely financial support, services, and guidance to internal and external stakeholders. This is accomplished through the following functions:

- Accounting and Business Planning:
 - Accounting – Responsible for accurate and timely accounting and financial reporting through the general accounting, property accounting, payroll, and accounts payable departments.
 - Business Planning – Ensures that SAWS’ strategic objectives are financially supported through short and long range financial planning, developing, and implementing the annual budget and developing rates sufficient to fund SAWS’ capital and operating activities.
- Treasury – Responsible for banking relationships, investment and debt management, and remittance (customer payment) processing.

CUSTOMER EXPERIENCE & STRATEGIC INITIATIVES

Customer Experience & Strategic Initiatives provides the highest level of service to System customers at all times, responding in the most expedient and professional manner possible. This group is also responsible for the accurate and timely billing of System customers and maintenance of customer accounts. This group consists of the following departments:

- Billing – Reviews the billing data for accuracy of all the System’s bills generated daily resolving customer billing issues, manages accounts closed and charged off to collections or any in bankruptcy status;
- Customer Care – Handles all inbound telephone, electronic, and in-person customer inquiries regarding billing, account information, service problems and payments;
- Field Operations – Responsible for all meter related services including setting new meters and communication modules, maintaining and replacing existing meters and modules, service turn-on/off requests, and service investigations.
- Delinquency Management – Manages delinquent accounts, bankruptcy, and collection efforts.
- Quality, Training, and Business Analytics – Responsible for quality assurance, training, data and process analytics throughout Customer Service.

THE SYSTEM

The System includes all water resources, properties, facilities, and plants owned, operated, and maintained by the City relating to supply, storage, treatment, transmission, and distribution of treated potable water, and chilled water (collectively, the “Waterworks System”); collection and treatment of wastewater (the “Wastewater System”); and treatment and reuse of wastewater (the “Water Reuse System”). The System does not include any “Special Projects” which are declared by the City, upon the recommendation of the Board, not to be part of the System and are financed with obligations payable from sources other than ad valorem taxes, Pledged Revenues, or Net Revenues or any water or water-related properties and facilities owned by the City as part of the System.

In addition to the water related utilities, which the Board has under its control, on May 13, 1993, the City Council approved Ordinance No. 77949 which established initial responsibilities over the stormwater quality program with the Board and adopted a schedule of rates to be charged for stormwater drainage services and programs. As of the date hereof, the stormwater program is not a part of the System. (See “THE CITY AND SAN ANTONIO WATER SYSTEM – Stormwater System” herein.)

Since 2006, the System has submitted 21 separate applications to the appropriate regulatory agency to generally expand its certificate of convenience and necessity (“CCN”) or service areas, for water and sewer service, to the extraterritorial jurisdiction (the “ETJ”) boundary of the City. These applications were ultimately approved in 2013 and have added 28,309 acres to the water service area and 276,849 acres to the sewer service area. The Public Utility Commission of Texas (the “PUC”) has legal jurisdiction over the application for, and modifications to, CCNs in the State. Consequently, when PUC grants a CCN to a water or sewer purveyor, it provides that purveyor with the exclusive right to provide retail service. By generally expanding the CCN to the ETJ, developments needing retail water and sewer service within the CCN must apply to SAWS. Service can then be provided according to System standards, avoiding small, undersized systems servicing new development. The expansion of the CCN supports development regulations for the City. Within the ETJ, the City has certain, though limited, standards for the development that ensure areas developed in the ETJ and when annexed by the City will already have some City development regulations in place. On July 12, 2022, the Board authorized the transfer to all SAWS’ CCN in Kendall County, Texas, consisting of approximately 520 acres of water CCN and 317 acres of sewer CCN to SJWTX, Inc., an investor-owned retail water and sewer service utility and holder of other CCN in Kendall County. The transfer is subject to approval by the PUC.

In addition, on July 19, 2024, three applications were submitted to the PUC to amend the System’s CCN. The purpose of these amendments is to 1) fill gaps within the System’s current water CCN to reflect areas that have been historically provided water and sewer service by the System and for which no additional construction of facilities is anticipated; 2) add rapidly developing areas to the System’s sewer CCN in Southeast Bexar County, which area was included in the most recent impact fee land use study and capital improvements plan; and 3) remove sensitive property from the System’s sewer CCN in far Northeast Bexar and Comal Counties. SAWS applications in 1 and 3 above have been approved by the PUC. The application in 2 is has been withdrawn without prejudice.

WATERWORKS SYSTEM

The City acquired its Waterworks System in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. From such time and until 1992, when the System was created, management and operation of the Waterworks System was under the control of the City Water Board. The System’s authority to provide potable water service within a defined area was established by CCN No. 10640 originally issued by the PUC on November 1, 1979, as amended, and updated with substantial expansion as reflected in its certificate currently on file at the TCEQ. The System’s Waterworks System service area currently extends over approximately 934 square miles, making it the largest water purveyor in the County. The System serves approximately 93% of the water utility customers in the County. As of December 31, 2025, the System provided potable water service to approximately 584,000 customer connections. Potable water service is provided to residential, commercial, multifamily,

industrial, and wholesale accounts. The System monitors its Waterworks System on a constant basis to ensure compliance with the Safe Drinking Water Act. (See “ENVIRONMENTAL MATTERS AND REGULATORY MATTERS” herein.)

The Waterworks System currently utilizes 57 elevated storage tanks and 68 ground storage reservoirs, of which 28 act as both, with combined storage capacities of approximately 330 million gallons. As of December 31, 2025, the Waterworks System maintained 7,929 miles of distribution mains, ranging in size from 4 inches to 61 inches in diameter, the majority of which are between 6 inches and 12 inches in diameter.

CONNECT H2O PROGRAM

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

In December 2021, the Board authorized proceeding with the full system-wide AMI deployment beginning in 2022 with completion expected in 2026. The project was completed in December 2025 with over 604,000 AMI meters installed. The total costs of the deployment were over \$160 million.

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

WASTEWATER SYSTEM

The City Council created the City Wastewater System in 1894. A major sewer system expansion program began in 1960 with construction of new treatment facilities and an enlargement of the Wastewater System. In 1970, the City became the regional agent of the TCEQ. In 1992, the Wastewater System was consolidated with the City’s Waterworks and Recycling Systems to form the System.

The System serves a substantial portion of the residents of the City, 12 governmental entities, and other customers outside the corporate limits of the City. As regional agent, the System has certain prescribed boundaries that currently cover an area of approximately 630 square miles. The System also coordinates with the City for wastewater planning for the City’s total planning area, its ETJ, of approximately 1,107 square miles. The population for this planning area is approximately 1.6 million people. As of December 31, 2025, the System provided wastewater services to approximately 524,200 customer connections.

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

The Wastewater System is composed of approximately 6,150 miles of mains and three major treatment plants, Steven M. Clouse (formerly Dos Rios), Leon Creek, and Medio Creek. All three plants are conventional activated sludge facilities. The System holds Texas Pollutant Discharge Elimination System (the “TPDES”) wastewater discharge permits, issued by the TCEQ for 187 million gallons per day (“MGD”) in treatment capacity and 46 MGD in reserve permit capacity. See “ENVIRONMENTAL AND REGULATORY MATTERS” herein. The permitted flows from the Wastewater System’s three regional treatment plants represent approximately 98% of the municipal discharges within the City’s ETJ.

SEWER MANAGEMENT PROGRAM

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (the “EPA”) of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows (“SSOs”). The EPA subsequently referred the matter to the United States Department of Justice (the “DOJ”) for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. On June 4, 2013, the Board approved a Consent Decree (“Consent Decree”) between SAWS and the United States of America and the State to resolve this enforcement action. SAWS signed the Consent Decree on June 5, 2013 and the Consent Decree was subsequently executed by the United States of America and the State. On September 13, 2013, after consideration of the comments received, the United States of America filed its Motion for Entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013. During the 10 to 12 year term of the Consent Decree, SAWS estimated the cost to perform the operating and maintenance requirements of the Consent Decree to be approximately \$250 million. SAWS initially estimated that capital investments of approximately \$850 million would be required over the Consent Decree term. During the last several years, through flow monitoring during significant rainfall events, physical inspection and televising, SAWS has accumulated additional information relative to the performance of its collection system. Based upon this additional information, as well as inflationary cost increases, SAWS currently estimates that capital expenditures associated with the requirements of the Consent Decree could range from \$1.2 billion to \$1.3 billion.

Through December 31, 2025, capital expenditures related to the Consent Decree totaled approximately \$1.2 billion which includes certain work which was previously planned prior to entry into the Consent Decree. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and management believes SAWS is in material compliance with such terms, conditions, and requirements. Since 2010, SAWS has seen a significant reduction in SSOs, from 538 in 2010 to a five-year average of 172 annually between 2021 and 2025, including a record low of 132 in 2024.

MITCHELL LAKE SEWER MANAGEMENT PROGRAM

Until December 2021, SAWS operated the Mitchell Lake Site Wastewater Treatment Facility (“Mitchell Lake”) pursuant to a Texas Pollutant Discharge Elimination Permit (the “Permit”) issued by the TCEQ under a delegation of authority from the EPA. At the direction of the EPA, SAWS

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

Mitchell Lake is not a standard brick and mortar wastewater treatment facility. Instead, the approximately 425-acre lake and adjacent wetland complex of 125 acres are legacy remnants of 19th-century wastewater reuse and disposal practices by irrigation of adjacent croplands. Also, Mitchell Lake is a unique and environmentally sensitive natural facility that has become a wildlife refuge and an active destination attraction within the City. The site provides essential habitats where more than 330 species of migratory birds can rest and feed and was declared to be a “Refuge for Shore Birds and Waterfowl” by the City of San Antonio in 1973. Since 2004, the site has been operated by the National Audubon Society as a Nature Center.

The EPA regulated discharges from Mitchell Lake, which can occur after significant rainfall events, and on August 18, 2016, SAWS received an administrative order (the “Administrative Order”) from the EPA that alleged SAWS violated the Permit by failing to meet effluent limitations for discharges from the lake as required by the Permit.

Upon receiving the Administrative Order, SAWS began working with consulting experts and conducted preliminary feasibility evaluations of a proposed solution that would entail the use of constructed treatment wetlands to meet water quality objectives while protecting and enhancing the existing natural resources and aquatic waterfowl habitats. The proposal has two major components: (a) modifications to the existing dam with the construction of a new spillway and (b) constructing treatment wetlands of approximately 83 acres below Mitchell Lake.

The EPA accepted SAWS’ proposed solution and by letter dated February 28, 2019, the EPA delivered a second Administrative Order to SAWS that included a Schedule of Activities, which required completion of the wetlands project by September 30, 2024. On August 11, 2022, in order to allow for completion of additional historical and archaeological reviews, the EPA issued a revised schedule of activities extending the completion date to March 31, 2026.

To provide information for the design and operation of a full-scale constructed wetlands, SAWS commenced a pilot wetlands study in 2019 of approximately 1.3 acres. Operations began in the summer of 2019 and after a one-year operation period, a final report was produced in December of 2020. This report adequately documented the efficacy of using constructed wetlands to comply with permitted water quality requirements.

On January 9, 2018, SAWS purchased a 285-acre tract of land that is anticipated to be used to implement the water quality treatment wetlands project. After assessment of the actual amount and location of acreage needed for the proposed wetlands, on June 9, 2020, the Board declared approximately 108 acres of this 285-acre tract as surplus to the needs of the System, disposition of which occurred August 1, 2024. In 2021, engineering design commenced for the dam modification, new spillway, and constructed wetlands. On September 23, 2022, SAWS acquired an additional 234-acre tract that will be necessary for the implementation of the project as currently designed. At this time, projected costs for the wetlands project are estimated to be approximately \$72 million. No monetary penalties have been assessed, although the EPA reserves all rights to seek any appropriate remedies.

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

CHILLED WATER SYSTEM

The System owns, operates, and maintains four thermal energy facilities providing chilled water services to governmental and private entities. Two of the facilities, located in the City’s downtown area, provide chilled water to 21 customers. They include various City facilities such as the Henry B. Gonzalez Convention Center and the Alamodome, which constitute a large percentage of the System’s downtown chilled water annual production requirements. In addition to City facilities, the two central plants also provide chilled water service to a number of major hotels in the downtown area, including the Grand Hyatt, Marriott Riverwalk, and Hilton Palacio Del Rio. The other two thermal energy facilities owned and operated by the System are located at the Port of San Antonio industrial area (formerly Kelly USA) and provide chilled water to large industrial customers that include Standard Aero and Boeing Aerospace. The System’s chilled water producing capacity places it as one of the largest producers of chilled water in South Texas. The chilled water system had operating revenues of \$15.0 million in Fiscal Year 2025.

Prior to 2022, there had been no increase in the demand charge rate for downtown customers since 1999 and Port San Antonio customers since 2005. The lack of rate relief over this extended period resulted in an unsustainable financial position. As part of the newly approved business plan for Chilled Water, SAWS had approved a new five-year rate plan which included a 12% demand charge rate adjustment that was implemented on January 1, 2023, with subsequent adjustments up to 12%, 10%, 8% and 8% each year from 2024 to 2027 subject to the review and consultation with the City’s Public Utilities Office prior to implementation. The 2024, 2025 and 2026 rate adjustment went into effect as of January 1st of the respective year. These rate adjustments support needed capital improvements of almost \$50 million and along with other planned marketing, operational, and financial changes to be implemented are designed to return Chilled Water to a self-sustaining business unit. Even with these projected adjustments, it is expected that SAWS’ chilled water rates will remain below market levels.

RECYCLING WATER SYSTEM

The System is permitted to sell Type I (higher quality) recycled water from its Water Recycling Centers located on the City's south side and has been doing so since 2000. The water recycling program can produce up to 25,000 acre-feet per year of recycled water to commercial and industrial businesses in the City. The original system was comprised of two major transmission lines, running east and west. In 2008, these two major transmission lines were interconnected at the northern end, providing additional flexibility to this valuable water resource. In 2013, an additional Water Recycling Center and pipeline was connected to the western line, providing further recycled water system redundancy. Currently, approximately 130 miles of pipeline deliver highly treated effluent to approximately 60 customers. Recycled water is being delivered for industrial processes, cooling towers, and irrigation of golf courses and parks, all of which would otherwise rely on potable-quality water. Aside from supporting the local economy, this water recycling system also releases water into the upper San Antonio River and Salado Creek to sustain base flows. The result has been significant and lasting environmental improvements for the aquatic ecosystems in these streams.

Combined with the 50,000 acre-feet per year used by CPS Energy, this is the largest recycled water system in the United States. The System amended its contract with CPS Energy to provide such recycled water through 2060. The revenues derived from the CPS Contract have been excluded from the calculation of Gross Revenues and are not included in any transfers by SAWS to the City.

As part of the 2022 Rate Design Study, the RAC recommended that SAWS raise its recycled water rates by 15% for 2023 and then 10% per year for the years 2024-2027. These rate adjustments would bring the existing recycled water rates more in line with the cost to provide this service, while keeping the rates for recycled water less than potable water alternatives. The recommended 2023 rate adjustment was approved by City Council and took effect on January 1, 2023. The City Council also approved additional annual rate adjustments up to 10% each year from 2024 to 2027 subject to review and consultation with the City's Public Utilities Office prior to implementation. The 2024, 2025, and 2026 rate adjustment went into effect as of January 1st of the respective year.

STORMWATER SYSTEM

The TPDES is administered by the TCEQ. The System is a co-permittee with the City under TPDES Permit No. WQ0004284000 (the "Stormwater Permit"). The Stormwater Permit was originally issued on September 28, 2007 and amended on April 11, 2011 but expired on September 28, 2012. An application for renewal was submitted to the TCEQ and a Notice of Receipt for permit renewal was issued on June 7, 2012. The co-permittees continue to operate under the terms of the expired permit until its renewal by the TCEQ. The Stormwater Permit identifies the joint and individual requirements of the City and the System. Each of the co-permittees have developed a Stormwater Management Plan outlining their operational responsibilities. See "ENVIRONMENTAL AND REGULATORY MATTERS" herein. An agreement between the System and the City for stormwater services has been in place since October 3, 1996.

In September of 1997, the City established a Stormwater Utility by ordinance. The System is contractually obligated to perform certain program requirements as described in the Stormwater Permit. The City has the overall responsibility for the program. The approved annual budget for the System's share of program responsibilities for Fiscal Year 2026 was approximately \$5.3 million for which the System anticipates being reimbursed in full from the stormwater utility fee imposed by the City.

WATER SUPPLY

Water supply and management planning efforts have always been the cornerstone of SAWS' water resources, including a new era of robust planning as early as 1996. These early planning efforts led to City Council actions, including in October 2000 when the City Council created a permanent funding mechanism (known as the "Water Supply Fee") for water supply development and water quality protection through Ordinance No. 92753. The Water Supply Fee provides a specific fund for the development of water resources.

The Water Management Plans are updated approximately every five years, with the most recent update having been approved by the Board in June 2025. The 2025 Water Management Plan outlines a diversified foundation for the System's water supply. While the Edwards Aquifer will always be the cornerstone of the City's water supply, the System has already successfully developed several additional groundwater and surface water resources from the Trinity Aquifer, the Carrizo Aquifer, the Simsboro Aquifer, and the Wilcox Aquifer, as well as surface water resources from Canyon Lake. The System's recycled water program provides highly treated wastewater to CPS Energy and other industrial and commercial customers who would otherwise use potable water. The System's underground ASR facility allows SAWS to store unused Edwards Aquifer permitted water supplies for use in times of drought. In addition, the System began receiving water from the Vista Ridge project in 2020, providing approximately 50,000 acre-feet per year to the SAWS' distribution system. Over the past 20 years, SAWS has developed one of the most diversified and innovative water supply portfolios in the U.S. In doing so, the System has greatly reduced its reliance on the Edwards Aquifer while enhancing the System's ability to manage drought and accommodate projected growth.

As of December 31, 2025, the System’s annual unrestricted, permitted contractual water supply includes the following:

<u>Water Source</u>	<u>Acre-Feet</u>	<u>Percentage of Permitted Supply</u>
Edwards Aquifer	263,688	46%
H2Oaks Center Aquifer Storage and Recovery (underground storage)	119,094	21%
Vista Ridge	50,000	9%
Recycled Water to CPS Energy	50,000	9%
Recycled Water to Other Customers	25,000	4%
Trinity Aquifer	22,000	4%
Regional Carrizo	13,000	2%
H2Oaks Center Brackish Groundwater Desalination	11,200	2%
Local Carrizo	9,900	2%
Western Canyon (Canyon Lake)	7,400	1%
Canyon Regional Water Authority	6,300	0%
Total	577,582	100%

EDWARDS AQUIFER BACKGROUND

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

Much of the Edwards Aquifer region consists of agricultural land, but it also includes small suburban cities and fast-growing population centers such as the County with over 2 million people and its surrounding metropolis. In 2022, the Edwards Aquifer directly supplied approximately 64% of the potable water for municipal, domestic, industrial, and commercial needs for the System’s service area. Naturally occurring artesian springs, such as the Comal Springs and the San Marcos Springs, are fed by Edwards Aquifer water and are utilized for commercial, municipal, agricultural, and recreational purposes, while at the same time supporting ecological systems containing rare and unique aquatic life.

The Edwards Aquifer is a karst aquifer that recharges from seepage of water from streams and by precipitation infiltrating directly into the cavernous limestone outcroppings in its north and northwestern area. Practically continuous recharge is furnished by spring fed streams, with storm water runoff adding additional recharge. The historical annual average recharge, from 1934 to the present, to the aquifer is approximately 694,500 acre-feet. The average annual recharge over the last four decadal period is approximately 829,523 acre-feet. The lowest recorded recharge was approximately 43,000 acre-feet in 1956, while the highest was approximately 2,485,000 acre-feet in 1992.

EDWARDS AQUIFER REGULATION

In 1993, the Texas Legislature adopted the Edwards Aquifer Authority Act (the “EAA Act”). This act created the Edwards Aquifer Authority (“EAA”) as a conservation and reclamation district under Article XVI, Section 59, of the Texas Constitution. The EAA is governed by a 17 member Board of Directors, with 15 voting directors elected from single member districts apportioned to counties within the EAA’s jurisdiction, and two non-voting directors appointed to reflect downstream and western regional interests, all pursuant to and in accordance with the EAA Act. The EAA has broad powers to manage, conserve, preserve, and protect the Edwards Aquifer and to increase the recharge of, and prevent the waste or pollution of water in, the Edwards Aquifer. Among other charges, the EAA was directed to limit groundwater withdrawals from the Edwards Aquifer through a permitting system. The EAA was also directed by the Texas Legislature to ensure that the continuous minimum springflows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species to the extent required by federal law and to achieve other purposes of the EAA Act. To date, the EAA’s exercise of power has been primarily limited to managing Edwards Aquifer withdrawals, although the EAA has initiated efforts in recent years to pursue more efforts focused on water quality.

As a consequence of the EAA’s permitting regime, the System’s access to Edwards Aquifer supplies is now limited to its highest, pre-1996 annual historic use plus any additional permitted withdrawal rights that the System can acquire by lease or purchase. As of December 31, 2025, through permitting, purchases, and leases, the System will have access to 263,688 acre-feet per year of Edwards Aquifer groundwater withdrawal rights, which is approximately 46% of the regional pumping cap. See “THE CITY AND SAN ANTONIO WATER SYSTEM – Edwards Aquifer Recovery Implementation Program and the Edwards Aquifer Habitat Conservation Plan” herein. The System owns approximately 255,774 acre-feet, of which a portion is committed to the EAA Regional Water Conservation Program and contractual lease agreements, while the remainder is leased from permit holders. All Edwards Aquifer permitted withdrawal rights are subject to on-going regulation by the EAA, with more stringent use limitations applied during periods of drought.

EDWARDS AQUIFER MANAGEMENT; CITY’S EDWARDS AQUIFER MANAGEMENT PLAN

Edwards Aquifer Authority.

Pursuant to applicable Texas law, including the EAA Act and legislation enrolled subsequent thereto serving to supplement and/or amend this legislation, the EAA has adopted rules that require a reduction in the amount of permitted Edwards Aquifer water rights that may be pumped annually for the duration of a drought event. During a period of drought management, permitted water rights are impacted on a pro rata basis based on the number of days of a calendar year that there exists a particular category of drought (depending on severity) requiring a reduction in pumping. Reductions of permitted rights to withdraw water are generally applied to all permit holders, although there do exist some limited exceptions applicable to agricultural users. The various stages of reduction in permitted water rights are declared by the EAA General Manager in accordance with rules adopted by the EAA Board of Directors and impact the System’s access to its permitted Edwards Aquifer water rights, without input or

action by the City or the System. The EAA's drought triggers and requisite reduction in pumping for the San Antonio and Uvalde Pools of the Edwards Aquifer are indicated in the following tables. The entirety of the System's Edwards Aquifer water rights is subject to the restrictions associated with the San Antonio Pool.

SAN ANTONIO POOL				
Comal Springs Flow ⁽¹⁾	San Marcos Springs Flow ⁽¹⁾	Index Well J-17 Level ⁽²⁾	Critical Period Stage ⁽³⁾	Withdrawal Reduction (%)
< 225	< 96	< 660	I	20
< 200	< 80	< 650	II	30
< 150	N/A	< 640	III	35
< 100	N/A	< 630	IV	40
< 45/40 ⁽⁴⁾	N/A	< 625	V ⁽⁴⁾	44
UVALDE POOL				
Comal Springs Flow ⁽¹⁾	San Marcos Springs Flow ⁽¹⁾	Index Well J-27 Level ⁽²⁾	Critical Period Stage ⁽³⁾	Withdrawal Reduction (%)
N/A	N/A	N/A	I	N/A
N/A	N/A	< 850	II	5
N/A	N/A	< 845	III	20
N/A	N/A	< 842	IV	35
N/A	N/A	< 840	V ⁽⁴⁾	44

⁽¹⁾ Measured in cubic feet per second.

⁽²⁾ Measured in mean sea level.

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

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

Due to varying weather patterns, the EAA has, from time to time, imposed various Critical Period Stage withdrawal reduction notices. For any current drought restrictions, as well as additional information on the various levels of drought restrictions imposed by the EAA and current level of the Edwards Aquifer, see www.edwardsaquifer.org.

City's Edwards Aquifer Management Plan.

In addition, and separate and apart from the EAA's rules governing withdrawal of Edwards Aquifer water during drought, the City has established a proactive Aquifer Management Plan to manage the region's water resources during periods of drought. Established by City ordinance, the Aquifer Management Plan also restricts outdoor water use based on specific levels of the Edwards Aquifer. The City approved the following Edwards Aquifer level triggers in 2009 with the most recent updates occurring in 2024.

Year Round – Year-round restrictions are in effect when the Edwards Aquifer level is above 660 feet mean sea level at the monitored well (J-17 Index Well). During year-round watering restrictions, SAWS' customers are permitted to water landscape with an irrigation system or sprinkler any day of the week in a thirteen-hour window before 10:00 a.m. or after 9:00 p.m. Hand watering with a hand-held hose is permitted any time of day.

Stage One – Stage One restrictions begin when the 10-day rolling average of the Edwards Aquifer level drops to 660 feet mean sea level at the monitored well (J-17 Index Well). SAWS' customers are limited to landscape watering with an irrigation system or sprinkler based on the last number of the customer's street address one-day-per week in a thirteen-hour window before 10:00 a.m. or after 9:00 p.m. Drip irrigation may run up to three days per week. Watering with a hand-held hose is permitted any time of day.

Stage Two – Stage Two restrictions begin when the 10-day rolling average of the Edwards Aquifer level drops to 650 feet mean sea level at the monitored well (J-17 Index Well). SAWS' customers are limited to landscape watering with an irrigation system or sprinkler based on the last number of the customer's street address one-day-per week in an eight-hour window between 5:00 a.m. to 10:00 a.m. and 9:00 p.m. to midnight. Drip irrigation may run up to two days per week. Watering with a hand-held hose is permitted any time of day.

Stage Three – Stage Three restrictions begin when the 10-day rolling average of the Edwards Aquifer level drops to 640 feet mean sea level at the monitored well (J-17 Index Well). SAWS' customers are limited to the same landscape irrigation requirements as Stage 2 (irrigation system or sprinkler one-day-per week in an eight-hour window between 5:00 a.m. to 10:00 a.m. and 9:00 p.m. to midnight; drip irrigation up to two days per week; and hand watering any time of day). Additionally, a high use surcharge is implemented on the highest using customers: residential users using 20,000 gallons or more and billed commercial irrigation customers beginning at 12,000 gallons and scaled up depending on the size of the meter, will be assessed a drought surcharge of \$10.37 per thousand gallons used above the threshold. The surcharge rate is assessed in addition to the regular water and wastewater rates.

Stage Four – Stage Four restrictions may be declared if the total supply of water from the Edwards Aquifer and other available water sources to SAWS is insufficient to meet customer demand while complying with applicable regulations governing water supply withdrawals. Stage Four restrictions may be declared at the discretion of the City Manager in consultation with the SAWS President/CEO.

SAWS’ customers are limited landscape watering with an irrigation system or sprinkler based on the last number of the customer’s street address and are only allowed to water one day every other week in an eight-hour window between 5:00 a.m. to 10:00 a.m. and 9:00 p.m. to midnight. Drip irrigation and hand-held hose watering is the same as stages two and three (drip two days per week; hand-held hose any time of day). Additionally, the high use surcharge from Stage 3 is implemented on residential users using 12,000 gallons or more and billed commercial irrigation customers beginning at 7,200 gallons and scaled up depending on the size of the meter, will be assessed a drought surcharge of \$10.37 per thousand gallons used above the threshold. The surcharge rate is assessed in addition to the regular water and wastewater rates.

EDWARDS AQUIFER RECOVERY IMPLEMENTATION PROGRAM AND THE EDWARDS AQUIFER HABITAT CONSERVATION PLAN

In 2007, the Texas Legislature adopted legislation commonly known as Senate Bill 3 (“SB 3”) to address various water-related environmental issues confronting the State. Among other provisions, the legislation established a new, higher pumping cap of 572,000 acre-feet for the Edwards Aquifer, thus making more water available for pumping when Edwards Aquifer levels are high. However, also incorporated into State statute are certain existing regulatory restrictions on water availability during periods of drought. When Edwards Aquifer levels at certain well gauges and spring flows at Comal Springs and San Marcos Springs fall to identified trigger points, pumping allocations are reduced by the EAA by 20% to 44% depending on the severity of the drought. In February 2009, the City’s Code of Ordinances was updated to ensure that restrictions on water usage by City residents are permitted to commence in close proximity to the occurrence of these restrictions on pumping by SAWS and other water purveyors in the City. (See “THE CITY AND SAN ANTONIO WATER SYSTEM – Edwards Aquifer Management; City’s Edwards Aquifer Management Plan”.)

The City, acting by and through SAWS, along with the EAA, the City of New Braunfels, the City of San Marcos, and Texas State University – San Marcos are individually, and in certain cases collectively, responsible for implementing conservation measures, as well as the minimization and mitigation measures, defined in the Habitat Conservation Plan (the “HCP”). With the addition of the Guadalupe Blanco River Authority (“GBRA”) as a non-voting observer, these five partners comprise the HCP Implementing Committee, responsible for supervising all aspects of the implementation of the HCP, including routine decisions and strategic policy matters. The HCP Implementing Committee operates under a requirement of 100% consensus agreement. The System is actively engaged in the HCP Implementing Committee.

The Phase One activities associated with ensuring minimum continuous spring flows included a Voluntary Irrigation Suspension Program Option (“VISPO”), a Regional Conservation Program, prescribed use of the SAWS ASR Facility, and an EAA Critical Period Stage V Drought Management stage as a back-up to the other activities. The ASR commitment includes that the EAA will lease and deliver to SAWS up to 50,000 acre-feet of Edwards Aquifer groundwater withdrawal rights for pumping and storage in the ASR Facility during periods of water availability. SAWS will then be required at certain drought trigger levels over a 10-year period similar in hydrologic character to the drought of record to forbear pumping from the Edwards Aquifer in like amounts to what was previously stored on behalf of the HCP (up to 46,300 acre-feet of water in the driest year). SAWS may use the ASR, or other supplies of water, to accomplish this forbearance at its discretion. EAA Critical Period Stage V pumping restrictions could reduce firm yield of Edwards Aquifer permits to 56% of the face permit amount if the San Antonio Pool of the Edwards Aquifer reaches one of the Stage V trigger levels. The 2017 Water Management Plan accounted for and addressed these changes.

In addition to the spring flow management activities, the proposed management plan requires mitigation and habitat restoration activities at the Comal and San Marcos Springs. These activities include recreation management, additional biological research, modeling enhancement, expansion of refugia facilities, and control of non-native species. Ongoing effort in all of these activities are showing positive benefits to the endangered species as documented in the HCP annual reports.

WATER PRODUCTION

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

Total Distribution to Customers by Year (acre-feet)	2021	2022	2023	2024	2025
Edwards Aquifer	146,974	177,624	162,959	159,999	154,002
Vista Ridge	50,939	48,524	51,527	47,798	50,238
Aquifer Storage and Recovery Production	5,215	14,876	28,285	25,316	27,055
Trinity Aquifer	9,685	5,780	3,421	3,282	3,082
Regional Carrizo Aquifer	10,749	10,496	9,266	10,625	12,663
Brackish Groundwater Desalination	6,089	4,337	5,674	7,055	5,707
Local Carrizo Aquifer	6,009	4,156	7,693	6,315	4,769
Western Canyon	7,968	6,670	5,704	5,860	6,063
Canyon Regional Water Authority	6,361	4,659	5,711	6,247	6,269
Total Distribution	249,989	277,122	280,239	272,497	269,848

H₂OAKS CENTER

SAWS’ H₂Oaks Center, located in the far southern portion of the County, is home to three water supplies, all operated from the H₂Oaks control room. These include the ASR, Local Carrizo Aquifer Project, and Brackish Groundwater Desalination Program.

AQUIFER STORAGE AND RECOVERY

An ASR project involves injecting ground or surface water into an aquifer, storing it and later retrieving it for use. Essentially, it accomplishes storage that is traditionally provided through surface water reservoirs without the concern of evaporation. The ASR is primarily designed to optimize use of water from the Edwards Aquifer; the optimization takes place when aquifer levels are high and the System is able to store excess Edwards Aquifer water rights to help offset demand on the Edwards Aquifer when those levels reach critical period reduction stages. During those critical period reduction stages the System may deliver stored Edwards Aquifer water from ASR to its customers. The reduced demand helps slow the downward trend of declining levels until rain events return to recharge the Edwards Aquifer.

The System plans for a total storage volume of 200,000 acre-feet, including the amounts stored under the HCP. Also, as described under “THE CITY AND SAN ANTONIO WATER SYSTEM – Edwards Aquifer Recovery Implementation Program and the Edwards Aquifer Habitat Conservation Plan” herein, the ASR is an integral component of the HCP.

The System has stored and recovered Edwards Aquifer water from the ASR based on annual weather patterns. The chart below provides a summary of the acre-feet of Edwards Aquifer water stored and recovered each year since 2004 when the ASR became operational, as well as the amount of Edwards Aquifer water stored on behalf of the HCP. A total volume of up to 126,000 acre-feet is committed to the successful implementation of the HCP.

H2Oaks Aquifer Storage and Recovery (acre-feet)				
Year	SAWS' ASR Recharge	HCP Recharge	ASR Recovery	Total ASR Storage
2004	5,527	-	461	5,066
2005	13,491	-	937	17,620
2006	9,056	-	6,391	20,285
2007	20,200	-	432	40,053
2008	10,849	-	1,250	49,652
2009	17,007	-	1,448	65,211
2010	25,532	-	1,706	89,037
2011	12,054	-	13,223	87,869
2012	11,485	-	4,436	94,917
2013	6,201	1,868	14,711	88,275
2014	783	4,031	19,562	73,527
2015	9,135	12,075	5,840	88,897
2016	987	33,259	2,139	121,004
2017	2,889	31,475	1,418	153,949
2018	3,058	16,667	4,460	169,214
2019	-	13,597	3,930	178,880
2020	-	6,831	12,184	173,527
2021	20,909	3,096	5,215	192,317
2022	11,559	-	14,876	189,000
2023	5,622	-	28,286	166,336
2024	3,505	-	25,316	144,526
2025	1,623	-	27,055	119,094
2026*	-	-	16,501	102,593
<i>* As of August 31, 2026.</i>				

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LOCAL CARRIZO AQUIFER PROJECT

The System has access to a total of 9,900 acre-feet per year of Carrizo Aquifer groundwater on property owned by SAWS at the H₂Oaks Center. The production of water from the Local Carrizo Aquifer will reduce the effects of the naturally occurring movement of ASR water stored nearby and provides increased operational flexibility of recovering ASR water.

Timing of additional phases of this project will be based upon population and System demand projections. These additional phases are projected to provide an additional 21,000 acre-feet per year of Carrizo Aquifer groundwater from SAWS owned properties proximal to the H₂Oaks facility and can be designed and constructed quickly relative to other supplies while tying easily into existing infrastructure.

BRACKISH GROUNDWATER DESALINATION PROGRAM

The brackish groundwater desalination (“BGD”) program involves the production of brackish (salty) groundwater from the Lower Wilcox Aquifer in southern portion of the County. Water with a total dissolved solids content of between 1,300 and 1,500 milligrams per liter (mg/L) is treated through a reverse osmosis treatment plant to drinking water standards at the System’s H₂Oaks Center. A BGD program is well suited for the south-central Texas region, which contains more than 300 million acre-feet of brackish groundwater.

After a period of testing, the BGD Plant became fully operational in November 2016 and was commissioned and named “H₂Oaks Center” in January 2017. Full operational capacity is currently 11,200 acre-feet per year of drought-proof desalinated groundwater. Future phases can bring the total supply from this project to 33,600 acre-feet per year. Development of additional phases of the project will be determined based on population and demand projections of the System. The System’s 2017 Water Management Plan determined additional phases may not be required until the 2040 decade. The ongoing water management planning efforts will consider these assumptions again and present any recommended changes as part of the approval of the plan.

TRINITY AQUIFER PROJECTS

The System reached a milestone in February 2002 with the introduction of the first non-Edwards Aquifer drinking water supply from the Lower Glen Rose/Cow Creek formation of the Trinity Aquifer in the northern portion of the County. The System has wholesale contracts with Massah Corporation (“Oliver Ranch”), and the System owned and controlled Timberwood Park wellfield for the purchase and delivery of up to 3,000 acre-feet per year of non-Edwards Aquifer groundwater from the Trinity Aquifer from the north-central portion of the County.

In July 2012, SAWS entered into an agreement with Water Exploration Company, Ltd., currently doing business as Texas Water Supply Co., to purchase groundwater produced by Texas Water Supply Co. from the Trinity Aquifer. The agreement expires in 2027, with two optional five-year extensions. Currently, SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet. SAWS is only required to pay for water made available which meets all State and federal drinking water standards. The actual amount of water produced will depend on the level of the Trinity Aquifer.

WESTERN CANYON PROJECT

The System, along with entities in Comal and Kendall Counties (together, the “Participants”), contracted with the GBRA to deliver water from the Canyon Lake Reservoir. The System has been receiving project water since 2006 with the System receiving all water produced by the project that is not used by other Participants. Over time, the amount received could decline to a guaranteed amount of 4,000 acre-feet as GBRA’s in-district Participants in the project complete infrastructure necessary to enable them to obtain their contracted supply and their growth allows the Participants to utilize their full allotment of reserved water. Pursuant to its terms, the contract with GBRA will terminate December 31, 2037, with an option to extend if agreed upon by both parties.

REGIONAL CARRIZO PROGRAM

The System has been receiving Carrizo Aquifer water from an agreement with the Schertz-Seguin Local Government Corporation (“SSLGC”) since late 2013 and producing water from the System’s Buckhorn wellfield located in western Gonzales County since 2014.

Since 2010, the System has held a single permit with the Gonzales County Underground Water Conservation District (the “District”) to produce and export 11,688 acre-feet per year of groundwater from the Carrizo Aquifer. The District is a local governmental entity with a locally elected Board of Directors (the “District Directors”) and operates pursuant to statutory authority set forth in Chapter 36, Texas Water Code, as amended and the rules adopted by the District Directors. The operating component of the permit had a five-year term, with an expiration date of July 12, 2015. The transportation component of the permit had a term of thirty years as was required by State statute. The System subsequently filed an aggregate permit request on April 30, 2020, and the District granted the aggregate permit June 9, 2020, with an expiration of July 13, 2025.

In order to minimize the cost of transporting the water, SAWS negotiated a contract with the Cities of Schertz and Seguin and the SSLGC for shared use of that entity’s existing infrastructure in Gonzales County and Guadalupe County, located in the vicinity of the System’s project well field. The SSLGC is a statutory quasi-governmental corporation created by the Cities of Schertz and Seguin to develop and operate a ground water supply for those municipalities. It also provides services to certain other small municipalities in the area. The System may also purchase surplus water produced by SSLGC at the same rate charged to the Cities of Schertz and Seguin. Utilizing SSLGC’s pipeline reduced the capital investment by SAWS necessary to complete this water supply project by approximately \$88 million.

CANYON REGIONAL WATER AUTHORITY; LAKE DUNLAP AND WELLS RANCH

The Canyon Regional Water Authority (“CRWA”) is a public entity created by the Texas Legislature to develop non-Edwards Aquifer water supplies for its members. The CRWA has a contract with GBRA for the purchase of raw water from Canyon Lake and has constructed a treatment plant for the water downstream on Lake Dunlap. Under various agreements with CRWA and other parties, SAWS may purchase up to 4,000 acre-feet annually of Lake Dunlap surface water through 2023, of which, 500 acre-feet is sub-leased to Springs Hill Water Supply Corporation through 2023. Effective 2024, CRWA will provide 4,000 acre-feet of groundwater to replace the 4,000 acre-feet of surface water produced from Lake Dunlap.

Under a separate agreement, CRWA provides SAWS 2,800 acre-feet annually of groundwater from the Carrizo-Wilcox Aquifer in Gonzales and Guadalupe Counties, known as the Wells Ranch Project. The agreement between SAWS and CRWA for the purchase of water from the Wells Ranch Project expires in 2047 but includes an extension option.

SAWS has an unconditional obligation to pay debt service on various bonds issued by CRWA for improvements to the Lake Dunlap, Mid-Cities, and the Wells Ranch Projects that benefit the production of water for SAWS. The obligation to pay the debt service to CRWA is a Maintenance and Operating expense of SAWS.

WATER TRANSMISSION AND PURCHASE AGREEMENT FOR CARRIZO AND SIMSBORO AQUIFER WATER

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

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

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

Production and Transportation Permits. Blue Water has received production and transportation permits for the Project Water from the Post Oak Savannah Groundwater Conservation District (“POSGCD”). POSGCD is currently participating with other groundwater districts in Groundwater Management Area 12 (“GMA 12”) in the statutorily required planning process to determine the Desired Future Conditions (“DFCs”) of the Simsboro and Carrizo Aquifers, which includes the Project’s wellfield. The DFCs are the desired aquifer levels at certain future benchmark periods, expressed as maximum aquifer draw-down levels. This planning process allows POSGCD to manage production levels and permits for production.

Vista Ridge interests have also been involved in the GMA 12 meetings to represent the Project’s interest in maintaining the full volume of permitted production. This planning process could result in a regulatory permit reduction at some future date. A ruling by the POSGCD in April 2023 granted a temporary amendment to the production permit through August 31, 2023, to increase the instantaneous flow rate from certain Simsboro Aquifer production wells to increase the production ratio from 70/30 Simsboro/Carrizo to a higher ratio of Simsboro water in order to shift more production into deeper sections of the aquifer. The Project company submitted a permit application in January 2025 to make permanent the instantaneous values from the Simsboro Aquifer wells tested under the temporary permit. The District is expected to rule on the permit application in fall 2026. The Project Company remains in conversation with the groundwater district about the appropriate blending ratio to achieve the DFCs.

Primary Project Participants. Initially, Vista Ridge was owned and controlled by Ridgewood Infrastructure (“Ridgewood”), the entity that held the majority interest. Upon Ridgewood’s solicitation of offers, Ullico Infrastructure Vista Ridge Holdco, LLC (“Ullico”), was selected to purchase the majority interest in Vista Ridge. The Board approved Ullico’s prospective purchase on October 1, 2024 and the transaction closed on October 3, 2024. The System retains approval rights over a transfer of a majority interest in Vista Ridge. The Project is operated by EPCOR Services, Inc. (“EPCOR”) under an operating service agreement having a primary 30-year term (ending contemporaneously with the initial term of the Agreement). EPCOR also owns a minority equity interest in Vista Ridge.

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

for, but not received, is accounted for, and pursuant to the terms of the Agreement, will be provided to SAWS at a future date at no additional cost. The dollar amount of such “prepaid” Project Water purchases is recorded as a prepaid System asset.

Between April 15, 2020 and December 31, 2025, SAWS has paid for approximately 12,691 acre-feet of Project Water that it was unable to receive. As such, SAWS has recorded a prepaid asset totaling approximately \$3.8 million. Given the priority of water deliveries and payments, it is currently estimated it will take a number of years to fully amortize this prepaid Project Water amount.

From February 14, 2021 through February 19, 2021, the continental United States experienced Winter Storm Uri (the “2021 Event”) resultant from the southern migration of a polar vortex that meteorologists characterized as the most significant in terms of scope and duration since monitoring of these weather phenomenon began in the 1950s. During the 2021 Event, the Project was shut down from February 15 through February 23, 2021 because of power outages and freezing weather. This shutdown resulted in approximately 1,080 acre-feet of Project Water that was unable to be delivered to SAWS. As provided in the Agreement, SAWS did not pay for water that was not made available. As of early April 2024, Vista Ridge has completed delivery of all supply shortfalls accrued as a result of the weather shutdown. In response to the 2021 Event, EPCOR has added heat tape to smaller gauges to prevent freezing during future events and has wrap insulation readily available to wrap all meters if needed.

For the year ending December 31, 2025, Vista Ridge made available to SAWS, and SAWS accepted 50,238 acre-feet of Project Water.

Groundwater Leases. On November 22, 2021, Metropolitan Water Company, LP (“Met Water”), the entity that originally signed the groundwater leases, that were then assigned to Blue Water, filed for Chapter 11 (business reorganization) bankruptcy protection. The adverse parties in the Met Water bankruptcy have reached settlement, and the final proposed settlement in the bankruptcy has been set for approval by the Motion to Approve Compromise and Settlement of the last adversary in the bankruptcy on August 11, 2025. Ongoing litigation between Met Water and Blue Water concerning, primarily, the distribution of Project royalties between the two parties was resolved, and on May 29, 2025, the Fourteenth Court of Appeals affirmed the trust structure and held that Met Water is permanently enjoined from taking any new lease in replacement of or in connection with any Vista Ridge Leases. The groundwater leases are currently held in trust to insulate their effectiveness from the impacts or results of litigation. While the parties continue to have court proceedings relating to the settlement, SAWS is monitoring the proceedings, and at this time does not believe the proceedings constitute a substantive risk to the Project.

MEDINA LAKE AND RIVER SYSTEM

The Medina Lake and River System consists of a 650 square mile drainage area upstream of the confluence of Medio Creek, Potranco Creek, and the Medina River. The surface runoff from about two-thirds of the Medina Valley is upstream of Medina Lake. SAWS owns and leases approximately 10,000 acre-feet per year of municipal surface water rights in the Medina Lake and River System. These “run-of-river” rights have minimum downstream flow restrictions that prohibit diversions when streamflow gets below 20 cubic feet per second (“cfs”).

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

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

CONSERVATION

General. SAWS recognizes that the effort to promote conservation is a cost-efficient approach at minimizing the increase in demand for water caused by population growth. Beginning in 1994, SAWS implemented progressive water conservation programs aimed at reducing the total amount of water used. These programs target both indoor and outdoor residential, commercial, and industrial uses.

The City’s long-standing commitment and investment in water conservation and infrastructure improvements has yielded its largest water supply. SAWS’ total per capita water consumption has decreased significantly from 154 gallons per capita per day (“GPCD”) in 1992 to 114 GPCD in 2025, which has resulted in approximately 2.5 million acre-feet of cumulative savings. Using today’s larger population, a total per capita of 154 GPCD would require an additional 104,000 acre-feet of water per year. SAWS has successfully cultivated an ethic of conservation, invested in infrastructure over the past 30+ years and effectively reduced GPCD by over 38 percent, all while SAWS’ service area population has grown by approximately 230%.

As indicated in the 2025 Water Management Plan, water conservation continues to be a strategy for long-term water supply. By 2070, conservation investments are projected to result in approximately 4.3 million acre-feet of cumulative water savings since, with a goal to reduce single family residential consumption to 42 GPCD by 2075 and total consumption (to include commercial, industrial, and non-revenue water) to 87 GPCD by 2075.

Several initiatives have contributed to SAWS' progress in extending the City's water supplies through conservation and innovation:

- Over 4.6 million square feet of water-intensive grass has been replaced with low water-use plants or permeable patios through WaterSaver Coupon programs since their inception.
- WaterSaver Irrigation Consultations have provided over 21,000 home irrigation and landscape education visits since 2017, providing over 35 million gallons of savings a year.
- The GardenStyleSA.com website and e-newsletter providing timely City-focused low water use landscape information to reduce outdoor watering.
- The public-private partnership with Vista Ridge to provide up to 50,000 acre-feet per year of groundwater from Burleson County, Texas is recognized globally as a benchmark agreement in water projects.

Strategies to Save Water. Conservation results are achieved through a combination of education and outreach, reasonable regulation, and financial incentives. Education is provided through workshops and events offered directly by staff and through partnerships with expert volunteers. Over 41,000 people receive face-to-face education on how to save water through these efforts each year.

Regulations that save water are negotiated with impacted stakeholder groups to determine where it is logical to set a conservation standard for a particular activity. An example is regulations that set standards to ensure that swimming pools are designed to operate as efficiently as possible. Other regulations set efficiency standards for landscape and irrigation, power washing, decorative fountains, and car wash operations.

Financial incentives include a tiered rate structure, free conservation supplies, rebates for efficiency upgrades and coupons that offset material costs. Each incentive is designed to achieve a change in how water is used for a particular activity. The incentives are evaluated to assess the cost per gallon of water saved to ensure that they acquire water savings at a rate lower than the cost of new water. The new focus on peak water savings has resulted in procedures that place a higher financial incentive on programs that result in landscape irrigation reductions than on programs that reduce the year-round baseline use of water.

Residential Conservation Programs. Residential conservation programs encourage customers to save water and ensure that their landscape and irrigation practices are efficient. A variety of education and rebate incentive programs are available to help ratepayers understand how following best practices can save water and money. Customers learn about these programs through the System's website, public events, direct mail inserts in bills, paid advertisements, and educational materials in popular local periodicals. The System's most effective residential programs for water use reduction include the following:

Conservation Consultations provide the System's ratepayers with a free analysis of their in-ground irrigation system and landscape care needs. Trained conservation consultants visit homes to review each component of irrigation systems to determine maintenance needs to make suggestions for improving efficiency. Customers are invited to participate in the review process to get the maximum benefit from the site visit. A report that outlines any necessary maintenance repairs, suggestions for design improvements and how much water the system uses is provided to customers. The consultation visit includes suggestions and rebate incentive amounts available for making suggested design improvements. Customers are advised of ways to further reduce outdoor consumption by adjusting irrigation scheduling and by considering other landscape options.

Conservation Coupons provide instant incentive savings to customers who wish to make changes in their landscape or irrigation system. The coupons offset the upfront costs associated with transforming portions of their traditional landscape to attractive bedding areas comprised of hardy, drought-tolerant plants. The incentives require customers to replace grass with lower water use options in the same space, and to remove irrigation in the space, if present. Coupon packages are offered several times per year and reflect seasonal plant offerings available in locally owned plant nurseries. Recently, the Outdoor Living Rebate program was developed to help customers replace grass with a beautiful, functional outdoor living space.

Irrigation Design Rebates are designed to make an irrigation system more efficient or remove it altogether and receive a rebate to help cover the cost. During a conservation consultation, trained consultants work with local irrigators to help identify design flaws in a customer's irrigation system that, if changed, can result in water savings, healthier landscapes, and rebates.

Flow Sensor Rebate provides an incentive for residential customers to purchase a flow sensor from an approved list. The flow sensors provide near real time feedback on water use at homes enabling customers to trouble shoot high bills and find costly leaks faster. Flow sensors have been one of SAWS' most popular incentive programs in the past two years making this an excellent transition for AMI investments that may provide flow data for all SAWS' customers.

Plumbers to People provides leak repairs and retrofits to qualified low-income homeowner customers. The System qualifies applicants based on the current Federal Assistance Guidelines. Only leaks that result in a loss of potable water are eligible for repair under the program. Water conservation is achieved by quickly repairing leaks that would otherwise continue due to the cost of repairs. With the recent installation of our Advanced Meter Infrastructure system, customers with leaks are able to be identified more proactively. Identified households are sent letters offering a conservation assessment. Contracted plumbers provide services that include replacement of high flow fixtures and repair of minor potable water leaks.

Garden Style San Antonio website (www.GardenStyleSA.com) is a one stop resource for inspiring designs, information on drought-hardy plants, and regional expert advice to help SAWS' customers transform their landscapes into a water-saving showpiece. The website was launched in May 2014. During 2025, the popular site had over 1 million visits by over 384,768 unique users.

GardenStyleSA e-Newsletter is a weekly free newsletter provided to 33,000 individuals who want expert advice on how to take care of their landscape. It includes timely lawn irrigation advice that is based on current weather conditions. Local horticulture experts provide weekly articles

on seasonal landscape care featuring plants that thrive in the City. Incentive programs and local educational events are promoted. A gardening expert (the Garden Geek) responds to regularly submitted questions.

Commercial Conservation Programs. Commercial customers account for approximately 5.5 percent of the System’s customer base but represent approximately 40 percent of the System’s annual water sales by volume; therefore, there is great potential for both water and monetary savings through the System’s commercial conservation programs. The System has been working closely with commercial customers for the past 20 years to help them conserve water, maintain profitability, and become a water wise corporate partner. Water audits and case-by-case custom rebates for retrofits are also available. The System’s most effective programs for commercial and industrial water use reduction include the following:

Irrigation Design Rebates provide an incentive for commercial properties to upgrade older, water wasting irrigation equipment with newer options that apply water more efficiently. Rebates are available to zone irrigation areas by plant material, to convert spray irrigation to drip and to cap areas that do not require irrigation.

Irrigation Check-Up is a regulation that requires managers of large irrigation systems to submit an “Irrigation Check Up” report to SAWS once per year. Large systems are defined as any system using over 1 million gallons of water per year or those located on over five acres of property. The process helps managers of large irrigation systems better understand their usage patterns and be in control of their substantial water bills which reduces high bill complaints. Analysis of savings suggests that this cooperative effort is one of the most effective water savings measures in the portfolio of programs saving nearly 76 million gallons of water per year.

Commercial Custom Rebate Program allows commercial water users of all sizes to apply on a case-by-case basis for rebates to install water conserving equipment. The rebate pays for part of the costs of equipment changes based on the water projected to be saved over a ten-year period. The program requires a pre-audit, a pre-inspection, and on-going verification of water savings and is mutually beneficial between commercial customers and SAWS. The rebate is enticing for the business as it allows water saving projects to become economically feasible while at the same time maintaining the company’s market competitiveness. Additionally, after the technology is installed, the business will see a decrease in overhead cost as they are using less water for the same amount of product. For SAWS, the rebate provides an investment in permanent water savings. The water saved can be used to service other customers and alleviate the pressure to pump from other water sources.

Cooling Tower Consultations help businesses manage their cooling towers as efficiently as possible. This program provides free consultations on all cooling towers within the System’s service area. A cooling tower review provides the customer with detailed advice on their specific operation, as well as recommendations for achieving water and energy savings through increased cycles of concentration, capture of blowdown water for reuse in other applications, or installation of other water conserving equipment.

Landscape & Irrigation Consultations allow conservation staff to work with irrigation and landscape professionals and with building managers to put best management practices in place as businesses are finding that irrigation consumption can account for a significant amount of their total water usage. These visits include a review of the overall site plan, the landscape maintenance plan, irrigation system quality, and irrigation scheduling. Customers are left with information on retrofits to improve efficiency and irrigation scheduling advice. As part of the site analysis, custom rebates may be approved to encourage irrigation upgrades.

Increased Oversight on Irrigation Standards. Water used for landscapes is considered discretionary and can amount for the highest water use at many properties, especially residential properties. The Texas Commission on Environmental Quality (“TCEQ”) enforces standards for irrigation systems to conserve water and protect public health. Updates to the System’s Utility Service Regulations in 2024 turned over irrigation plan review and inspection from the City to the System’s Conservation Department. New irrigation system plans are required to be approved before installation to ensure they meet TCEQ standards, followed by an operational inspection after the system is installed. These reviews result in improved quality of irrigation systems and landscape standards being met more efficiently.

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DEBT AND OTHER FINANCIAL INFORMATION

COMBINED SYSTEM REVENUE DEBT SERVICE REQUIREMENTS⁽¹⁾

FYE (Dec. 31)	SAWS Current Debt Service			The Bonds		Total Projected Debt Service			
	Senior Lien Bonds	Junior Lien Bonds ⁽¹⁾⁽⁵⁾	Subordinate Lien Bond ⁽²⁾⁽³⁾⁽⁴⁾	Principal ⁽⁶⁾	Interest ⁽⁶⁾	Senior Lien Bonds	Junior Lien Bonds ⁽¹⁾⁽⁵⁾	Subordinate Lien Bond ⁽²⁾⁽³⁾⁽⁴⁾	Total ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾
2026	\$8,546,875	\$219,983,496	\$10,276,662	-	-	\$8,546,875	\$219,983,496	\$10,276,662	\$238,807,033
2027	7,351,875	209,256,306	10,276,662	-	\$2,408,841	7,351,875	211,665,147	10,276,662	229,293,684
2028	6,553,500	217,136,887	10,279,047	-	4,817,681	6,553,500	221,954,568	10,279,047	238,787,115
2029	7,343,000	229,152,223	10,330,588	-	4,817,681	7,343,000	233,969,904	10,330,588	251,643,492
2030	7,295,750	228,640,365	10,248,507	-	4,817,681	7,295,750	233,458,046	10,248,507	251,002,303
2031	7,251,750	218,232,969	10,248,507	\$5,425,000	4,817,681	7,251,750	228,475,651	10,248,507	245,975,908
2032	7,249,500	218,175,493	10,279,047	5,700,000	4,546,431	7,249,500	228,421,925	10,279,047	245,950,472
2033	7,247,500	225,766,084	10,274,278	5,985,000	4,261,431	7,247,500	236,012,515	10,274,278	253,534,293
2034	7,250,125	232,574,855	10,276,662	6,280,000	3,962,181	7,250,125	242,817,036	10,276,662	260,343,824
2035	11,653,875	227,807,212	10,332,973	6,595,000	3,648,181	11,653,875	238,050,393	10,332,973	260,037,241
2036	11,652,500	224,215,918	10,222,737	6,925,000	3,318,431	11,652,500	234,459,349	10,222,737	256,334,586
2037	11,657,125	224,144,255	10,274,278	7,270,000	2,972,181	11,657,125	234,386,436	10,274,278	256,317,839
2038	11,656,500	225,875,410	10,276,662	7,635,000	2,608,681	11,656,500	236,119,091	10,276,662	258,052,254
2039	11,664,250	222,947,877	10,276,662	8,015,000	2,226,931	11,664,250	233,189,808	10,276,662	255,130,721
2040	5,458,125	207,371,519	10,335,204	8,415,000	1,826,181	5,458,125	217,612,700	10,335,204	233,406,029
2041	-	162,578,315	10,246,276	8,840,000	1,405,431	-	172,823,747	10,246,276	183,070,023
2042	-	161,587,624	10,248,507	9,280,000	963,431	-	171,831,055	10,248,507	182,079,562
2043	-	152,948,655	10,276,662	9,745,000	499,431	-	163,193,087	10,276,662	173,469,749
2044	-	152,742,534	10,279,047	-	-	-	152,742,534	10,279,047	163,021,581
2045	-	144,855,993	10,274,278	-	-	-	144,855,993	10,274,278	155,130,271
2046	-	135,532,940	10,332,973	-	-	-	135,532,940	10,332,973	145,865,912
2047	-	125,351,822	10,248,507	-	-	-	125,351,822	10,248,507	135,600,329
2048	-	105,493,933	31,214,804	-	-	-	105,493,933	31,214,804	136,708,736
2049	-	73,726,893	50,379,926	-	-	-	73,726,893	50,379,926	124,106,819
2050	-	72,616,125	50,380,761	-	-	-	72,616,125	50,380,761	122,996,886
2051	-	49,983,744	50,373,515	-	-	-	49,983,744	50,373,515	100,357,259
2052	-	33,811,538	50,382,386	-	-	-	33,811,538	50,382,386	84,193,924
2053	-	16,579,922	50,372,148	-	-	-	16,579,922	50,372,148	66,952,070
2054	-	-	50,373,976	-	-	-	-	50,373,976	50,373,976
2055	-	-	24,038,920	-	-	-	-	24,038,920	24,038,920
	<u>\$129,832,250</u>	<u>\$4,719,090,901</u>	<u>\$583,631,166</u>	<u>\$96,110,000</u>	<u>\$53,918,491</u>	<u>\$129,832,250</u>	<u>\$4,869,119,392</u>	<u>\$583,631,166</u>	<u>\$5,582,582,809</u>

Note: FY2026 represents full year of debt service, despite payments that have been made to date

⁽¹⁾ For purposes of illustration, interest on the Bonds is calculated at the actual rate of 1.00% through October 31, 2026 and at an assumed rate thereafter.

⁽²⁾ For purposes of illustration, interest on the City of San Antonio, Texas Water System Subordinate Lien Revenue Refunding Bonds, Series 2024A is calculated at a rate of 3.25% through maturity of the bonds. While such obligations accrue interest at a variable rate, actual interest paid will vary dependent on market conditions.

⁽³⁾ For purposes of illustration, interest on the City of San Antonio, Texas Water System Subordinate Lien Revenue Bonds, Series 2025D is calculated at a rate of 3.25% through maturity of the bonds. While such obligations accrue interest at a variable rate, actual interest paid will vary dependent on market conditions.

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

⁽⁵⁾ Excludes the Refunded Obligations, with the exception of the portion of accrued and paid interest through the estimated delivery of the refunding bonds.

⁽⁶⁾ Preliminary, subject to change.

INTEREST RATE HEDGE TRANSACTION

To hedge against changes in interest expense associated with the Subordinate Lien Obligations designated as the “City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B” (the “2003 Subordinate Lien Obligations”), which were issued in a weekly interest reset mode, the City has entered into an agreement with JPMorgan Chase Bank, National Association, as the successor in interest to Bear Stearns Financial Products Inc. Under the agreement, the City must pay any excess monthly (and the counterparty must pay any deficit monthly) of 4.18% per annum over the Municipal Swap Index published by The Securities Industry and Financial Markets Association applied to a specified notional amount that reduces annually through the date of stated termination on May 1, 2032. The City’s obligations under the agreement, both scheduled payments and termination payments (subject to the policy’s terms and conditions, including policy limits upon termination), are insured by MBIA Insurance Corporation (“MBIA”); the counterparty’s obligations are not insured or guaranteed. In February 2009, MBIA ceded its United States public finance book of business (which includes the aforementioned hedge insurance policy) to subsidiary MBIA Insurance Corp. of Illinois, which has been renamed National Public Finance Guarantee Corp. The City and the counterparty may each terminate the agreement if the other party (or in some cases, its insurer) commits an event of default (including under other specified transactions and indebtedness) or certain acts of insolvency or may not legally perform its obligations under the agreement, or merges or otherwise combines with or transfers substantially all of its assets to a materially less creditworthy entity. In that case, neither party may terminate the agreement without the consent of MBIA. The counterparty may also terminate the agreement if (i) MBIA defaults on the hedge insurance policy, (ii) MBIA fails to maintain an “A3” rating from Moody’s Investors Service, Inc. (“Moody’s”) and an “A-” rating from S&P Global Ratings (“S&P”) (the counterparty’s ability to exercise the right to terminate upon the occurrence of either of (i) or (ii) requires also that an event of default occurs and is continuing with respect to the City or a termination event occurs and is continuing with respect to the City), or (iii) the ratings assigned to the Senior Lien Obligations are reduced below “A1” by Moody’s or “A+” by S&P and the claims paying ability of MBIA are reduced below “A2” by Moody’s or below “A” by S&P. Under certain circumstances, MBIA may exercise the parties’ termination rights. If either party terminates the agreement, the City must pay to the counterparty (or the counterparty must pay to the City) the mean or median average of amounts quoted by leading dealers to be paid to or by the counterparty to enter into an economically equivalent agreement with the counterparty, regardless of whether the City or the counterparty was the defaulting party.

The City’s obligations under the agreement are secured by a lien on the Net Revenues of the System on parity with the lien securing the 2003 Subordinate Lien Obligations and other Additional Subordinate Lien Obligations, except that the lien securing any uninsured portion of the City’s termination obligations is subordinate to that lien. Any amounts received by the City under the agreement will be revenues of the System. They will not be available to pay the 2003 Subordinate Lien Obligations unless Net Revenues remain after paying debt service due on the Senior Lien Obligations and the Junior Lien Obligations. The counterparty’s indexed obligations under the agreement are expected to correlate closely to the City’s interest obligations on the 2003 Subordinate Lien Obligations and Commercial Paper Notes so long as the credit of the credit enhancer and liquidity bank and the tax-exempt status on the 2003 Subordinate Lien Obligations and Commercial Paper Notes are maintained. If the counterparty’s obligations do not correlate closely, or if the counterparty defaults in payment under the agreement, the City would be exposed to possible increases in the rate of interest on the 2003 Subordinate Lien Obligations and Commercial Paper Notes.

The System still considers the swap agreement to be a valuable variable rate management tool within its debt portfolio. Accordingly, the System negotiated amendments to the swap agreement, effective June 16, 2009, with JPMorgan Chase Bank, National Association and MBIA to amend the swap agreement to allow the remaining 2003 Subordinate Lien Obligations outstanding to be redeemed with Commercial Paper Notes, while maintaining the swap agreement as an existing obligation to all parties. These amendments provide for the conditional release of MBIA’s swap insurance policy upon the occurrence of certain future events. The System redeemed the remaining 2003 Subordinate Lien Obligations on June 24, 2009 with Commercial Paper Notes. See “COMMERCIAL PAPER NOTE PROGRAM” herein. No such 2003 Subordinate Lien Obligations are currently outstanding; \$44,520,000 in Commercial Paper Notes used to redeem 2003 Subordinate Lien Obligations are currently outstanding.

If the swap agreement is terminated, the City could be obligated to make a substantial payment to the counterparty, depending on market conditions. As of August 31, 2026, the termination payment that the City would be liable for, if the swap agreement were terminated on such date, would be \$1.7 million (unaudited and unverified). Prospective investors should be aware that the value of the termination payments varies day to day and that such valuation herein provided represents an unaudited and unverified estimate provided to SAWS by JPMorgan Chase Bank, National Association, as the swap counterparty. For more information concerning the swap agreement, see Note G to SAWS’ Annual Comprehensive Financial Report for the fiscal year ended December 31, 2025 which provides the System’s recent audited operating results and is available through SAWS’ website at www.saws.org. The City may also enter into other interest rate hedging transactions payable from System revenues in the future, with comparable risks, although no such transactions are currently contemplated.

PENSION FUNDS

The System’s retirement program includes benefits provided by Texas Municipal Retirement System (“TMRS”), a State-wide multi-employer public retirement plan, and the San Antonio Water System Retirement Plan (“SAWSRP”), which serves as a supplement to TMRS. SAWSRP is a single-employer plan administered by the Principal Financial Group. SAWSRP has a defined benefit component covering employees hired prior to June 1, 2014 and a defined contribution component covering employees hired on or after June 1, 2014. The System makes annual contributions to TMRS and the defined benefit component of the SAWSRP equal to the actuarially determined contribution amounts. The System makes contributions to separate retirement accounts for eligible employees participating in the defined contribution component of the SAWSRP in accordance with the provisions of the plan, which currently require a System contribution equal to four percent of eligible employees’ compensation.

The System is also the plan sponsor of the District Special Project Retirement Income Pension Trust Fund (“Retirement Income Plan”), which is a single-employer defined benefit pension plan that covers eligible former employees of the former BexarMet. In 2008, the Retirement Income Plan was frozen for both future benefit accruals and new entrants to the plan. Annual contributions to the Retirement Income Plan are based on the actuarially determined contribution amounts.

Based on a roll forward of the most recent, audited actuarial valuation, the net pension asset for the Retirement Income Plan was \$1.8 million and the cumulative net pension liability for SAWSRP and TMRS was \$2.2 million as of the valuations dated either December 31, 2024 or January 1, 2025. This represents a cumulative funded ratio of 97.0%. These plans' liability amounts are based upon assumed discount rates of 6.25% for the SAWSRP, 5.75% for the Retirement Income Plan, and 6.75% for TMRS.

For further information with respect to the System's audited pension liabilities, please refer to Note J and the Required Supplemental Information of the System's Annual Financial Report for the year ended December 31, 2025. (See "APPENDIX B – EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM ANNUAL COMPREHENSIVE FINANCIAL REPORT".)

OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

The System provides certain postretirement medical and life insurance benefits to qualified employees, their spouses, and other dependents through a single-employer defined benefit plan administered by the System. The authority to establish and amend the OPEB provisions is vested in the System's Board.

By State law, any employee that retires under either the TMRS or SAWSRP is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS' employees. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Retirees may also purchase coverage for their spouse at group rates partially subsidized by SAWS. Beginning January 1, 2015, retirees age 65 or older participate in a fully-insured Medicare Advantage healthcare plan sponsored by the System.

Based on a roll forward of the most recent audited actuarial valuation dated January 1, 2025, the net OPEB asset for this plan was \$52.1 million, and there was no annual required contribution for 2025. This represents a total funded ratio of 154.7%. Prior to 2012, the System funded all obligations arising under these plans on a pay-as-you-go basis. In March 2012, SAWS established an OPEB Trust for the exclusive purpose of providing benefits to eligible retirees and their dependents. During 2025, the System did not make contributions to the OPEB Trust or fund pay-as-you-go costs.

For further information with respect to the System's audited OPEB liabilities, please refer to Note K and the Required Supplemental Information of the System's Annual Financial Report for the year ended December 31, 2025. (See "APPENDIX B – EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM ANNUAL COMPREHENSIVE FINANCIAL REPORT".)

CAPITAL IMPROVEMENT PROGRAM

The following is a proposed five-year CIP for the System. It is the intention of the System to fund the program with long-term bonds, tax-exempt commercial paper, impact fees, and excess System revenues. The System contemplates the following summary of capital improvement projects during calendar year 2026:

- \$84.7 million is budgeted for the wastewater treatment program to repair/replace/upgrade treatment facilities and provide capacity for future growth;
- \$100.2 million is budgeted to replace sewer and water mains;
- \$4.9 million is budgeted for new sewer and water mains;
- \$27.2 million is budgeted for the governmental replacement and relocation programs; and
- \$4.0 million is budgeted for the chilled water system.

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

	Capital Improvement Projections*					
	Fiscal Year Ended December 31,					
	2026	2027	2028	2029	2030	Total
Water Supply	\$ 3,498,000	\$16,933,000	\$5,496,749	\$196,611,113	\$124,697,726	\$347,236,588
Water Delivery	99,500,094	93,198,000	282,775,654	213,268,388	174,403,731	863,145,867
Wastewater	150,455,775	450,146,700	193,786,630	225,729,679	379,714,573	1,399,833,357
Chilled Water	4,569,601	6,575,159	6,625,000	6,625,000	6,625,000	31,019,760
Total Annual Requirements	\$ 258,023,470	\$566,852,859	\$488,684,033	\$642,234,180	\$685,441,030	\$2,641,235,572

* Preliminary, subject to change.

PROJECT FUNDING APPROACH

The table on the following page was prepared by the System staff based upon information and assumptions it deems reasonable, and shows the projected financing sources to meet the projected capital needs.

	Projected Funding Sources*					
	Fiscal Year Ended December 31,					
	2026	2027	2028	2029	2030	Total
Revenues	\$90,877,882	\$58,865,135	\$68,981,759	\$92,006,385	\$117,828,898	\$428,560,059
Impact Fees	84,000,000	96,000,000	84,000,000	119,000,000	90,000,000	473,000,000
Debt Proceeds	83,145,588	411,987,724	335,702,274	431,227,795	477,612,132	1,739,675,513
Total	\$ 258,023,470	\$566,852,859	\$488,684,033	\$642,234,180	\$685,441,030	\$2,641,235,572

* Preliminary, subject to change.

INVESTMENT INFORMATION

Available investable funds of the System, acting on behalf of the City, are invested as authorized and required by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Investment Act"), and in accordance with an Investment Policy approved by the Board of the System. The Investment Act requires that the System establish an investment policy to ensure that City funds are invested only in accordance with State law. The most recent update to the investment policy was adopted on December 9, 2025. The System's investments are managed by its Senior Vice President/Chief Financial Officer, Senior Director/Treasurer, and the Manager-Treasury, who, in accordance with the Investment Policy, reports investment activity to the Board.

Legal Investments. Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for System deposits, and in addition (b) the System is authorized, subject to certain conditions, to invest in certificates of deposit with a depository institution that has its main office or branch office in the State and that participates in the Certificate of Deposit Account Registry Service® network ("CDARS®") and as further provided by Texas law, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), commercial paper or corporate bonds and require the security being purchased by the City or cash held by the City to be pledged to the City, held in the City's name and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer or a financial institution doing business in the State, (8) bankers' acceptances with the remaining term of 365 days or less from the date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with the remaining term of 270 days or less from the date of issuance that is rated at least "A-1" or "P-1" or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that comply with federal SEC Rule 2a-7, (11) no-load mutual fund registered with the SEC that: have an average weighted maturity of less than two years; and either has a duration of one year or more and is invested exclusively in securities authorized by the Investment Act, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities, (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or "AAA-m" or its equivalent, (13) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, and (14) bonds issued, assumed or guaranteed by the State of Israel. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract subject to the limitations set forth in the Investment Act.

Entities such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (14) above, (b) pledged irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) and clause (14) above, clause (9) above and clauses (10) and (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to such investing entity or a third party designated by such investing entity; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The System may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pool is rated no lower than “AAA” or “AAA-m” or an equivalent by at least one nationally recognized rating service. The System is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

Additional Provisions. Under Texas law, the System is additionally required to (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution; (3) require any investment officers with personal business relationships or relative with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the registered principal of firms seeking to sell securities to the System to (a) receive and review the System’s investment policy; (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities; and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the System’s investment policy; (6) provide specific investment training for the Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investments of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the System’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in the investment transactions with the System.

Current Investments. As of June 30, 2026 (unaudited), investable System funds were 59.08% invested in investment pools and fixed rate investment pools, 29.95% invested in obligations of the United States, or its agencies and instrumentalities, 7.80% invested in municipal securities and 3.17% invested in money market funds. The investments and maturity terms are consistent with State law, and SAWS’ investment policy, which objectives are to preserve principal, limit risk, maintain diversification and liquidity, and to maximize interest earnings.

The market value of such investments (as determined by SAWS by reference to published quotations, dealer bids, and comparable information) was approximately 100.22% of their book value, with 81.33% of the System’s investments maturing in less than one year. No funds of SAWS are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

As of June 30, 2026, the System funds were invested in the following categories (data presented is unaudited):

	Percentages	Carrying Amount ⁽¹⁾	Market Value
Money Market Deposits	3.17%	\$ 42,575,760	\$ 42,575,760
U.S. Treasury Notes	7.30%	97,914,998	97,902,590
U.S. Agency Notes	12.28%	164,796,783	164,499,960
Investment Pools	41.87%	561,822,288	561,822,288
Fixed Rate Investment Pools	17.21%	231,000,000	231,000,000
Municipal Bonds	7.80%	104,663,896	104,521,367
Collateralized Mortgage Obligations	10.37%	139,175,034	142,558,149
Total	100.00%	\$ 1,341,948,759	\$ 1,344,880,114

⁽¹⁾ At amortized cost.

SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION

The following Statistical Section (including certain historical financial information presented in this Remarketing Memorandum in table format was derived from SAWS' internal financial records and the presentation format itself was not audited) is included in SAWS' Annual Financial Report for the year ended December 31, 2025, which is available in its entirety at www.saws.org/who_we_are/Financial_Reports/CAFR. SAWS follows GASB Statement No. 34, which requires the preparation of a Management's Discussion and Analysis ("MD&A") in connection with the annual financial report of SAWS. Reference is hereby made to APPENDIX B for the MD&A pertaining to the SAWS' Fiscal Year ended December 31, 2025. Certain interim financial reports are made available periodically by SAWS to the general public and are accessible at <http://www.saws.org>.

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, operating costs, water, wastewater, and other industry regulation, environmental regulation, economic growth of the community, population, weather, and other matters the nature and effect of which cannot at present be determined.

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

	2025	2024	2023*	2022*	2021	2020	2019	2018	2017	2016
Net Position:										
Net investment in capital assets	\$4,496,266	\$4,199,734	\$3,915,779	\$3,521,956	\$3,182,415	\$2,966,647	\$2,758,354	\$2,353,841	\$2,217,283	\$2,106,957
Restricted for operating reserve	90,578	87,710	83,839	78,553	75,675	72,664	58,408	56,642	54,143	52,279
Restricted for debt service	64,063	53,852	57,209	63,465	66,283	74,095	67,380	64,086	59,719	60,396
Restricted for debt service reserve	13,787	12,669	12,887	12,275	16,984	17,938	23,122	54,702	56,364	56,016
Restricted for construction	211,017	187,623	149,299	192,883	243,927	211,917	163,313	209,204	188,227	150,198
Restricted for pension benefits	42,599	43,095	44,640	61,460	3,568	503	-	-	-	-
Unrestricted	683,303	656,577	654,758	539,219	473,874	419,457	359,938	367,220	278,542	187,503
Total Net Position	<u>\$5,556,613</u>	<u>\$5,241,260</u>	<u>\$4,918,411</u>	<u>\$4,469,811</u>	<u>\$4,062,726</u>	<u>\$3,763,221</u>	<u>\$3,430,515</u>	<u>\$3,105,695</u>	<u>\$2,854,278</u>	<u>\$2,613,349</u>

* 2023 and 2022 were restated in 2024 due to the implementation of GASB Statement No. 101. See Note O in APPENDIX B for more information.

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San Antonio Water System
Schedule 2 – Change in Net Position
(accrual basis of accounting)
(amounts in thousands)

	2025	2024	2023*	2022 ^(a)	2021	2020 ^(b)	2019	2018	2017	2016
Operating Revenues:										
Water delivery	\$257,734	\$239,837	\$229,736	\$244,748	\$215,484	\$223,076	\$229,203	\$218,399	\$202,264	\$190,913
Water Supply	312,192	311,659	321,506	325,485	273,008	295,682	218,842	202,674	202,143	185,037
Wastewater	313,632	301,527	299,438	295,162	280,014	266,265	274,519	259,124	250,977	234,966
Chilled water & steam	14,992	13,930	12,090	11,712	10,826	9,894	10,615	10,849	11,368	11,541
	<u>898,550</u>	<u>866,953</u>	<u>862,770</u>	<u>877,107</u>	<u>779,332</u>	<u>794,917</u>	<u>733,179</u>	<u>691,046</u>	<u>666,752</u>	<u>622,457</u>
Operating expenses before depreciation:										
Salaries and fringe benefits	239,226	212,039	198,619	149,045	154,788	163,910	162,445	149,970	148,058	142,315
Contractual services	236,172	235,306	223,188	216,121	203,552	184,517	173,187	171,032	168,350	170,845
Materials and supplies	45,228	45,121	43,446	34,638	27,707	25,836	26,469	23,485	23,159	21,959
Other charges	(1,241)	333	(3,496)	(41,371)	(5,714)	(2,402)	6,726	11,718	11,150	12,702
Less: Costs capitalized to Construction in Progress	(48,486)	(45,894)	(39,118)	(30,647)	(31,244)	(29,921)	(30,743)	(31,612)	(32,275)	(32,426)
Operating expense before depreciation	<u>470,899</u>	<u>446,905</u>	<u>422,838</u>	<u>337,480</u>	<u>349,089</u>	<u>341,940</u>	<u>338,084</u>	<u>324,593</u>	<u>318,442</u>	<u>315,395</u>
Depreciation	<u>239,733</u>	<u>230,829</u>	<u>222,464</u>	<u>208,891</u>	<u>199,396</u>	<u>188,872</u>	<u>157,225</u>	<u>155,549</u>	<u>152,072</u>	<u>142,856</u>
Total operating expenses	<u>710,632</u>	<u>677,734</u>	<u>645,302</u>	<u>546,371</u>	<u>548,485</u>	<u>530,812</u>	<u>495,309</u>	<u>480,142</u>	<u>470,514</u>	<u>458,251</u>
Operating Income	187,918	189,219	217,468	330,736	230,847	264,105	237,870	210,904	196,238	164,206
Non-operating revenues/(expenses):										
Interest and miscellaneous	60,154	64,487	72,055	(24,053)	(1,654)	17,974	32,583	22,488	10,407	8,146
Interest expense on revenue bonds and CP	(114,177)	(111,591)	(107,112)	(92,590)	(92,318)	(90,874)	(96,420)	(88,542)	(86,615)	(86,566)
Interest expense on contract payable	(42,466)	(43,754)	(44,496)	(45,116)	(45,930)	(32,947)	-	-	-	-
Amortization of debt insurance costs	(4,755)	(2,551)	(1,876)	(2,857)	(2,293)	(3,667)	(2,627)	(1,711)	(1,385)	(4,716)
Other finance charges	(2,818)	(2,336)	(2,280)	(2,089)	(1,319)	(1,814)	(2,066)	(1,957)	(2,697)	(2,121)
Gain/(loss) on defeased debt	-	1,861	3,367	2,462	326	1,556	(664)	-	-	-
Gain on sale of capital assets	311	7,015	1,001	308	2,376	777	886	924	951	3,087
Payments to City of San Antonio	(36,185)	(34,884)	(34,460)	(34,262)	(30,162)	(31,043)	(21,917)	(18,287)	(17,276)	(14,228)
Payments to other entities	-	-	-	-	(23)	(93)	(99)	(101)	(108)	(109)
Total non-operating expense	<u>(139,936)</u>	<u>(121,753)</u>	<u>(113,801)</u>	<u>(198,197)</u>	<u>(170,997)</u>	<u>(140,131)</u>	<u>(90,324)</u>	<u>(87,186)</u>	<u>(96,723)</u>	<u>(96,507)</u>
Special Items	-	-	-	(7,200)	-	-	-	-	-	-
Increases (decreases) in net position, before capital contributions	47,982	67,446	103,667	125,339	59,850	123,974	147,546	123,718	99,515	67,699
Capital contributions:										
Plant Contributions	145,062	122,994	217,694	139,211	101,251	85,955	73,375	59,761	60,643	73,889
Capital Recovery Fees	102,606	126,008	115,747	129,788	136,963	119,571	94,641	79,794	72,846	67,991
Grant Revenue	19,703	6,381	11,492	12,747	1,441	3,206	9,258	6,435	7,925	3,866
Total contributions	<u>267,371</u>	<u>255,383</u>	<u>344,933</u>	<u>281,746</u>	<u>239,655</u>	<u>208,732</u>	<u>177,274</u>	<u>145,990</u>	<u>141,414</u>	<u>145,746</u>
Change in net position	<u>\$315,353</u>	<u>\$322,849</u>	<u>\$448,600</u>	<u>\$407,085</u>	<u>\$299,505</u>	<u>\$332,706</u>	<u>\$324,820</u>	<u>\$269,708</u>	<u>\$240,929</u>	<u>\$213,445</u>

* 2023 was restated in 2024 due to the implementation of GASB Statement No. 101. See Note O in APPENDIX B for more information.

^(a) Based on the permanent impairment of the Medina Treatment Plant in December 2022, the write-off of the carrying value was recorded as a Special Item.

^(b) Based on the commencement of the operational phase of the Vista Ridge Pipeline Project, a contract payable and the associated interest expense were added to the financial statements in April 2020.

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San Antonio Water System
Schedule 3 – Net Position in System
(accrual basis of accounting)
(amounts in thousands)

	2025	2024	2023*	2022*	2021	2020 ^(a)	2019	2018	2017	2016
Assets:										
Capital Assets,										
net of accumulated depreciation	\$9,002,363	\$8,483,589	\$8,000,711	\$7,485,969	\$7,118,529	\$6,840,293	\$5,649,427	\$5,266,084	\$5,051,777	\$4,886,091
Cash and Investments	1,566,986	1,456,451	1,467,913	1,452,772	1,380,260	1,216,526	949,290	1,025,791	924,958	928,593
Other Assets	161,476	162,902	158,018	172,077	110,071	102,945	89,317	83,770	87,530	80,976
Total Assets	10,730,825	10,102,942	9,626,642	9,110,818	8,608,860	8,159,764	6,688,034	6,375,645	6,064,265	5,895,660
Deferred Outflows of Resources										
Deferred Charge on Bond Refunding	12,336	15,588	17,886	21,332	22,005	26,681	35,076	42,048	48,055	54,317
Deferred outflows-pension	46,140	53,006	77,911	25,482	26,490	35,302	60,446	33,411	33,428	28,115
Deferred Outflows-asset retirement	42,246	43,252	44,314	35,462	32,108	32,299	32,354	32,511	-	-
Accumulated Decrease in Fair Value of Hedging Derivatives	1,817	993	2,396	1,553	10,357	15,014	12,256	9,332	11,857	12,965
Total Deferred Outflows of Resources	102,539	112,839	142,507	83,829	90,960	109,296	140,342	117,302	93,340	95,397
Liabilities:										
Revenue Bonds Payable (net)	3,847,853	3,571,349	3,370,392	3,292,580	3,207,001	3,034,045	2,735,075	2,834,570	2,735,739	2,840,282
Contract and Leases Payable	833,531	851,598	868,941	887,832	904,000	918,958	-	-	-	-
Commercial Paper Notes	216,305	171,375	224,945	229,585	234,020	218,260	281,815	215,695	278,060	241,610
Other Liabilities	340,471	351,355	343,180	222,006	221,530	281,833	367,967	313,140	287,200	293,023
Total Liabilities	5,238,160	4,945,667	4,807,458	4,632,003	4,566,551	4,453,096	3,384,857	3,363,405	3,300,999	3,374,915
Deferred Inflows of Resources										
Deferred inflows - pension	14,715	17,303	30,598	80,014	65,991	52,743	12,794	23,847	2,328	2,793
Deferred inflows – gain on bond refunding	20,584	7,906	8,723	8,555						
Deferred inflows – leases	3,292	3,635	3,959	4,264	4,552					
Total Deferred Inflows of Resources	38,591	28,844	43,280	92,833	70,543	52,743	12,794	23,847	2,328	2,793
Net Position in System	\$5,556,613	\$5,241,260	\$4,918,411	\$4,469,811	\$4,062,726	\$3,763,221	\$3,430,515	\$3,105,695	\$2,854,278	\$2,613,349
Percentage Net Position in System	51.3%	51.3%	50.3%	48.6%	46.7%	45.5%	50.2%	47.8%	46.4%	43.6%

* 2023 and 2022 were restated in 2024 due to the implementation of GASB Statement No. 101. See Note O in APPENDIX B for more information.

^(a) Based on the commencement of the operational phase of the Vista Ridge Pipeline Project, the associated capital assets and contract payable were added to the financial statements in April 2020.

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San Antonio Water System
Schedule 4 – Water Production, Water Usage, and Wastewater Treated
(gallons in millions)
Unaudited

Fiscal Year	Gallons of Water Production ^(a)	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated ^(b)	Total Direct Rate			
						Water		Sewer	
						Base Rate ^(c)	Usage Rate ^(d)	Base Rate ^(e)	Usage Rate ^(f)
2025	87,929	70,164	17,765	20.20%	56,782	\$ 11.19	\$ 23.68	\$ 10.05	\$ 15.44
2024	88,793	68,719	20,074	22.61%	55,505	11.20	23.72	10.06	15.60
2023 ^(g)	91,323	69,299	22,024	24.12%	55,379	11.21	23.72	10.06	15.65
2022 ^(g)	90,345	71,194	19,151	21.20%	54,474	13.03	24.83	14.59	14.24
2021 ^(g)	80,856	64,020	16,836	20.82%	52,435	13.03	24.88	14.59	14.24
2020 ^(g)	83,785	67,193	16,592	19.80%	49,891	13.03	24.88	14.59	14.24
2019	80,271	65,655	14,616	18.21%	50,142	13.02	19.63	14.59	14.24
2018	78,665	63,660	15,005	19.07%	50,775	12.97	19.16	13.51	13.18
2017	79,256	65,318	13,938	17.59%	50,945	11.82	18.15	13.04	12.72
2016	76,857	63,934	12,923	16.81%	49,282	10.90	17.44	12.35	12.05

^(a) Represents total potable water production less Aquifer Storage and Recovery recharge.

^(b) Represents amounts billed to customers. Residential Class customers are billed based on water usage during a consecutive three-month billing period from November through March. All other customer classes are billed for wastewater treatment based on actual water usage during each monthly billing period.

^(c) Rate shown is for an inside city-limit customer with a 5/8" meter and assumed monthly usage of 6,275 gallons. Includes the State-Imposed TCEQ fee.

^(d) Represents standard (non-seasonal) usage charge for monthly residential water usage of 6,275 gallons per month. Includes water supply, Uplift Assistance Program and EAA fees.

^(e) Minimum service availability charge (prior to 2023 includes charge for first 1,496 gallons). Includes the State-Imposed TCEQ fee.

^(f) Represents usage charge for a residential customer based on winter average water consumption of 5,052 gallons per month. Includes Uplift Assistance Program fee.

^(g) Amounts shown for Gallons for Water Production modified from previous reports to reflect metering data from supplier, which aligns with SAWS annual water loss audit and is consistent with 2025 presentation.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water Sales:										
Residential Class	\$113,971	\$110,661	\$116,184	\$138,707	\$126,128	\$133,959	\$127,488	\$123,006	\$113,070	\$100,982
Residential Uplift Class	2,902	3,267	3,219	-	-	-	-	-	-	-
General Class	76,642	71,678	71,363	73,888	68,747	65,955	69,326	67,412	60,977	63,781
Wholesale Class	1,095	907	815	934	993	804	808	744	801	767
Irrigation Class	22,600	24,639	27,675	26,705	23,012	26,153	26,631	21,304	21,915	20,239
Total Water	217,207	226,108	219,256	240,234	218,880	226,871	224,253	212,466	196,763	185,769
Drought Surcharge ^(d)										
Residential Class	10,697	7,245	-	-	-	-	-	-	-	-
Irrigation Class	11,286	7,712	-	-	-	-	-	-	-	-
Total Drought Surcharge	21,983	14,956								
Water Supply Fees										
Residential Class	126,414	125,179	136,153	149,458	125,007	147,131	92,932	86,003	85,809	73,518
Residential Uplift Class	3,693	4,214	4,155	-	-	-	-	-	-	-
General Class	102,467	95,950	95,056	89,304	81,099	76,189	53,620	50,086	47,129	42,748
Wholesale Class	1,422	1,146	1,038	1,549	1,681	1,407	887	790	874	865
Irrigation Class	22,397	24,598	27,474	29,970	24,821	28,356	19,475	15,122	16,571	15,437
Total Water Supply Fees	256,393	251,087	263,876	270,281	232,608	253,083	166,914	152,001	150,383	132,568
EAA Pass-through fees ^(a)										
Residential Class	12,478	11,467	10,826	13,209	12,128	13,429	12,996	12,526	13,108	14,110
Residential Uplift Class	726	757	680	-	-	-	-	-	-	-
General Class	10,000	9,096	8,138	8,969	8,518	8,177	9,013	8,687	8,865	9,606
Wholesale Class	118	102	86	109	132	120	124	119	123	157
Irrigation Class	1,212	1,182	1,190	1,435	1,249	1,441	1,288	1,241	1,434	1,639
Total Pass-through fees	24,534	22,604	20,920	23,722	22,027	23,167	23,421	22,573	23,530	25,512
Conservation Fees:										
Residential Class	7,470	7,305	8,135	3,281	2,244	3,047	2,747	2,644	2,727	2,189
General Class	3,957	3,368	3,320	5,564	4,885	4,628	4,570	4,871	5,071	5,078
Irrigation Class	766	1,193	1,353	4,207	4,398	4,859	4,827	4,119	3,274	3,375
Total Conservation	12,193	11,866	12,808	13,052	11,527	12,534	12,144	11,634	11,072	10,642
Wastewater Sales:										
Residential Class	154,454	145,006	146,702	165,356	164,498	158,460	153,273	146,684	142,530	134,860
Residential Uplift Class	3,180	3,475	3,417	-	-	-	-	-	-	-
General Class	130,585	125,076	121,042	108,508	101,013	96,816	101,247	92,427	88,551	80,696
Wholesale Class	8,726	10,864	12,019	13,814	14,260	11,829	11,706	10,659	9,936	8,729
Surcharge	5,347	4,708	5,194	5,290	5,741	5,626	6,370	6,245	6,056	6,292
Total Wastewater	302,292	289,129	288,374	292,968	285,512	272,731	272,596	256,015	247,073	230,577
TCEQ Pass-through fees ^(b)										
Water customers	1,915	1,977	2,031	1,994	1,937	1,882	1,743	1,683	1,420	1,460
Wastewater customers	464	546	533	523	509	495	481	465	435	448
	2,379	2,523	2,564	2,517	2,446	2,377	2,224	2,148	1,855	1,908
Uplift Recovery Fee Water ^(c)										
Residential Class	3,955	4,813	5,261	-	-	-	-	-	-	-
Residential Uplift Class	3,311	3,817	3,941	-	-	-	-	-	-	-
Irrigation Class	359	496	592	-	-	-	-	-	-	-
	7,625	9,125	9,794							
Uplift Recovery Fee Wastewater ^(c)										
Residential Class	3,231	3,888	3,887	-	-	-	-	-	-	-
General Class	2,986	3,702	3,586	-	-	-	-	-	-	-
	6,217	7,589	7,473							
Recycled Water Sales	10,610	9,648	8,481	7,520	6,351	6,694	6,094	5,568	5,651	5,691
Stormwater Fees	4,881	4,818	5,465	5,745	5,252	5,037	5,223	5,221	5,209	4,967
Chilled Water	14,992	13,930	12,879	11,712	10,826	9,894	10,615	10,849	11,368	11,548
Miscellaneous Fees and Charges	26,115	22,476	19,333	13,838	7,899	6,225	15,545	17,415	17,709	17,634
Provision for Uncollectible Accounts	(8,875)	(3,950)	(8,453)	(4,482)	(23,996)	(23,696)	(5,849)	(4,844)	(3,860)	(4,359)
Total Operating Revenue	\$898,550	\$866,953	\$862,770	\$877,107	\$779,332	\$794,917	\$733,179	\$691,046	\$666,752	\$622,457

⁽¹⁾ Numbers may not total due to rounding.

^(a) EAA pass-through fees are designed to recoup fees charged by the EAA. The fee is charged based on water usage. Any previous over or under recovery of fees is considered in determining the fees to be charged each year.

^(b) TCEQ pass-through fees are designed to recoup fees charged by the TCEQ. Fee is a per customer charge.

^(c) An Uplift Assistance Program was added in 2023 with the new rate structure. The fee funds the Uplift Assistance Program and is charged to all SAWS non-wholesale potable water customers who do not participate in the Uplift Assistance Program. The fee is not tiered and is directly proportional to the billed usage.

^(d) Drought Surcharge was effective July 6, 2024. The surcharge aims to encourage the highest using customers to make meaningful reductions in use during advanced stages of drought. The surcharge is based on the dollar cost value impact of high use on the water system during drought periods.

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

	2025	2024	2023	2022	2021 ^(d)	2020	2019	2018	2017	2016
Water Sales:										
Residential Class	35,681	34,831	35,866	39,641	35,246	38,947	36,084	35,325	36,566	35,360
Residential Uplift Class	2,079	2,296	2,251	-	-	-	-	-	-	-
General Class	28,602	27,624	26,958	26,917	24,756	23,719	25,011	24,498	24,408	24,159
Wholesale Class	335	375	282	326	386	347	352	337	344	393
Irrigation Class	3,467	3,593	3,942	4,311	3,632	4,179	4,208	3,500	4,000	4,022
Total Water	70,164	68,719	69,299	71,194	64,020	67,193	65,655	63,660	65,318	63,934
Wastewater Sales:										
Residential Class	27,367	26,113	26,372	27,426	26,908	26,062	25,263	26,318	26,809	26,462
Residential Uplift Class	1,762	1,935	1,920	-	-	-	-	-	-	-
General Class	25,600	24,839	24,219	23,928	22,328	21,213	22,393	21,873	21,654	20,503
Wholesale Class	2,053	2,618	2,868	3,120	3,199	2,616	2,486	2,584	2,482	2,317
Total Wastewater	56,782	55,505	55,379	54,474	52,435	49,891	50,142	50,775	50,945	49,282
Conservation - Residential Class ^(a,b,c)	8,328	8,716	10,049	10,808	7,969	10,358	9,189	8,658	9,572	6,611
Recycled Water Sales	20,282	20,210	20,276	19,127	17,919	18,172	18,208	18,346	18,949	18,436

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

^(b) As part of a rate restructuring which took place on January 1, 2023, a portion of all monthly residential water sales in excess of 7,001 gallons is allowed to fund conservation related programs. From 2016 through 2022, this allocation was limited to monthly sales in excess of 7,482 gallons, while prior to 2016 it was limited to monthly sales in excess of 17,205 gallons.

^(c) Effective January 1, 2017, former District Special Project customers began paying for water service under the SAWS' rate structure. As a result, a portion of the revenues from those customers was included in the revenue allocated to conservation. The increase in the gallons subject to the conservation allocation from 2016 to 2017 reflects this change.

^(d) The February Winter Storm Uri event in 2021 resulted in significant leak adjustments, which impacted Water Sales, including Conservation Sales.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water Sales:										
Residential Class	521,309	508,886	496,237	521,750	507,794	492,922	481,994	473,333	465,241	457,485
Residential Uplift Class ^(a)	28,830	32,113	34,559	-	-	-	-	-	-	-
General Class	30,877	30,731	30,485	30,246	30,010	29,584	29,358	28,682	28,518	29,155
Wholesale Class	11	11	10	9	9	9	9	9	9	9
Total Water	581,027	571,740	561,290	552,005	537,813	522,515	511,361	502,024	493,768	486,649
Irrigation Class ^(b)	12,164	11,975	11,692	11,428	11,170	10,883	10,676	10,465	10,260	9,291
Wastewater Sales:										
Residential Class	467,111	454,866	442,743	466,999	454,494	441,356	431,695	424,127	416,996	409,988
Residential Uplift Class	26,521	29,851	32,338	-	-	-	-	-	-	-
General Class	27,216	27,049	26,814	26,638	26,453	26,093	25,911	25,754	25,544	25,352
Wholesale Class	12	12	12	12	12	12	12	12	12	12
Total Wastewater	520,860	511,778	501,907	493,649	480,959	467,462	457,618	449,893	442,552	435,352
Conservation - Residential Class ^{(c)(d)}	136,280	130,907	130,998	130,443	108,618	132,154	113,152	149,940	159,994	83,991
Recycled Water Sales	151	144	140	140	133	127	123	116	112	107

^(a) As part of the rate restructuring, which took place in January 1, 2023, a new residential rate class for customers qualifying for SAWS Uplift Assistance Program was created.

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

^(c) As part of a rate restructuring which took place on January 1, 2023, a portion of all monthly residential water sales in excess of 7,001 gallons is allocated to fund conservation related programs. From 2016 through 2022, this allocation was limited to monthly sales in excess of 7,482 gallons, while prior to 2016 it was limited to monthly sales in excess of 17,205 gallons.

^(d) Effective January 1, 2017, District Special Project customers began paying for water service under the SAWS' rate structure. As a result, a portion of the revenues from those customers was included in the revenue allocated to conservation. The increase in connections from the conservation allocation from 2016 to 2017 reflects the change.

San Antonio Water System

Schedule 8 – Residential Class Rates (Inside City Limits)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water										
Service Availability Charge by meter size:										
5/8"	\$9.00	\$9.00	\$9.00	\$12.82	\$12.82	\$12.82	\$12.82	\$12.77	\$11.64	\$10.72
3/4"	11.93	11.93	11.93	16.97	16.97	16.97	16.97	16.90	15.41	14.19
1"	17.79	17.79	17.79	25.22	25.22	25.22	25.22	25.12	22.90	21.09
1-1/2"	32.44	32.44	32.44	45.85	45.85	45.85	45.85	45.67	41.63	38.33
2"	50.02	50.02	50.02	70.58	70.58	70.58	70.58	70.30	64.08	59.01
3"	96.90	96.90	96.90	128.34	128.34	128.34	128.34	127.83	116.53	107.30
4"	149.64	149.64	149.64	210.83	210.83	210.83	210.83	209.99	191.42	176.26
6"	296.14	296.14	296.14	417.07	417.07	417.07	417.07	415.41	378.67	348.68
8"	471.94	471.94	471.94	664.55	664.55	664.55	664.55	661.90	603.37	555.59
10"	589.14	589.14	589.14	953.27	953.27	953.27	953.27	949.47	865.51	796.97
12"	823.54	823.54	823.54	1,778.20	1,778.20	1,778.20	1,778.20	1,771.12	1,614.51	1,486.66
Reduction applied if usage is less than 2,993 gallons:	-	-	-	(2.57)	(2.57)	(2.57)	(2.57)	(2.55)	(2.32)	(2.14)
Increase applied if usage exceeds 4,000 gallons	\$2.00	\$2.00	\$2.00							
Usage (per 1,000 gallons)										
4,000 Gallons	0.907	0.907	0.907							
7,000 Gallons	1.678	1.678	1.678							
12,000 Gallons	3.039	3.039	3.039							
20,000 Gallons	3.991	3.991	3.991							
Over 20,000 Gallons	5.669	5.669	5.669							
First 2,992 Gallons				0.0740	0.0740	0.0740	0.0740	0.0737	0.0672	0.0619
Next 1,497 Gallons				0.1295	0.1295	0.1295	0.1295	0.1290	0.1176	0.1083
Next 1,496 Gallons				0.1665	0.1665	0.1665	0.1665	0.1658	0.1511	0.1391
Next 1,496 Gallons				0.2034	0.2034	0.2034	0.2034	0.2026	0.1847	0.1701
Next 2,992 Gallons				0.2405	0.2405	0.2405	0.2405	0.2395	0.2183	0.2010
Next 4,489 Gallons				0.2775	0.2775	0.2775	0.2775	0.2764	0.2520	0.2320
Next 5,237 Gallons				0.3329	0.3329	0.3329	0.3329	0.3316	0.3023	0.2784
Over 20,199 Gallons				0.4809	0.4809	0.4809	0.4809	0.4790	0.4366	0.4020
Water – Uplift Assistance Program^(a)										
Service Availability Charge										
Tier 1	-	-	-							
Tiers 2-5	\$3.00	\$3.00	\$3.00							
Usage (per 1,000 gallons)										
2,000 Gallons	-	-	-							
6,000 Gallons	\$1.00	\$1.00	\$1.00							
10,000 Gallons	1.50	1.50	1.50							
15,000 Gallons	2.50	2.50	2.50							
Over 15,000 Gallons	3.50	3.50	3.50							
Sewer										
Service Availability Charge by meter size ^(a)										
5/8"	\$10.00	\$10.00	\$10.00	\$14.53	\$14.53	\$14.53	\$14.53	\$13.45	\$12.98	\$12.29
3/4"	13.89	13.89	13.89	15.97	15.97	15.97	15.97	14.79	14.28	13.52
1"	21.66	21.66	21.66	18.14	18.14	18.14	18.14	16.80	16.22	15.36
1-1/2"	41.08	41.08	41.08	25.41	25.41	25.41	25.41	23.53	22.71	21.51
2"	64.39	64.39	64.39	36.31	36.31	36.31	36.31	33.62	32.45	30.73
3"	126.55	126.55	126.55	72.61	72.61	72.61	72.61	67.23	64.89	61.45
4"	196.48	196.48	196.48	108.91	108.91	108.91	108.91	100.84	97.34	92.18
6"	390.73	390.73	390.73	181.52	181.52	181.52	181.52	168.07	162.23	153.63
8"	623.83	623.83	623.83	290.41	290.41	290.41	290.41	268.90	259.56	245.80
10"	779.23	779.23	779.23	435.65	435.65	435.65	435.65	403.38	389.36	368.71
12"	1,090.03	1,090.03	1,090.03	580.86	580.86	580.86	580.86	537.83	519.14	491.61
Usage per 1,000 gallons ^(b)										
4,000 Gallons	\$2.54	\$2.54	\$2.54							
Over 4,000 Gallons	4.44	4.44	4.44							
1,497 gallons – 2,992 gallons				\$0.3104	\$0.3104	\$0.3104	\$0.3104	\$0.2874	\$0.2774	\$0.2627
Over 2,992 gallons				\$0.4657	\$0.4657	\$0.4657	\$0.4657	\$0.4312	\$0.4162	\$0.3941
All gallons in excess of 1,496										
Sewer – Uplift Assistance Programs^(c)										
Usage (per 1,000 gallons)										
2,000 Gallons	-	-	-							
Over 2,000 Gallons	\$2.70	\$2.70	\$2.70							

^(a) Includes the first 1,496 gallons prior to 2023.

^(b) Residential sewer charges are computed on the basis of average winter usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or before March 15 of each year.

^(c) Households at or below 125% of the Federal Poverty level are eligible to apply for the Uplift Assistance Program. Rates were effective as of January 2023.

San Antonio Water System
Schedule 9 – Residential Class Rates (Outside City Limits)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water										
Service Availability Charge by meter size:										
5/8"	\$11.70	\$11.70	\$11.70	\$16.67	\$16.67	\$16.67	\$16.67	\$16.60	\$15.14	\$13.94
3/4"	15.51	15.51	15.51	22.06	22.06	22.06	22.06	21.97	20.03	18.44
1"	23.13	23.13	23.13	32.97	32.97	32.97	32.97	32.66	29.78	27.42
1-1/2"	42.18	42.18	42.18	59.61	59.61	59.61	59.61	59.37	54.12	49.83
2"	65.03	65.03	65.03	91.75	91.75	91.75	91.75	91.38	83.30	76.70
3"	125.97	125.97	125.97	166.84	166.84	166.84	166.84	166.18	151.49	139.49
4"	194.54	194.54	194.54	274.06	274.06	274.06	274.06	272.97	248.84	229.13
6"	384.99	384.99	384.99	542.18	542.18	542.18	542.18	540.02	492.27	453.29
8"	613.53	613.53	613.53	863.89	863.89	863.89	863.89	860.45	784.37	722.26
10"	765.89	765.89	765.89	1,239.24	1,239.24	1,239.24	1,239.24	1,234.30	1,125.16	1,036.06
12"	1,070.61	1,070.61	1,070.61	2,311.67	2,311.67	2,311.67	2,311.67	2,302.46	2,098.87	1,932.66
Reduction applied if usage is less than 2,993 gallons:	(3.34)	(3.34)	(3.34)	(3.34)	(3.34)	(3.34)	(3.34)	(3.32)	(3.03)	(2.79)
Usage (per 1,000 gallons)										
4,000 Gallons	\$1.18	\$1.18	\$1.18							
7,000 Gallons	\$2.182	\$2.182	\$2.182							
12,000 Gallons	\$3.951	\$3.951	\$3.951							
20,000 Gallons	\$5.189	\$5.189	\$5.189							
Over 20,000 Gallons	\$7.37	\$7.37	\$7.37							
First 2,992 Gallons				0.0962	0.0962	0.0962	0.0962	0.0958	0.0873	0.0804
Next 1,497 Gallons				0.1683	0.1683	0.1683	0.1683	0.1676	0.1528	0.1407
Next 1,496 Gallons				0.2165	0.2165	0.2165	0.2165	0.2156	0.1965	0.1809
Next 1,496 Gallons				0.2645	0.2645	0.2645	0.2645	0.2634	0.2401	0.2211
Next 2,992 Gallons				0.3125	0.3125	0.3125	0.3125	0.3113	0.2838	0.2613
Next 4,489 Gallons				0.3607	0.3607	0.3607	0.3607	0.3593	0.3275	0.3016
Next 5,237 Gallons				0.4328	0.4328	0.4328	0.4328	0.4311	0.3930	0.3619
Over 20,199 Gallons				0.6253	0.6253	0.6253	0.6253	0.6228	0.5677	0.5227
Water – Uplift Assistance Program										
Service Availability Charge:										
Tier 1	-	-	-							
Tiers 2-5	\$3.90	\$3.90	\$3.90							
Usage (per 1,000 gallons)										
2,000 Gallons	-	-	-							
6,000 Gallons	\$1.30	\$1.30	\$1.30							
10,000 Gallons	\$1.95	\$1.95	\$1.95							
15,000 Gallons	\$3.25	\$3.25	\$3.25							
Over 15,000 Gallons	\$4.55	\$4.55	\$4.55							
Sewer										
Service Availability Charge by meter size ^(a)										
5/8"	\$12.00	\$12.00	\$12.00	\$17.43	\$17.43	\$17.43	\$17.43	\$16.14	\$15.58	\$14.75
3/4"	16.67	16.67	16.67	19.18	19.18	19.18	19.18	17.76	17.14	16.23
1"	26.00	26.00	26.00	21.78	21.78	21.78	21.78	20.17	19.47	18.44
1-1/2"	49.30	49.30	49.30	30.50	30.50	30.50	30.50	28.24	27.26	25.81
2"	77.27	77.27	77.27	43.58	43.58	43.58	43.58	40.35	38.95	36.88
3"	151.86	151.86	151.86	87.12	87.12	87.12	87.12	80.67	77.87	73.74
4"	235.78	235.78	235.78	130.70	130.70	130.70	130.70	121.02	116.81	110.62
6"	468.88	468.88	468.88	217.83	217.83	217.83	217.83	201.69	194.68	184.36
8"	748.60	748.60	748.60	348.52	348.52	348.52	348.52	322.70	311.49	294.97
10"	935.08	935.08	935.08	522.77	522.77	522.77	522.77	484.05	467.23	442.45
12"	1,308.04	1,308.04	1,308.04	697.03	697.03	697.03	697.03	645.40	622.97	589.93
Usage per 1,000 gallons ^(a)										
4,000 Gallons	\$3.05	\$3.05	\$3.05							
Over 4,000 Gallons	\$5.33	\$5.33	\$5.33							
1,497 gallons - 2,992 gallons				0.3726	0.3726	0.3726	0.3726	0.3450	0.3330	0.3153
Over 2,992 Gallons				0.5588	0.5588	0.5588	0.5588	0.5174	0.4994	0.4729
Sewer – Uplift Assistance Program										
Usage (per 1,000 gallons)										
2,000 Gallons	-	-	-							
Over 2,000 Gallons	\$3.24	\$3.24	\$3.24							

^(a) Includes the first 1,496 gallons prior to 2023.

^(b) Residential sewer charges are computed on the basis of average winter usage for 90 days during three consecutive billings periods beginning after November 15 and ending on or before March 15 of each year.

^(c) Households at or below 125% of Federal Poverty Level are eligible to apply for the Uplift Assistance Program. Rates were effective January 2023.

San Antonio Water System
Schedule 10 – General Class Rates (Inside City Limits)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water										
Service Availability										
Charge by meter										
size:										
5/8"	\$12.70	\$12.70	\$12.70	\$13.86	\$13.86	\$13.86	\$13.86	\$13.80	\$12.58	\$11.58
3/4"	16.48	16.48	16.48	19.79	19.79	19.79	19.79	19.71	17.97	16.55
1"	24.04	24.04	24.04	31.66	31.66	31.66	31.66	31.53	28.74	26.46
1-1/2"	42.94	42.94	42.94	61.29	61.29	61.29	61.29	61.05	55.65	51.24
2"	65.62	65.62	65.62	96.79	96.79	96.79	96.79	96.40	87.88	80.92
3"	126.10	126.10	126.10	179.74	179.74	179.74	179.74	179.02	163.19	150.27
4"	194.14	194.14	194.14	298.19	298.19	298.19	298.19	297.00	270.74	249.30
6"	383.14	383.14	383.14	594.32	594.32	594.32	594.32	591.95	539.61	496.88
8"	609.94	609.94	609.94	949.73	949.73	949.73	949.73	945.95	862.31	794.02
10"	761.14	761.14	761.14	1,364.34	1,364.34	1,364.34	1,364.34	1,358.90	1,238.74	1,140.64
12"	1,063.54	1,063.54	1,063.54	2,548.96	2,548.96	2,548.96	2,548.96	2,538.80	2,314.31	2,131.04
Usage (per 1,000 gallons)										
Base ^(a)	1.9580	1.9580	1.9580	1.8100	1.8100	1.8100	1.8100	1.8030	1.6440	1.5140
100-125% of base	2.2520	2.2520	2.2520	2.0840	2.0840	2.0840	2.0840	2.0760	1.8920	1.7420
125-150% of base	2.9370	2.9370	2.9370	2.7170	2.7170	2.7170	2.7170	2.7060	2.4670	2.2720
Over 175% of base	3.4270	3.4270	3.4270	3.1710	3.1710	3.1710	3.1710	3.1580	2.8790	2.6510
Sewer										
Service Availability										
Charge by Meter										
Size ^(b)										
5/8"	\$10.00	\$10.00	\$10.00	\$14.53	\$14.53	\$14.53	\$14.53	\$13.45	\$12.98	\$12.29
3/4"	13.89	13.89	13.89	15.97	15.97	15.97	15.97	14.79	14.28	13.52
1"	21.66	21.66	21.66	18.14	18.14	18.14	18.14	16.80	16.22	15.36
1-1/2"	41.08	41.08	41.08	25.41	25.41	25.41	25.41	23.53	22.71	21.51
2"	64.39	64.39	64.39	36.31	36.31	36.31	36.31	33.62	32.45	30.73
3"	126.55	126.55	126.55	72.61	72.61	72.61	72.61	67.23	64.89	61.45
4"	196.48	196.48	196.48	108.91	108.91	108.91	108.91	100.84	97.34	92.18
6"	390.73	390.73	390.73	181.52	181.52	181.52	181.52	168.07	162.23	153.63
8"	623.83	623.83	623.83	290.41	290.41	290.41	290.41	268.90	259.56	245.80
10"	779.23	779.23	779.23	435.65	435.65	435.65	435.65	403.38	389.36	368.71
12"	1,090.03	1,090.03	1,090.03	580.86	580.86	580.86	580.86	537.83	519.14	491.61
Usage (per 1,000 gallons)										
All gallons in excess of 1,496	4.3680	4.3680	4.3680	4.1590	4.1590	4.1590	4.1590	3.8510	3.7170	3.5200

^(a) Base is defined as 100% of the previous year's annual usage divided by 12.

^(b) For years 2022 and prior, includes the first 1,496 gallons.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water										
Service Availability										
Charge by meter										
size:										
5/8"	\$16.00	\$16.00	\$16.00	\$16.94	\$16.94	\$16.94	\$16.94	\$16.87	\$15.38	\$14.16
3/4"	20.66	20.66	20.66	24.12	24.12	24.12	24.12	24.02	21.90	20.17
1"	29.98	29.98	29.98	38.45	38.45	38.45	38.45	38.30	34.91	32.15
1-1/2"	53.28	53.28	53.28	74.27	74.27	74.27	74.27	73.97	67.43	62.09
2"	81.23	81.23	81.23	117.20	117.20	117.20	117.20	116.73	106.41	97.98
3"	155.77	155.77	155.77	217.47	217.47	217.47	217.47	216.60	197.45	181.81
4"	239.64	239.64	239.64	360.65	360.65	360.65	360.65	359.21	327.45	301.52
6"	472.59	472.59	472.59	718.67	718.67	718.67	718.67	715.81	652.52	600.85
8"	752.13	752.13	752.13	1,148.31	1,148.31	1,148.31	1,148.31	1,143.74	1,042.61	960.05
10"	938.49	938.49	938.49	1,649.54	1,649.54	1,649.54	1,649.54	1,642.97	1,497.69	1,379.09
12"	1,311.21	1,311.21	1,311.21	3,081.65	3,081.65	3,081.65	3,081.65	3,069.37	2,797.97	2,576.40
Usage (per 1,000 gallons)										
Base ^(a)	2.5460	2.5460	2.5460	2.3540	2.3540	2.3540	2.3540	2.3450	2.1380	1.9690
100-125% of base	2.9280	2.9280	2.9280	2.7100	2.7100	2.7100	2.7100	2.6990	2.4600	2.2650
125-150% of base	3.8190	3.8190	3.8190	3.5330	3.5330	3.5330	3.5330	3.5190	3.2080	2.9540
Over 175% of base	4.4560	4.4560	4.4560	4.1210	4.1210	4.1210	4.1210	4.1050	3.7420	3.4460
Sewer										
Service Availability										
Charge by Meter										
Size ^(b)										
5/8"	\$12.00	\$12.00	\$12.00	\$17.43	\$17.43	\$17.43	\$17.43	\$16.14	\$15.58	\$14.75
3/4"	16.67	16.67	16.67	19.18	19.18	19.18	19.18	17.76	17.14	16.23
1"	26.00	26.00	26.00	21.78	21.78	21.78	21.78	20.17	19.47	18.44
1-1/2"	49.30	49.30	49.30	30.50	30.50	30.50	30.50	28.24	27.26	25.81
2"	77.27	77.27	77.27	43.58	43.58	43.58	43.58	40.35	38.95	36.88
3"	151.86	151.86	151.86	87.12	87.12	87.12	87.12	80.67	77.87	73.74
4"	235.78	235.78	235.78	130.70	130.70	130.70	130.70	121.02	116.81	110.62
6"	468.88	468.88	468.88	217.83	217.83	217.83	217.83	201.69	194.68	184.36
8"	748.60	748.60	748.60	348.52	348.52	348.52	348.52	322.70	311.49	294.97
10"	935.08	935.08	935.08	522.77	522.77	522.77	522.77	484.05	467.23	442.45
12"	1,308.04	1,308.04	1,308.04	697.03	697.03	697.03	697.03	645.40	622.97	589.93
Usage (per 1,000 gallons)										
All gallons in excess of 1,496	5.2420	5.2420	5.2420	4.9920	4.9920	4.9920	4.9920	4.6220	4.4610	4.2240

^(a) Base is defined as 100% of the previous year's annual usage divided by 12.

^(b) For years 2022 and prior, includes the first 1,496 gallons.

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San Antonio Water System
Schedule 12 – Wholesale Class Rates

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water										
Service Availability										
Charge by meter size:										
6"	\$298.14	\$298.14	\$298.14	\$538.85	\$538.85	\$538.85	\$538.85	\$536.70	\$489.24	\$450.50
8"	473.94	473.94	473.94	860.58	860.58	860.58	860.58	857.15	781.36	719.48
10"	591.14	591.14	591.14	1,235.91	1,235.91	1,235.91	1,235.91	1,230.99	1,122.14	1,033.28
12"	825.54	825.54	825.54	2,308.35	2,308.35	2,308.35	2,308.35	2,299.15	2,095.85	1,929.88
Usage (<i>per 1,000 gallons</i>)										
Base ^(a)	2.7230	2.7230	2.7230	2.0990	2.0990	2.0990	2.0990	2.0910	1.9060	1.7550
Over base	5.4460	5.4460	5.4460	6.2990	6.2990	6.2990	6.2990	6.2740	5.7190	5.2660
Usage (<i>per 1,000 gallons</i>)										
Base ^(a)										
100-125% of base										
125-175% of base										
Over 175% of base										
Sewer										
Service Availability Charge	\$340.07	\$340.07	\$340.07	\$340.07	\$340.07	\$340.07	\$340.07	\$314.88	\$303.94	\$287.82
Usage (<i>per 1,000 gallons</i>)	4.2560	4.2560	4.2560	4.4380	4.4380	4.4380	4.4380	4.1090	3.9660	3.7560

^(a) Base is defined as 100% of the previous year's average annual usage divided by twelve or as agreed to by the wholesale customer and approved by the Board.

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San Antonio Water System
Schedule 13 – Irrigation Class Rates

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Inside City Limits										
Service Availability										
Charge by meter size:										
5/8"	\$12.70	\$12.70	\$12.70	\$13.86	\$13.86	\$13.86	\$13.86	\$13.80	\$12.58	\$11.58
3/4"	16.48	16.48	16.48	19.79	19.79	19.79	19.79	19.71	17.97	16.55
1"	24.04	24.04	24.04	31.66	31.66	31.66	31.66	31.53	28.74	26.46
1-1/2"	42.94	42.94	42.94	61.29	61.29	61.29	61.29	61.05	55.65	51.24
2"	65.62	65.62	65.62	96.79	96.79	96.79	96.79	96.40	87.88	80.92
3"	126.10	126.10	126.10	179.74	179.74	179.74	179.74	179.02	163.19	150.27
4"	194.14	194.14	194.14	298.19	298.19	298.19	298.19	297.00	270.74	249.30
6"	383.14	383.14	383.14	594.32	594.32	594.32	594.32	591.95	539.61	496.88
8"	609.94	609.94	609.94	949.73	949.73	949.73	949.73	945.95	862.31	794.02
10"	761.14	761.14	761.14	1,364.34	1,364.34	1,364.34	1,364.34	1,358.90	1,238.74	1,140.64
12"	1,063.54	1,063.54	1,063.54	2,548.96	2,548.96	2,548.96	2,548.96	2,538.80	2,314.31	2,131.04
Usage (per 1,000 gallons)										
8,000 Gallons	\$3.4750	\$3.4750	\$3.4750							
18,000 Gallons	4.8650	4.8650	4.8650							
160,000 Gallons	6.2550	6.2550	6.2550							
Over 160,000 Gallons	7.9930	7.9930	7.9930							
First 8,229 gallons				3.2920	3.2920	3.2920	3.2920	3.2790	2.9890	2.7520
Next 9,725 gallons				4.6070	4.6070	4.6070	4.6070	4.5890	4.1830	3.8520
Next 144,362 gallons				5.9250	5.9250	5.9250	5.9250	5.9010	5.3790	4.9530
Over 163,316 gallons				7.5700	7.5700	7.5700	7.5700	7.5400	6.8730	6.3290
Outside City Limits										
Service Availability										
Charge by meter size:										
5/8"	\$16.00	\$16.00	\$16.00	\$16.94	\$16.94	\$16.94	\$16.94	\$16.87	\$15.38	\$14.16
3/4"	20.66	20.66	20.66	24.12	24.12	24.12	24.12	24.02	21.90	20.17
1"	29.98	29.98	29.98	38.45	38.45	38.45	38.45	38.30	34.91	32.15
1-1/2"	53.28	53.28	53.28	74.27	74.27	74.27	74.27	73.97	67.43	62.09
2"	81.23	81.23	81.23	117.20	117.20	117.20	117.20	116.73	106.41	97.98
3"	155.77	155.77	155.77	217.47	217.47	217.47	217.47	216.60	197.45	181.81
4"	239.64	239.64	239.64	360.65	360.65	360.65	360.65	359.21	327.45	301.52
6"	472.59	472.59	472.59	718.67	718.67	718.67	718.67	715.81	652.52	600.85
8"	752.13	752.13	752.13	1,148.31	1,148.31	1,148.31	1,148.31	1,143.74	1,042.61	960.05
10"	938.49	938.49	938.49	1,649.54	1,649.54	1,649.54	1,649.54	1,642.97	1,497.69	1,379.09
12"	1,311.21	1,311.21	1,311.21	3,081.65	3,081.65	3,081.65	3,081.65	3,069.37	2,797.97	2,576.40
Usage (per 1,000 gallons)										
8,000 Gallons	\$4.518	\$4.518	\$4.518							
18,000 Gallons	6.325	6.325	6.325							
160,000 Gallons	8.132	8.132	8.132							
Over 160,000 Gallons	10.391	10.391	10.391							
First 8,229 gallons				0.4279	0.4279	0.4279	0.4279	0.4262	0.3885	0.3577
Next 9,725 gallons				0.5991	0.5991	0.5991	0.5991	0.5967	0.5439	0.5008
Next 144,362 gallons				0.7702	0.7702	0.7702	0.7702	0.7671	0.6993	0.6439
Over 163,316 gallons				0.9841	0.9841	0.9841	0.9841	0.9802	0.8935	0.8227

^(a) Seasonal rates were applied to all billings beginning May 1 and ending on or about September 30 of each year. At all other times, the Standard rate was applied.

San Antonio Water System
Schedule 14 – Water Supply Fee

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water Supply Fees: ^(a)										
Usage (per 1,000 gallons)										
Residential Class										
4,000 Gallons	\$1.6310	\$1.6310	\$1.6310							
7,000 Gallons	3.0180	3.0180	3.0180							
12,000 Gallons	5.4640	5.4640	5.4640							
20,000 Gallons	7.1770	7.1770	7.1770							
Over 20,000 Gallons	10.1940	10.1940	10.1940							
First 2,992 gallons				\$1.5850	\$1.5850	\$1.5850	\$1.0400	\$0.9970	\$0.9540	\$0.8920
Next 1,497 gallons				2.7720	2.7720	2.7720	1.8190	1.7440	1.6690	1.5610
Next 1,496 gallons				3.5630	3.5630	3.5630	2.3380	2.2420	2.1450	2.0070
Next 1,496 gallons				4.3570	4.3570	4.3570	2.8590	2.7410	2.6230	2.4540
Next 2,992 gallons				5.1500	5.1500	5.1500	3.3790	3.2400	3.1000	2.9000
Next 4,489 gallons				5.9420	5.9420	5.9420	3.8990	3.7380	3.5770	3.3460
Next 5,237 gallons				7.1290	7.1290	7.1290	4.6780	4.4850	4.2920	4.0150
Over 20,199 gallons				10.2960	10.2960	10.2960	6.7560	6.4770	6.1980	5.7980
General Class										
Base ^(b)	3.0790	3.0790	3.0790	2.9890	2.9890	2.9890	1.9610	1.8800	1.7990	1.6830
100-125% of base	3.5410	3.5410	3.5410	3.4380	3.4380	3.4380	2.2560	2.1630	2.0700	1.9360
125-175% of base	4.6190	4.6190	4.6190	4.4820	4.4820	4.4820	2.9410	2.8200	2.6990	2.5250
Over 175% of base	5.3890	5.3890	5.3890	5.2320	5.2320	5.2320	3.4330	3.2910	3.1490	2.9460
Wholesale Class										
Base ^(c)	3.5670	3.5670	3.5670	3.8920	3.8920	3.8920	2.5540	2.4490	2.3440	2.1930
Over base	7.1340	7.1340	7.1340	11.6810	11.6810	11.6810	7.6650	7.3490	7.0330	6.5790
Irrigation Class										
8,000 Gallons	3.8130	3.8130	3.8130							
18,000 Gallons	5.3390	5.3390	5.3390							
160,000 Gallons	6.8640	6.8640	6.8640							
Over 160,000 Gallons	8.7700	8.7700	8.7700							
First 8,229 gallons				3.9110	3.9110	3.9110	2.5660	2.4600	2.3540	2.2020
Next 9,725 gallons				5.4740	5.4740	5.4740	3.5920	3.4440	3.2960	3.0830
Next 144,362 gallons				7.0390	7.0390	7.0390	4.6190	4.4290	4.2380	3.9640
Over 162,316 gallons				8.9960	8.9960	8.9960	5.9030	5.6600	5.4160	5.0660
Uplift Assistance Program –										
Residential										
2,000 Gallons	-	-	-							
6,000 Gallons	1.6500	1.6500	1.6500							
10,000 Gallons	2.4750	2.4750	2.4750							
15,000 Gallons	4.1250	4.1250	4.1250							
Over 15,000 Gallons	5.7750	5.7750	5.7750							

^(a) Applies to all billed potable water.

^(b) Base is defined as 100% of the previous average annual usage divided by twelve.

^(c) Base is defined as 100% of the previous average annual usage divided by twelve or as agreed to by the wholesale customer and approved by the Board.

San Antonio Water System
Schedule 15 – Other Fees and Charges

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
EAA Fee^(a)	\$0.34200	\$0.32940	\$0.29920	\$0.33850	\$0.34520	\$0.34520	\$0.35610	\$0.35330	\$0.36120	\$0.42590
State-Imposed TCEQ Fees^(b)										
Water Connection Fee	\$0.19	\$0.20	\$0.21	\$0.21	\$0.21	\$0.21	\$0.20	\$0.20	\$0.18	\$0.18
Wastewater Connection Fee	0.05	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Uplift Assistance Program Fees^(c)										
Water	\$0.1110	\$0.1300	\$0.1590							
Wastewater	0.1180	0.1500	0.1610							
Drought Surcharge^(d)										
Residential Class	\$10.37	\$10.37								
Billed Commercial Irrigations	10.37	10.37								

^(a) Per 1,000 gallons. Applies to all billed potable water. The purpose of the fee is to recover fees paid to the EAA for permitted water rights. Annual rate takes into account any cumulative deficit or surplus in the recovery, number of EAA water rights, and projected potable water sales in gallons for the year.

^(b) The purpose is to recover fees paid to TCEQ. Each fee is assessed monthly to all Residential, General, and Wholesale accounts as well as each apartment account based on the number of units. Annual rate takes into account any cumulative deficit or surplus in the recovery.

^(c) Per 1,000 gallons, water and sewer volumetric rates assessed to Residential, General, and Irrigation customers to support the Uplift Assistance Program.

^(d) Per 1,000 gallons, the Drought Surcharges aim to encourage meaningful reductions in irrigation usage during advanced stages of drought. The surcharge is based on the dollar cost value impact of high use on the water system during the drought periods. The gallon threshold is based on meter size and drought stage. For more information please visit <https://www.saws.org/service/water-sewer-rates/high-use-drought-surcharge/>.

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San Antonio Water System
Schedule 16 – Recycled Water Rates

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Edwards Exchange Customers^(a)										
Service Availability										
Charge by meter										
size:										
5/8"	\$20.47	\$18.61	\$16.92	\$14.71	\$14.71	\$14.71	\$12.34	\$12.12	\$11.24	\$10.42
3/4"	26.62	24.20	22.00	19.13	19.13	19.13	16.05	15.77	14.63	13.56
1"	34.71	31.56	28.69	24.94	24.94	24.94	20.92	20.55	19.06	17.66
1-1/2"	55.14	50.13	45.57	39.62	39.62	39.62	33.24	32.65	30.29	28.07
2"	80.61	73.28	66.62	57.93	57.93	57.93	48.60	47.74	44.29	41.05
3"	214.42	194.93	177.21	154.09	154.09	154.09	129.27	126.98	117.79	109.17
4"	318.71	289.74	263.40	229.04	229.04	229.04	192.15	188.75	175.09	162.27
6"	607.95	552.68	502.44	436.90	436.90	436.90	366.53	360.05	334.00	309.55
8"	916.42	833.11	757.37	658.58	658.58	658.58	552.50	542.73	503.46	466.60
10"	1,256.61	1,142.37	1,038.52	903.06	903.06	903.06	757.60	744.20	690.35	639.81
12"	1,550.45	1,409.50	1,281.36	1,114.22	1,114.22	1,114.22	934.75	918.22	851.78	789.42
Usage (per 1,000 gallons)										
Standard:										
Transferred amount	0.5397	0.4906	0.4460	0.3870	0.3870	0.3870	0.3250	0.3190	0.2960	0.2740
In excess of transferred amount	2.0207	1.8370	1.6700	1.4520	1.4520	1.4520	1.2180	1.1960	1.1090	1.0280
Seasonal: ^(b)										
Transferred amount	0.5397	0.4906	0.4460	0.3870	0.3870	0.3870	0.3250	0.3190	0.2960	0.2740
In excess of transferred amount	2.1465	1.9514	1.7740	1.5420	1.5420	1.5420	1.2940	1.2710	1.1790	1.0930
Non-exchange Customers										
Service Availability										
Charge by meter										
size:										
5/8"	\$20.47	\$18.61	\$16.92	\$14.71	\$14.71	\$14.71	\$12.34	\$12.12	\$11.24	\$10.42
3/4"	26.62	24.20	22.00	19.13	19.13	19.13	16.05	15.77	14.63	13.56
1"	34.71	31.56	28.69	24.94	24.94	24.94	20.92	20.55	19.06	17.66
1-1/2"	55.14	50.13	45.57	39.62	39.62	39.62	33.24	32.65	30.29	28.07
2"	80.61	73.28	66.62	57.93	57.93	57.93	48.60	47.74	44.29	41.05
3"	214.42	194.93	177.21	154.09	154.09	154.09	129.27	126.98	117.79	109.17
4"	318.71	289.74	263.40	229.04	229.04	229.04	192.15	188.75	175.09	162.27
6"	607.95	552.68	502.44	436.90	436.90	436.90	366.53	360.05	334.00	309.55
8"	916.42	833.11	757.37	658.58	658.58	658.58	552.50	542.73	503.46	466.60
10"	1,256.61	1,142.37	1,038.52	903.06	903.06	903.06	757.60	744.20	690.35	639.81
12"	1,550.45	1,409.50	1,281.36	1,114.22	1,114.22	1,114.22	934.75	918.22	851.78	789.42
Usage (per 1,000 gallons)										
Standard:										
First 748,000 gallons	2.1611	1.9646	1.7860	1.5530	1.5530	1.5530	1.3030	1.2800	1.1870	1.1000
Over 748,000 gallons	2.2107	2.0097	1.8270	1.5880	1.5880	1.5880	1.3320	1.3080	1.2130	1.1240
Seasonal: ^(b)										
First 748,000 gallons	2.3244	2.1131	1.9210	1.6700	1.6700	1.6700	1.4010	1.3760	1.2760	1.1830
Over 748,000 gallons	2.3438	2.1307	1.9370	1.6840	1.6840	1.6840	1.4130	1.3880	1.2880	1.1940

^(a) Customers that have transferred Edwards Aquifer water rights to the System in exchange for recycled water.

^(b) Rate is applied to all billings beginning May 1 and ending on or about September 30 of each year. At all other times, the Standard rate is utilized.

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**San Antonio Water System
Schedule 17 – Impact Fees**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water										
Flow – All Areas	\$1,368.00	\$1,368.00	\$1,188.00	\$1,188.00	\$1,188.00	\$1,188.00	\$1,188.00	\$1,182.00	\$1,182.00	\$1,182.00
System Development:										
Low Elevation Service Area	1,510.00	1,510.00	855.00	855.00	855.00	855.00	855.00	619.00	619.00	619.00
Middle Elevation Service Area	1,744.00	1,744.00	1,014.00	1,014.00	1,014.00	1,014.00	1,014.00	799.00	799.00	799.00
High Elevation Service Area	2,027.00	2,027.00	1,203.00	1,203.00	1,203.00	1,203.00	1,203.00	883.00	883.00	883.00
Wastewater										
Treatment:										
Clouse/Leon Creek Service Area	1,105.00	1,105.00	651.00	651.00	651.00	651.00	651.00	786.00	786.00	786.00
Medio Creek	1,527.00	1,527.00	1,222.00	1,222.00	1,222.00	1,222.00	1,222.00	1,429.00	1,429.00	1,429.00
Collection:										
Medio Creek	1,836.00	1,836.00	861.00	861.00	861.00	861.00	861.00	838.00	838.00	838.00
Upper Medina	1,702.00	1,702.00	1,422.00	1,422.00	1,422.00	1,422.00	1,422.00	1,565.00	1,565.00	1,565.00
Lower Medina	768.00	768.00	520.00	520.00	520.00	520.00	520.00	475.00	475.00	475.00
Upper Collection	4,436.00	4,436.00	2,800.00	2,800.00	2,800.00	2,800.00	2,800.00	2,520.00	2,520.00	2,520.00
Middle Collection	2,792.00	2,792.00	2,013.00	2,013.00	2,013.00	2,013.00	2,013.00	1,469.00	1,469.00	1,469.00
Lower Collection	1,138.00	1,138.00	902.00	902.00	902.00	902.00	902.00	719.00	719.00	719.00
Water Supply – All Areas	2,592.00	2,592.00	2,706.00	2,706.00	2,706.00	2,706.00	2,706.00	2,796.00	2,796.00	2,796.00

Impact fees are assessed per equivalent dwelling unit.

Meter Size	EQUIVALENT DWELLING UNITS									
5/8"	1	1	1	1	1	1	1	1	1	1
3/4"	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
1"	2	2	2	2	2	2	2	2	2	2
1-1/2"	5	5	5	5	5	5	5	5	5	5
2"	14	14	14	14	14	14	14	14	14	14
3"	30	30	30	30	30	30	30	30	30	30
4"	50	50	50	50	50	50	50	50	50	50
6"	105	105	105	105	105	105	105	105	105	105
8"	135	135	135	135	135	135	135	135	135	135
10"	190	190	190	190	190	190	190	190	190	190
12"	360	360	360	360	360	360	360	360	360	360

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

Customer	Principal Business	Usage^(a) (million gallons)	%	Total Revenue^(b) (in thousands)	%
Fiscal Year Ended December 31, 2025:					
HEB GROCERY	Grocery	658	1.1%	\$ 4,435	0.8%
SAN ANTONIO HOUSING AUTHORITY	Public Housing	594	0.8%	3,783	0.7%
CITY OF SAN ANTONIO	Municipal Entity	586	0.8%	4,847	0.9%
BEXAR COUNTY	County Government	512	0.7%	3,290	0.6%
METHODIST HEALTH CARE SYSTEM	Hospital System	449	0.6%	3,120	0.6%
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	352	0.5%	2,806	0.5%
TOWERJAZZ TEXAS, INC.	Electronics	274	0.4%	1,534	0.3%
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	271	0.4%	2,590	0.5%
FIESTA TEXAS THEME PARK	Entertainment	262	0.4%	1,699	0.3%
CPS ENERGY	Public Power Utility	241	0.3%	1,445	0.3%
Subtotal (10 largest)		4,199	6.0%	29,549	5.5%
Balance from Other Customers		65,965	94.0%	504,679	94.5%
Total		70,164	100.0%	\$ 534,228	100.0%
Fiscal Year Ended December 31, 2016:					
HEB GROCERY	Grocery	571	0.9%	\$ 2,661	0.7%
CITY OF SAN ANTONIO	Municipal Entity	495	0.8%	3,041	0.9%
SAN ANTONIO HOUSING AUTHORITY	Public Housing	474	0.7%	2,257	0.6%
BEXAR COUNTY	County Government	370	0.6%	1,574	0.4%
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	285	0.4%	1,743	0.5%
NORTHEAST INDEPENDENT SCHOOL DISTRICT	School System	263	0.4%	1,572	0.4%
CPS ENERGY	Public Power Utility	261	0.4%	1,181	0.3%
EAST CENTRAL SPECIAL UTILITY DISTRICT	Retail Water Utility	259	0.4%	2,244	0.6%
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	225	0.4%	1,374	0.4%
MARRIOTT HOTELS	Hotels	197	0.3%	1,133	0.3%
Subtotal (10 largest)		3,400	5.3%	18,780	5.3%
Balance from Other Customers		60,534	94.7%	337,171	94.7%
Total		63,934	100.0%	\$ 355,951	100.0%

⁽¹⁾ Numbers may not total due to rounding.

^(a) Potable water only.

^(b) Includes Water Delivery, Water Supply, EAA fees, Conservation fees, and TCEQ water fees.

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San Antonio Water System
Schedule 19 – Ten Largest Customers – Wastewater⁽²⁾
Current Year and Nine Years Ago⁽¹⁾

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (in thousands)	%
Fiscal Year Ended December 31, 2025:					
HEB GROCERY	Grocery	600	1.0%	\$ 3,192	1.1%
SAN ANTONIO HOUSING AUTHORITY	Public Housing	578	1.1%	2,759	0.9%
BEXAR COUNTY	County Government	493	0.9%	2,411	0.8%
METHODIST HEALTH CARE SYSTEM	Hospital System	389	0.7%	1,827	0.6%
CITY OF SAN ANTONIO	Municipal Entity	334	0.6%	1,894	0.6%
TOWERJAZZ TEXAS, INC.	Electronics	242	0.4%	1,102	0.4%
TOYOTA	Automobile Manufacturer	229	0.4%	1,036	0.4%
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	221	0.4%	1,323	0.4%
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	203	0.4%	945	0.3%
BAPTIST HEALTH CARE SYSTEM	Hospital System	153	0.3%	731	0.2%
Subtotal (10 largest)		3,441	6.3%	17,221	5.9%
Balance from Other Customers		51,288	93.7%	276,810	94.1%
Total		54,729	100.0%	\$ 294,031	100.0%
Fiscal Year Ended December 31, 2016:					
HEB GROCERY	Grocery	485	1.0%	\$ 2,657	1.2%
SAN ANTONIO HOUSING AUTHORITY	Public Housing	461	1.0%	1,699	0.8%
BEXAR COUNTY	County Government	308	0.7%	1,184	0.5%
TOYOTA	Automobile Manufacturer	208	0.4%	739	0.3%
CITY OF SAN ANTONIO	Municipal Entity	189	0.4%	820	0.4%
TOWERJAZZ TEXAS, INC.	Electronics	185	0.4%	659	0.3%
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	163	0.3%	695	0.3%
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	155	0.3%	554	0.2%
PEPSI COLA BOTTLING	Beverage Producer	72	0.2%	563	0.3%
FRITO LAY, INC.	Food Manufacturer	65	0.1%	694	0.3%
Subtotal (10 largest)		2,291	4.9%	10,264	4.6%
Balance from Other Customers		44,674	95.1%	212,032	95.4%
Total		46,965	100.0%	\$222,296	100.0%

⁽¹⁾ Numbers may not total due to rounding.

⁽²⁾ Excludes Wholesale Wastewater usage and revenues; includes TCEQ wastewater fees.

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San Antonio Water System
Schedule 20 – Ten Largest Customers - Wholesale Wastewater
Current Year and Nine Years Ago⁽¹⁾
Unaudited

Customer	Principal Business	Total Revenue (in thousands)	%
Fiscal Year Ended December 31, 2025:			
JOINT BASE SAN ANTONIO - FT. SAM HOUSTON	Military	\$ 2,270	26.0%
LEON VALLEY	Municipal Government	1,610	18.5%
ALAMO HEIGHTS	Municipal Government	1,351	15.5%
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	763	8.7%
BALCONES HEIGHTS	Municipal Government	678	7.8%
KIRBY	Military	601	6.9%
LACKLAND ANNEX	Municipal Government	505	5.8%
OLMOS PARK	Military	454	5.2%
LACKLAND AFB	Municipal Government	170	1.9%
AIR FORCE VILLAGE II	Municipal Government	141	1.6%
Subtotal (10 largest)		8,543	97.9%
Balance from Other Customers		182	2.1%
Total		\$ 8,725	100.0%
Fiscal Year Ended December 31, 2016:			
JOINT BASE SAN ANTONIO - FT. SAM HOUSTON	Military	\$ 1,779	20.4%
LACKLAND AIR FORCE BASE	Military	1,536	17.6%
LEON VALLEY	Municipal Government	1,439	16.5%
ALAMO HEIGHTS	Municipal Government	1,200	13.7%
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	691	7.9%
BALCONES HEIGHTS	Municipal Government	549	6.3%
KIRBY	Municipal Government	529	6.1%
OLMOS PARK	Municipal Government	387	4.4%
LACKLAND A.F.B. / ANNEX @ MEDINA	Military	290	3.3%
AIRFORCE VILLAGE	Residential Community	114	1.3%
Subtotal (10 largest)		8,514	97.5%
Balance from Other Customers		216	
		\$8,730	100.00

⁽¹⁾ Numbers may not total due to rounding.

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San Antonio Water System
Schedule 21 – Ratios of Total Outstanding Debt by Type
(\$ in thousands, except debt per customer)
Unaudited

Total Debt Outstanding by Type										
Revenue Bonds^(a)										
Year	Principal Outstanding	Unamortized Premium & Discount	Net Revenue Bonds Payable	Commercial Paper Notes^(a)	Other Debt^(b)	Total Debt Outstanding	Gross Revenues^(c)	Ratio of Total Debt to Gross Revenue	Customer Connections^(d)	Debt Per Customer Connection
2025	\$3,535,095	\$312,758	\$3,847,853	\$216,305	\$1,697	\$4,065,855	\$934,171	4.35	1,108,670	\$3,667
2024	3,271,285	300,064	3,571,349	171,375	2,942	\$3,745,666	899,525	4.16	1,091,509	3,432
2023	3,077,600	292,792	3,370,392	224,945	2,456	3,597,793	888,546	4.05	1,071,441	3,358
2022	2,991,525	301,055	3,292,580	229,585	4,705	3,526,870	885,326	3.98	1,053,482	3,348
2021	2,907,860	299,141	3,207,001	234,020	-	3,441,021	781,304	4.40	1,032,355	3,333
2020	2,771,580	262,465	3,034,045	218,260	-	3,252,305	804,258	4.04	1,002,870	3,243
2019	2,546,520	188,555	2,735,075	281,815	-	3,016,890	765,762	3.94	977,536	3,086
2018	2,631,215	203,355	2,834,570	215,695	-	3,050,265	713,534	4.27	958,693	3,182
2017	2,537,520	198,219	2,735,739	278,060	-	3,013,799	677,159	4.45	941,566	3,201
2016	2,630,350	209,932	2,840,282	241,610	-	3,081,892	630,603	4.89	926,165	3,328

^(a) Details regarding outstanding revenue bonds and commercial paper notes can be found in the notes to the financial statements.

^(b) With the implementation of GASB 96, SBITAs in 2023, long-term balances of the SBITA liability are included in other debt (see Note I in APPENDIX B). Fiscal Year 2022 was restated as part of the implementation of GASB 96.

^(c) Gross Revenues are defined as operating revenues plus nonoperating revenues less revenues from the City Public Service contract, interest on Project Funds and federal subsidy on tax credit bonds. Beginning in 2018, investment mark-to-market adjustments were also excluded.

^(d) Customer connections represent the combined number of billed accounts for water and wastewater services at fiscal year-end.

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San Antonio Water System
Schedule 22 – Pledged Revenue Coverage
(\$ in thousands)
Unaudited

<u>Year</u>	<u>Gross Revenues^(a)</u>	<u>Operating Expenses^(b)</u>	<u>Net Available Revenue</u>	<u>Revenue Bond Debt Service^(c)</u>				<u>Maximum Annual Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest^(d)</u>	<u>Total</u>	<u>Coverage</u>	<u>Total Debt^(e)</u>	<u>Coverage</u>	<u>Senior Lien Debt^(e)</u>	<u>Coverage^(f)</u>
2025	\$934,171	\$529,894	\$404,277	\$74,179	\$138,535	\$212,714	1.90	\$262,273	1.54	\$11,664	34.66
2024	899,525	513,330	386,195	70,220	126,999	197,219	1.96	247,264	1.56	11,752	32.86
2023	888,546	492,841	395,705	73,745	124,708	198,453	1.99	232,362	1.70	11,749	33.68
2022	885,326	459,306	426,020	80,910	112,556	193,466	2.20	227,195	1.88	14,111	30.19
2021	781,304	436,077	345,227	90,260	113,989	204,249	1.69	219,263	1.57	33,532	10.30
2020	804,258	401,961	402,297	86,445	104,566	191,011	2.11	210,885	1.91	41,548	9.68
2019	750,849	339,934	410,915	87,060	104,831	191,891	2.14	195,567	2.10	47,455	8.66
2018	703,202	330,235	372,967	84,875	103,922	188,797	1.98	194,518	1.92	81,428	4.58
2017	668,998	318,442	350,556	82,840	102,236	185,076	1.89	185,076	1.89	81,440	4.30
2016	622,947	315,395	307,552	78,570	98,158	176,728	1.74	185,149	1.66	84,009	3.66
2015	555,712	291,246	264,466	71,355	101,064	172,419	1.53	178,516	1.48	114,320	2.31

^(a) Gross Revenues are defined as operating revenues plus nonoperating revenues less revenues from the City Public Service contract, interest on Project Funds and federal subsidy on tax credit bonds. Beginning in 2018, investment mark to market adjustments were also excluded.

^(b) Operating Expenses reflect operating expenses before depreciation as shown on the Statement of Revenues, Expenses, and Changes in Net Position adjusted by any non-cash expenses, and treating the Vista Ridge capital and raw groundwater unit price payment as an operating expense (see Note I in APPENDIX B).

^(c) Represents current year debt service payments. Details regarding outstanding debt can be found in the notes to the financial statements. All bonded debt is secured by revenue and is included in these totals.

^(d) Interest reported net of the U.S. federal interest subsidy on the tax credit bonds.

^(e) Debt service requirements consist of principal and interest payments net of the U.S. federal interest subsidy on the tax credit bonds.

^(f) SAWS' bond ordinance requires the maintenance of a debt coverage ratio of at least 1.25x the maximum annual debt service on outstanding Senior Lien Obligations in order to issue additional bonds.

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Schedule 23 – Demographic and Economic Statistics
Last Ten Calendar Years
Unaudited

Year	Population^(a)	Median Age^(b)	Personal Income^(c) (thousands of dollars)	Per Capita Personal Income^(b)	School Enrollment^(b)	Building Permits-Dwelling Units^(d)	Employment^(e)	Unemployment Rate^(e)
2025*	-	-	-	-	-	8,866	1,215,000	3.7%
2024	1,526,621	34.9	\$53,582,870	\$35,099	394,965	14,916	1,210,800	3.4%
2023	1,495,312	35.4	45,350,714	32,809	382,844	16,264	1,186,900	3.1%
2022	1,472,904	34.1	45,350,714	30,790	380,736	24,361	1,149,700	3.4%
2021	1,451,863	34.1	41,900,766	28,860	372,075	22,337	1,103,000	3.7%
2020	1,434,625	33.8	37,770,807	26,328	410,917	16,685	1,045,900	6.1%
2019	1,547,250	34.4	41,506,529	26,826	411,357	15,900	1,094,900	2.7%
2018	1,532,212	33.6	37,821,121	24,684	411,539	11,618	1,074,900	3.2%
2017	1,511,913	33.5	37,230,858	24,625	410,625	12,342	1,052,400	3.1%
2016	1,492,494	33.1	35,701,949	23,921	401,867	12,108	1,035,100	3.7%
2015	1,469,824	33.2	34,905,380	23,748	403,558	7,812	1,005,400	3.5%

* 2025 population, median age, personal income, per capita income and school enrollment data will not be available from U.S. Census American Community Survey until April 2026. Employment and unemployment rate amounts are preliminary December 2025 figures.

(a) Source: U.S. Census American Community Survey (1 year estimates), except 2020 which is from 2020 Decennial Census.

(b) Source: U.S. Census American Community Survey (1 year estimates), except 2020 data which is from American Community Survey (5 year estimate). There are no 1 year data estimates for 2020 from the American Community Survey.

(c) Equals (Population * Per Capital Income)/1,000. Calculation for 2025 will not be available until population and per capita income data for 2025 are available in April 2026.

(d) Source: Real Estate Center, Texas A&M University, Building Permits (single & multi-family), San Antonio – New Braunfels Metropolitan Statistical Area. At the time of publication the U.S. Census Bureau has released building permit data sets through October 2025.

(e) Source: Bureau of Labor Statistics, San Antonio – New Braunfels Metropolitan Statistical Area, Total Non-Farm Employment and Unemployment Rate.

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**San Antonio Water System
Schedule 24 – Principal Employers
Current Year and Nine Years Ago
Unaudited**

Employer	2025			2016		
	Employees ^(a)	Rank	Percentage of Total City Employment ^(b)	Employees ^(c)	Rank	Percentage of Total City Employment ^(d)
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph ^(c)	67,350	1	5.54%	93,434	1	9.03%
HEB Grocery	20,000	2	1.65%	20,000	2	1.93%
USAA	17,000	3	1.40%	17,000	3	1.64%
UT – San Antonio (Merger UTSA & UT Health)	17,000	4	1.40%			
City of San Antonio	15,922	5	1.31%	12,032	5	1.16%
Northside Independent School District	13,593	6	1.12%	13,161	4	1.27%
Methodist Healthcare System	12,000	7	0.99%	8,600	7	0.83%
North East Independent School District	8,206	8	0.68%	9,292	6	0.90%
San Antonio Independent School District	7,213	9	0.59%	7,382	8	0.71%
Baptist Health Systems	7,148	10	0.59%	5,800	10	0.56%
Wells Fargo				6,100	9	0.59%
Total	<u>185,432</u>		<u>15.27%</u>	<u>192,801</u>		<u>18.62%</u>

^(a) Economic Development Division, City of San Antonio, Texas, Book of Lists 2025, and Department of Defense personnel statistics.

^(b) Percent based on an Employment Estimate of 1,212,700 of Non-Farm jobs in the San Antonio – New Braunfels Metropolitan Statistical Area from the Bureau of Labor Statistics as of December 2025.

^(c) 2016 employment data from City of San Antonio's 2016 Annual Comprehensive Financial Report.

^(d) Percent based on an Employment Estimate of 1,035,100 of Non-Farm jobs in the San Antonio – New Braunfels Metropolitan Statistical Area from Bureau of Labor Statistics for 2016.

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San Antonio Water System
Schedule 25 – Number of Employees by Functional Group

Functional Group	Fiscal Year									
	2025	2024	2023 ^(c)	2022	2021	2020	2019	2018	2017	2016
President/CEO	11	15	14	13	13	13	9	9	8	7
Communications and External Affairs	68	63	63	58	51	52	51	57	51	24
Customer Experience and Strategic Initiatives	356	370	368	309	282	310	238	230	231	229
Distribution & Collections	570	554	542	433	428	487	515	552	594	573
Engineering & Construction	206	184	176	182	181	174	180	177	177	166
Financial Services	39	45	62	61	62	57	63	60	64	65
Human Resources and Risk Management	63	60	54	52	48	50	50	42	42	45
Information Security ^(a)	11	10	6	-	-	-	-	-	-	-
Information Systems	105	98	97	94	88	93	92	91	89	92
Legal	45	36	35	36	34	35	36	36	37	37
Operations	44	40	2	3	4	6	7	24	112	112
Operations Support	12	125	116	109	101	105	-	-	-	-
Production	113	109	285	268	256	267	373	358	299	302
Treatment ^(b)	176	183	-	-	-	-	-	-	-	-
Water Resources & Governmental Relations	<u>130</u>	<u>119</u>	<u>114</u>	<u>111</u>	<u>121</u>	<u>117</u>	<u>120</u>	<u>97</u>	<u>19</u>	<u>40</u>
Total Employees	<u>2,073</u>	<u>2,011</u>	<u>1,934</u>	<u>1,729</u>	<u>1,669</u>	<u>1,766</u>	<u>1,734</u>	<u>1,733</u>	<u>1,723</u>	<u>1,692</u>

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

^(b) During 2024, the Treatment Group was split out from the Production group in order to better align operations.

^(c) The 2023 employee figure reflect the filling of a number of vacancies as well as concentrated hiring in both Distribution & Collection and Customer Experience and Strategic Initiatives to accommodate the increased workload associated with the record setting level of water main breaks and SAWS ConnectH2O automated metering initiative, respectively.

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San Antonio Water System
Schedule 26 – Capital Assets
(amounts in thousands)

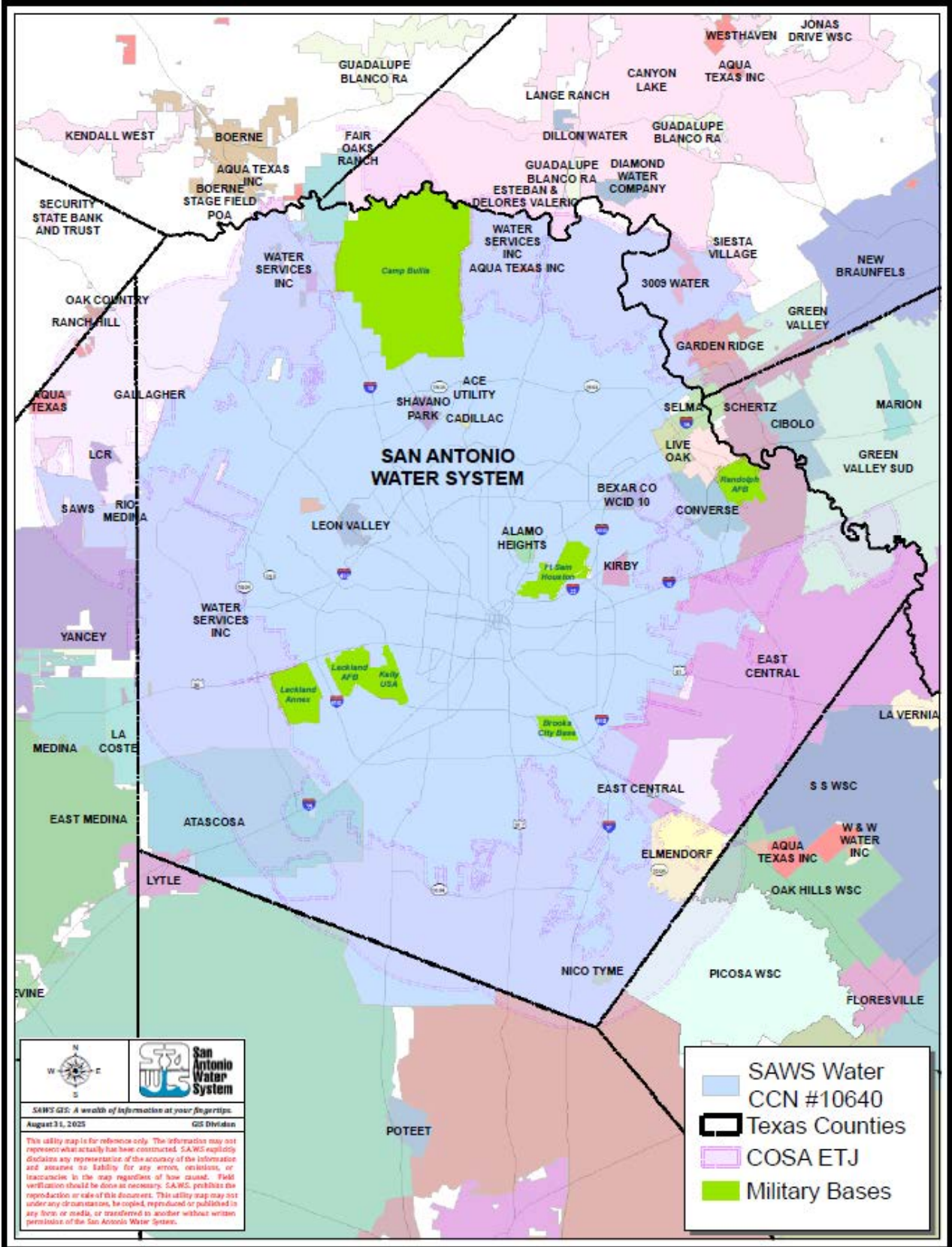
	2025	2024	2023	2022 ^(b)	2021 ^(b)	2020	2019	2018	2017	2016
Water Delivery	\$3,878,016	\$3,661,287	\$3,494,788	\$3,272,527	\$3,155,457	\$3,002,938	\$2,855,896	\$2,732,899	\$2,760,533	\$2,664,891
Water Supply:										
Water Resources ^(a)	2,452,452	2,313,050	2,229,540	2,202,634	2,196,157	2,194,284	1,051,909	1,052,048	1,047,530	1,036,861
Recycle	176,664	177,905	177,900	177,941	178,073	178,260	178,213	177,846	181,281	178,219
Conservation	1,037	1,031	747	569	489	471	556	563	561	559
Stormwater	453	433	309	314	262	247	247	310	314	321
Wastewater	4,634,775	4,416,946	4,081,196	3,687,301	3,447,897	3,229,184	2,997,086	2,813,016	2,796,525	2,702,938
Chilled Water and Steam	79,208	65,453	56,898	56,903	56,807	68,590	66,710	65,553	61,280	62,800
Construction in Progress	<u>1,005,073</u>	<u>897,650</u>	<u>830,450</u>	<u>775,306</u>	<u>603,821</u>	<u>521,627</u>	<u>673,633</u>	<u>506,810</u>	<u>332,635</u>	<u>228,595</u>
Total assets before accumulated depreciation	12,227,678	11,533,755	10,871,828	10,173,495	9,638,963	9,195,601	7,854,250	7,349,045	7,180,659	6,875,184
Accumulated Depreciation	<u>3,225,316</u>	<u>3,050,166</u>	<u>2,871,117</u>	<u>2,687,033</u>	<u>2,520,435</u>	<u>2,355,308</u>	<u>2,204,823</u>	<u>2,082,961</u>	<u>2,128,882</u>	<u>1,989,093</u>
Net Capital Assets	<u>\$9,002,362</u>	<u>\$8,483,589</u>	<u>\$8,000,711</u>	<u>\$7,485,969</u>	<u>\$7,118,528</u>	<u>\$6,840,293</u>	<u>\$5,649,427</u>	<u>\$5,266,084</u>	<u>\$5,051,777</u>	<u>\$4,886,091</u>

^(a) Increase in Water Supply/Water Resource capital assets from 2019 to 2020 is primarily due to the addition of the assets from the Vista Ridge Pipeline Project, which commenced operations in April 2020.

^(b) Assets and accumulated depreciation restated for the implementation of GASB 96 – *Subscription-based Information Technology Agreements*.

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



San Antonio Water System
Schedule 27 – Operating and Capital Indicators – Water
Unaudited

	2025	2024	2023	2022	2021 ^(f)	2020 ^(g)	2019	2018	2017	2016
Rainfall (Inches)	27.03	23.67	20.01	11.51	34.61	20.7	22.02	41.20	27.33	43.92
Customers/Connections ^(a)	584,473	575,744	565,595	556,151	544,991	529,392	515,981	505,627	496,543	488,705
Water Pumpage (Million Gallons)										
Annual Water Pumped	88,458	89,935	93,155	94,111	88,678	86,011	84,702	85,092	89,843	88,016
ASR Recharge ^(b)	529	1,142	1,832	3,766	7,822	2,226	4,430	6,427	11,198	11,159
ASR Production ^(b)	8,816	8,249	9,217	4,847	1,699	3,970	1,281	1,453	462	697
Annual Pumped for Usage	87,929	88,793	91,323	90,345	80,856	83,785	80,271	78,665	78,645	76,857
Average Daily	242.5	243.3	250.2	247.5	221.5	229.5	232.1	233.1	245.6	240.5
Maximum Daily	322.9	306.8	351.9	336.1	442.4	315.0	328.6	301.0	302.8	359.9
Metered Usage (Million Gallons)	70,164	68,719	69,299	71,194	64,020	67,193	65,655	63,660	65,641	63,934
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights ^(c)	83,760	85,045	86,954	87,124	87,871	88,353	88,753	89,989	92,632	93,289
Non-Edwards supply ^(d)	34,418	35,565	35,565	39,638	39,507	35,664	23,543	25,905	24,634	27,710
Stored in ASR ^(e)	38,807	47,061	54,201	61,586	62,667	56,544	58,288	55,138	50,165	39,429
Total water available for production	156,985	167,671	176,719	188,347	190,045	180,562	170,584	171,032	167,431	160,428
Number of Wells in Service	188	190	176	180	180	180	181	182	191	191
Overhead Storage Capacity (Million Gallons)	123.3	119.3	115.1	124.1	124.1	124.1	120.1	120.1	117.1	119.9
Total Storage Capacity (Million Gallons)	330.6	326.9	307.2	308.4	308.4	308.4	287.6	287.6	277.2	269.2
Miles of Water Main in Place	7,929	7,844	7,776	7,649	7,511	7,391	7,260	7,144	7,060	6,961
Water Main Breaks	2,925	2,649	3,228	3,148	1,599	2,494	2,357	2,329	1,843	1,194
Fire Hydrants in Place	47,743	47,003	46,436	45,446	44,305	43,345	42,513	41,553	40,872	39,988

^(a) Number of customers at end of fiscal year.

^(b) Gallons pumped for ASR recharge and ASR production are included in annual water pumped.

^(c) Based on permitted rights authorized by the EAA as of December 31. Under current EAA rules, authorized amounts are subject to reductions of 20% to 44% during drought conditions.

^(d) Includes water available under contracts to purchase or produce water from the Trinity Aquifer, Carrizo Aquifer, and Canyon Lake, Lake Dunlap as well as SAWS' brackish desalination plant. Starting in 2020, includes water available under the Vista Ridge Pipeline Project. There are no legally imposed reductions in these supplies during drought; however, production of water from certain of these sources is physically limited during periods of drought.

^(e) Represents cumulative net amount stored in ASR (Recharge - Net production).

^(f) Increase in Maximum Daily Pumpage is primarily due to Winter Storm Uri's impact to the System.

^(g) Storage Capacity includes a ground storage tank with a 10 million gallon capacity and two elevated storage tanks with a combined capacity of 4 million gallons associated with the Vista Ridge Pipeline Project, which commenced operations in April 2020.

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San Antonio Water System
Schedule 28 – Monthly Residential Service Charges for Ten Major Texas Cities – Water
Unaudited

CITY	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Arlington										
6000 Gallons	\$29.78	\$28.36	\$27.32	\$26.78	\$25.50	\$25.50	\$25.50	\$25.50	\$24.20	\$24.20
9000 Gallons	\$40.10	\$37.78	\$36.29	\$35.57	\$33.87	\$33.87	\$33.87	\$33.87	\$32.57	\$32.57
Austin										
6000 Gallons	\$43.48	\$41.79	\$38.16	\$37.02	\$37.02	\$37.02	\$37.02	\$37.02	\$38.35	\$38.35
9000 Gallons	\$82.28	\$78.09	\$70.41	\$68.34	\$68.34	\$68.34	\$68.34	\$68.34	\$70.30	\$70.30
Corpus Christi ^(a)										
6000 Gallons	\$37.29	\$39.06	\$39.06	\$39.06	\$45.65	\$45.18	\$44.05	\$44.05	\$42.37	\$42.37
9000 Gallons	\$57.87	\$59.91	\$59.46	\$59.46	\$71.35	\$70.65	\$68.93	\$68.93	\$66.29	\$66.29
Dallas										
6000 Gallons	\$24.23	\$23.14	\$22.79	\$22.27	\$21.00	\$21.00	\$20.77	\$20.77	\$21.69	\$21.35
9000 Gallons	\$38.66	\$36.73	\$36.11	\$35.26	\$33.15	\$33.15	\$32.77	\$32.77	\$34.71	\$34.10
El Paso										
6000 Gallons	\$38.07	\$35.42	\$34.12	\$33.45	\$30.78	\$30.10	\$28.27	\$27.19	\$25.23	\$23.82
9000 Gallons	\$61.17	\$48.22	\$46.43	\$43.96	\$40.40	\$39.52	\$37.25	\$35.82	\$37.40	\$31.28
Fort Worth										
6000 Gallons	\$33.87	\$32.94	\$31.44	\$31.44	\$31.44	\$31.44	\$30.82	\$30.82	\$29.39	\$28.60
9000 Gallons	\$46.67	\$45.70	\$43.75	\$43.75	\$43.75	\$43.75	\$42.73	\$42.73	\$41.14	\$40.77
Houston										
6000 Gallons	\$59.12	\$55.99	\$52.81	\$45.80	\$39.46	\$36.37	\$35.43	\$34.46	\$33.52	\$32.42
9000 Gallons	\$94.13	\$89.35	\$80.20	\$73.19	\$63.46	\$53.65	\$52.84	\$50.42	\$49.03	\$47.42
Lubbock										
6000 Gallons	\$42.30	\$42.30	\$41.59	\$41.59	\$41.09	\$41.09	\$42.09	\$41.09	\$44.56	\$44.56
9000 Gallons	\$63.75	\$63.75	\$62.50	\$62.50	\$62.00	\$62.00	\$62.00	\$62.00	\$58.84	\$58.84
Plano										
6000 Gallons	\$49.75	\$42.39	\$36.82	\$34.73	\$31.86	\$31.86	\$31.22	\$29.48	\$29.48	\$25.98
9000 Gallons	\$64.90	\$56.49	\$49.93	\$47.09	\$43.20	\$43.20	\$42.35	\$40.07	\$40.07	\$35.28
San Antonio (Standard)										
6000 Gallons	\$33.46	\$33.51	\$33.51	\$36.02	\$36.06	\$36.06	\$31.20	\$30.72	\$28.65	\$27.09
9000 Gallons	\$56.51	\$56.57	\$56.57	\$57.97	\$58.03	\$58.03	\$48.29	\$47.40	\$44.37	\$41.96

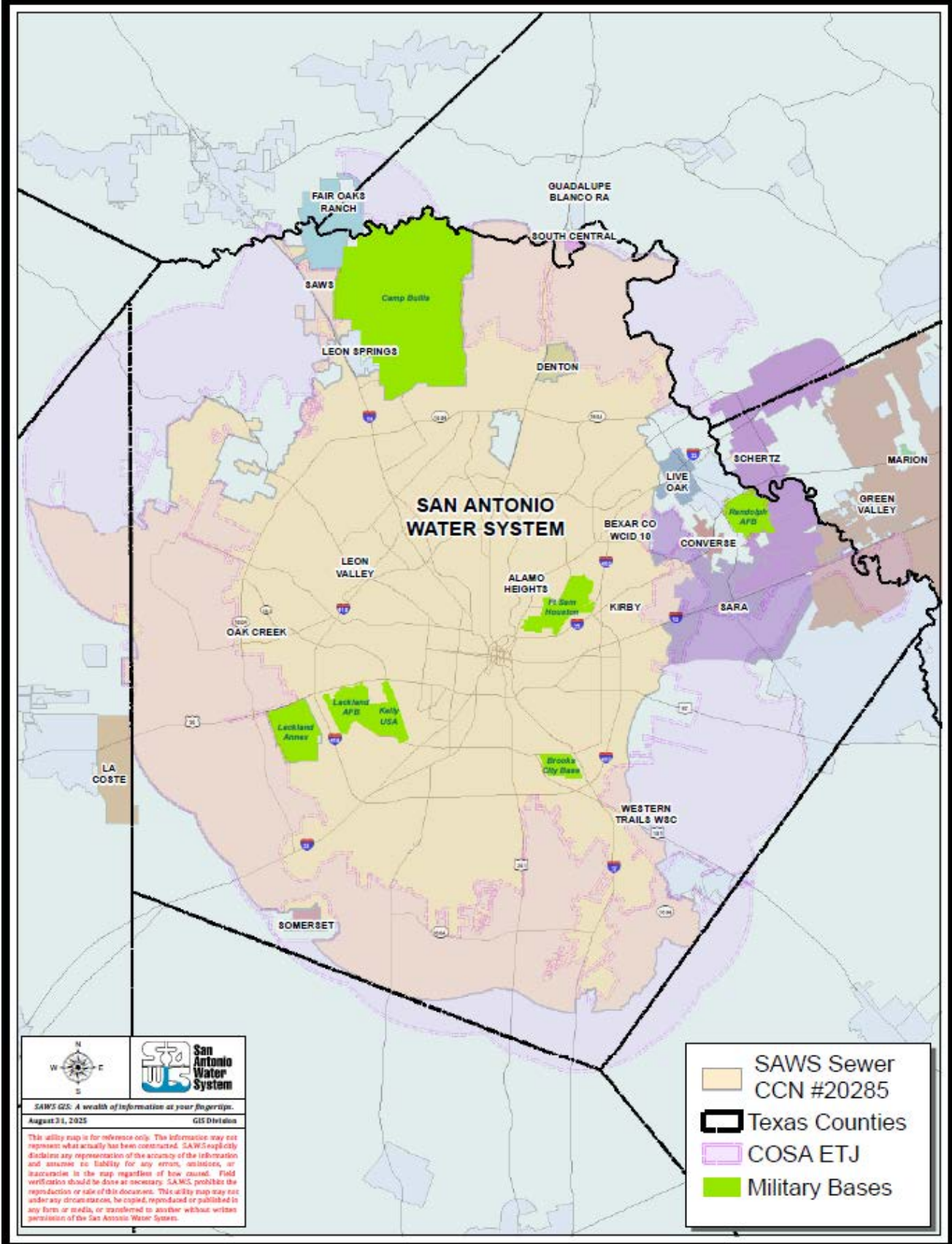
Source: Based on rates posted on each respective city's website.

Note – Most charges are for a 5/8" meter; Arlington, Plano, and Lubbock charges are for a 3/4" meter.

^(a) Includes Raw Water Pass Through Charge of \$1.18 per 1,000 gallons.

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



San Antonio Water System
Schedule 29 – Operating and Capital Indicators – Wastewater
Unaudited

	2025	2024	2023	2022	Fiscal Year					
					2021	2020	2019	2018	2017	2016
Customers/Connections ^(a)	524,197	515,765	505,846	497,331	487,364	473,478	461,555	453,066	445,023	437,460
Effluent Volumes for Major Facilities (million gallons per day)										
Clouse Water Recycling Center ^(b)										
Permit Flow	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Average Annual Flow	97.84	97.67	95.06	89.94	94.81	86.77	94.34	94.70	94.46	98.26
Maximum Monthly Average Flow	107.25	109.15	105.31	95.31	108.12	92.01	105.39	114.90	106.44	117.01
Leon Creek										
Permit Flow	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00
Average Annual Flow (two outfalls)	35.45	36.39	36.76	32.61	31.03	29.11	29.88	35.91	35.52	38.59
Maximum Monthly Average Flow (two outfalls)	40.55	38.46	42.00	35.06	35.07	30.53	32.67	46.36	38.61	45.06
Medio Creek										
Permit Flow	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Average Annual Flow	7.62	7.51	7.68	9.49	10.37	10.04	10.05	6.84	6.43	7.73
Maximum Monthly Average Flow	7.82	8.26	9.58	10.91	11.57	10.72	10.92	8.75	7.08	9.73
Total										
Permit Flow	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00
Average Annual Flow	140.91	141.58	139.50	132.04	136.22	125.92	134.27	137.45	136.41	144.58
Maximum Monthly Average Flow	155.37	153.40	152.27	139.00	154.75	132.24	148.80	170.01	152.13	171.48
Amount Treated Annually (millions of gallons) ^(c)	51,430	51,817	50,919	48,195	49,719	46,085	49,009	50,170	49,790	52,916
Amount Treated Peak Day (millions of gallons)	231	270	201	191	213	198	187	235	245	311
Miles of Sewer Main in Place	6,157	6,071	5,997	5,894	5,795	5,699	5,629	5,535	5,482	5,375
Number of Manholes in Place	123,148	121,405	119,816	117,429	115,012	112,767	110,836	108,580	107,247	105,346
Number of Lift Stations	142	144	154	152	149	146	146	154	151	155

^(a) Number of customers at end of fiscal year.

^(b) In the summer of 2019, the Dos Rios Recycling Plant was renamed Steve M. Clouse Water Recycling Center.

^(c) Represents the amount of wastewater treated annually and does not reflect the amount of wastewater billed. See Schedule 4 for the amount of wastewater billed.

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San Antonio Water System
Schedule 30 – Monthly Residential Service Charges for Ten Major Texas Cities – Wastewater
Unaudited

CITY	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Arlington										
6000 Gallons	\$57.44	\$51.80	\$48.68	\$45.94	\$43.72	\$43.72	\$41.44	\$38.02	\$34.98	\$31.56
9000 Gallons	\$78.44	\$70.13	\$65.81	\$62.11	\$59.11	\$59.11	\$55.69	\$50.56	\$47.52	\$42.69
Austin										
6000 Gallons	\$80.16	\$69.10	\$63.25	\$60.66	\$60.66	\$60.66	\$60.66	\$60.66	\$62.30	\$62.30
9000 Gallons	\$121.71	\$104.20	\$95.05	\$90.93	\$90.93	\$90.93	\$90.93	\$90.93	\$93.35	\$93.95
Corpus Christi										
6000 Gallons	\$67.39	\$61.66	\$61.66	\$61.66	\$59.36	\$59.36	\$45.60	\$45.60	\$60.79	\$60.79
9000 Gallons	\$91.60	\$82.72	\$82.72	\$82.72	\$79.43	\$79.43	\$60.15	\$60.15	\$80.86	\$80.86
Dallas										
6000 Gallons	\$42.48	\$40.52	\$40.07	\$39.09	\$37.29	\$37.29	\$36.94	\$36.94	\$37.06	\$36.56
9000 Gallons	\$61.05	\$58.16	\$57.50	\$56.10	\$53.52	\$53.52	\$53.02	\$53.02	\$53.20	\$52.49
El Paso										
6000 Gallons	\$39.64	\$37.54	\$36.09	\$29.80	\$26.36	\$25.86	\$24.63	\$22.82	\$21.14	\$19.73
9000 Gallons	\$54.91	\$51.72	\$49.74	\$39.79	\$35.18	\$34.52	\$32.89	\$30.48	\$28.23	\$26.35
Fort Worth										
6000 Gallons	\$41.67	\$40.76	\$40.29	\$40.29	\$40.29	\$40.29	\$38.10	\$38.10	\$35.53	\$34.49
9000 Gallons	\$58.75	\$57.56	\$57.02	\$57.02	\$57.02	\$57.02	\$53.90	\$53.90	\$50.05	\$48.49
Houston										
6000 Gallons	\$80.76	\$77.00	\$70.66	\$62.03	\$53.50	\$45.10	\$42.57	\$42.39	\$41.23	\$39.87
9000 Gallons	\$123.66	\$119.00	\$110.41	\$97.67	\$85.00	\$71.83	\$68.40	\$67.53	\$65.68	\$63.51
Lubbock										
6000 Gallons	\$39.81	\$38.81	\$38.81	\$38.81	\$38.76	\$38.76	\$38.76	\$38.26	\$35.02	\$35.02
9000 Gallons	\$50.94	\$49.94	\$49.94	\$49.94	\$49.89	\$49.89	\$49.89	\$49.39	\$44.53	\$44.53
Plano										
6000 Gallons	\$64.00	\$59.85	\$55.62	\$53.98	\$45.85	\$43.67	\$43.67	\$41.57	\$41.57	\$39.23
9000 Gallons	\$89.50	\$83.70	\$77.79	\$75.49	\$64.12	\$61.07	\$61.07	\$58.13	\$58.13	\$54.86
San Antonio										
6000 Gallons	\$29.81	\$30.01	\$30.08	\$33.24	\$33.24	\$33.24	\$33.24	\$30.78	\$29.71	\$28.13
9000 Gallons	\$43.49	\$43.79	\$43.89	\$47.21	\$47.21	\$47.21	\$47.21	\$43.72	\$42.20	\$39.96

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

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MONTHLY WATER, SEWER, AND WATER SUPPLY FEE RATES

In October 2026, the Board and the City Council approved a four-year rate plan which adjusted the average residential bill by 6.9% in 2027, and 6.5% in 2028. The rate adjustment for 2029 will range between 4.5% and 7.0% and 4.0% and 6.6% in 2030. The Uplift Assistance Program Fee, which is paid by all customers not in the Uplift Assistance Program is updated annually in December of each year. The Uplift Assistance Program Fees for Residential Water Services and Residential Wastewater Services will not change through 2030 and has been at the same rate since 2023. There is no rate adjustment to the Water Supply Fee in 2027.

Residential Water Service (Effective for Consumption on or about January 1, 2027.)

The Service Availability Charge (minimum bill) for all residential water service **INSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge and the Water Uplift Assistance Program Rate volumetric rate, measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
		Threshold	
5/8"	\$ 9.85	4,000	\$ 1.063
3/4"	14.07	7,000	1.966
1"	22.51	12,000	3.561
1-1/2"	43.60	20,000	4.676
2"	68.91	Over 20,000	6.642
3"	136.40		
4"	212.33		
6"	421.82		
8"	673.21		
10"	840.80		
12"	1,175.98		
		<u>Water Uplift Assistance Program Fee Rate**</u>	
		All Volumes	\$ 0.102

* Water Service Availability Charge shall be increased by \$2.20 Inside City Limits, if usage exceeds 4,000 gallons.

** Water Uplift Assistance Program Fee effective January 1, 2026.

The Service Availability Charge (minimum bill) for all residential water service **OUTSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge and the Water Uplift Assistance Program Rate volumetric rate, measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
		Threshold	
5/8"	\$ 12.81	4,000	\$ 1.383
3/4"	18.29	7,000	2.556
1"	29.25	12,000	4.629
1-1/2"	56.68	20,000	6.080
2"	89.58	Over 20,000	8.635
3"	177.32		
4"	276.03		
6"	548.18		
8"	874.76		
10"	1,092.48		
12"	1,527.92		
		<u>Water Uplift Assistance Program Fee Rate**</u>	
		All Volumes	\$ 0.102

* Water Service Availability Charge shall be reduced by \$2.86 Outside City Limits, if usage exceeds 4,000 gallons.

** Water Uplift Assistance Program Fee effective January 1, 2026.

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

Households at or below 150 percent of the Federal Poverty Level (FPL) are eligible to apply to be subject to the Uplift Assistance Program (UAP) water rates. The Service Availability Charge (minimum bill) is assessed for all UAP residential water service **INSIDE THE CITY LIMITS** of the City exceeding 2,000 gallons per month of usage furnished through meters of the following sizes together with the Monthly Volume Charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
		<u>Threshold</u>	
Tier 1 *	\$ 0.00	2,000	\$ 0.000
Tiers 2 – 5	3.00	6,000	1.000
		10,000	1.500
		15,000	2.500
		Over 15,000	3.500

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

The Service Availability Charge (minimum bill) is assessed for all UAP residential water service **OUTSIDE THE CITY LIMITS** of the City exceeding 2,000 gallons per month of usage furnished through meters of the following sizes together with the Monthly Volume Charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
		<u>Threshold</u>	
Tier 1 *	\$ 0.00	2,000	\$ 0.000
Tiers 2 – 5	3.90	6,000	1.300
		10,000	1.950
		15,000	3.250
		Over 15,000	4.550

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

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General Water Service
(Effective for Consumption on or about January 1, 2027.)

The Service Availability Charge (minimum bill) for all general water service **INSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge and the Water Uplift Assistance Program Rate volume charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
5/8"	\$ 14.24	Base*	\$ 2.188
3/4"	19.57	>100-125% of Base	2.516
1"	30.21	>125-175% of Base	3.281
1-1/2"	56.80	>175% of Base	3.829
2"	88.71		
3"	173.81		
4"	269.55		
6"	535.50	<u>Water Uplift Assistance Program Fee Rate**</u>	
8"	854.64	All Volumes	\$ 0.102
10"	1,067.40		
12"	1,492.92		

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

** Water Uplift Assistance Program Fee effective January 1, 2026.

The Service Availability Charge (minimum bill) for all general water service **OUTSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge and the Water Uplift Assistance Program Rate volume charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
5/8"	\$ 17.86	Base*	\$ 2.845
3/4"	24.44	>100-125% of Base	3.271
1"	37.61	>125-175% of Base	4.267
1-1/2"	70.53	>175% of Base	4.978
2"	110.04		
3"	215.39		
4"	333.91		
6"	663.14	<u>Water Uplift Assistance Program Fee Rate**</u>	
8"	1,058.21	All Volumes	\$ 0.102
10"	1,321.59		
12"	1,848.35		

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

** Water Uplift Assistance Program Fee effective January 1, 2026.

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Wholesale Water Service
(Effective for Consumption on or about January 1, 2027.)

Water service charges for all metered wholesale water connections shall be the sum of the appropriate Water Service Availability Charge and the application of the Water Monthly Volume Charges to metered water usage in every instance of service for each month or fraction thereof and are billed according to the schedule below.

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size⁽¹⁾</u>	<u>Service Availability Charge</u>
6"	\$ 425.44
8"	678.54
10"	847.27
12"	1,184.74

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Base*	\$ 2.445
Over Base	4.918

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

⁽¹⁾ Wholesale water service will not be provided through a meter smaller than 6" in order to comply with fire flow requirements and the "Criteria for Water Supply and Distribution in the City of San Antonio and its Extraterritorial Jurisdiction".

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Irrigation Service Fee
(Effective for Consumption on or about January 1, 2027.)

The Service Availability Charge (minimum bill) for all irrigation water service **INSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge and the Water Uplift Assistance Program Rate measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$ 14.24
3/4"	19.57
1"	30.21
1-1/2"	56.80
2"	88.71
3"	173.81
4"	269.55
6"	535.50
8"	854.64
10"	1,067.40
12"	1,492.92

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
<u>Threshold</u>	
8,000	\$ 3.809
18,000	5.332
160,000	6.855
Over 160,000	8.760
**Water Uplift Assistance Program Fee Rate	
All Volumes	\$ 0.102

** Water Uplift Assistance Program Fee effective January 1, 2026.

The Service Availability Charge (minimum bill) for all irrigation water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge and the Water Uplift Assistance Program Rate measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$ 17.86
3/4"	24.44
1"	37.61
1-1/2"	70.53
2"	110.04
3"	215.39
4"	333.91
6"	663.14
8"	1,058.21
10"	1,321.59
12"	1,848.35

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
<u>Threshold</u>	
8,000	\$ 4.952
18,000	6.932
160,000	8.913
Over 160,000	11.389
Water Uplift Assistance Program Fee Rate**	
All Volumes	\$ 0.102

** Water Uplift Assistance Program Fee effective January 1, 2026.

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**Recycled Water Service – Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2027.)**

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Net Meter Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 1,000 Gallons</u>	
5/8"	\$ 24.77	Transferred Amount	\$ 0.6530	\$ 0.6530
3/4"	32.21	All in Excess of Transferred	2.4450	2.5973
1"	42.01	Amount		
1-1/2"	66.72			
2"	97.54			
3"	259.45	* The Volume Charge "Seasonal" Rate Per 1,000 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 1,000 Gallons shall be utilized.		
4"	385.64			
6"	735.62			
8"	1,108.87			
10"	1,520.50			
12"	1,876.04			

**Recycled Water Service – Non-Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2027.)**

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Net Meter Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 1,000 Gallons</u>	
5/8"	\$ 24.77	First 748,000	\$ 2.6149	\$ 2.8125
3/4"	32.21	Over 748,000	\$ 2.6749	\$ 2.8360
1"	42.01			
1-1/2"	66.72			
2"	97.54			
3"	259.45	* The Volume Charge "Seasonal" Rate Per 1,000 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 1,000 Gallons shall be utilized.		
4"	385.64			
6"	735.62			
8"	1,108.87			
10"	1,520.50			
12"	1,876.04			

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

The Water Supply Fee assessed on all potable water service for water usage in every instance of service for each month or fraction thereof shall be as follows:

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

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

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

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Residential Sewer Service
(Effective for Consumption on or about January 1, 2027.)

Sewer service charges for all metered residential connections **INSIDE THE CITY LIMITS** of the City are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the Monthly Sewer Service Availability Charge, Monthly Sewer Volume Charge and the Sewer Uplift Assistance Program Rate schedules below.

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>
5/8"	\$ 10.42
3/4"	14.30
1"	22.05
1-1/2"	41.43
2"	64.69
3"	126.71
4"	196.49
6"	390.31
8"	622.90
10"	777.96
12"	1,088.08

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
<u>Threshold</u>	
4,000	\$ 2.742
Over 4,000	4.799
 <u>Sewer Uplift Assistance Program Fee Rate**</u>	
All Volumes	\$ 0.106

** Sewer Uplift Assistance Program Fee effective January 1, 2026.

- * Customers who do not have a winter record of water usage or an interim average will be billed for sewer service assuming 5,985 gallons monthly sewer usage. Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 5/8" meter size.

Sewer service charges for all metered residential connections **OUTSIDE THE CITY LIMITS** of the City are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the Monthly Sewer Service Availability Charge, Monthly Sewer Volume Charge and the Sewer Uplift Assistance Program Rate schedules below.

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>
5/8"	\$ 12.51
3/4"	17.16
1"	26.46
1-1/2"	49.72
2"	77.64
3"	152.07
4"	235.79
6"	468.38
8"	747.49
10"	933.56
12"	1,305.70

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
<u>Threshold</u>	
4,000	\$ 3.291
Over 4,000	5.760
 <u>Sewer Uplift Assistance Program Fee Rate**</u>	
All Volumes	\$ 0.106

** Sewer Uplift Assistance Program Fee effective January 1, 2026.

- * Customers who do not have a winter record of water usage or an interim average will be billed for sewer service assuming 5,895 gallons monthly sewer usage. Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 5/8" meter size.

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

Households at or below 150 percent of the Federal Poverty Level (FPL) are eligible to apply to be subject to the Uplift Assistance Program (UAP) sewer rates. Sewer service charge for all metered residential water connections shall be the application of the Sewer Monthly Volume Charges to average monthly water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the schedule below.

<u>Usage Blocks, Gallons</u>	<u>Inside City Limits Rate Per 1,000 Gallons</u>	<u>Outside City Limits Rate Per 1,000 Gallons</u>
<u>Threshold</u>		
2,000	\$ 0.000	\$ 0.000
Over 2,000	2.700	3.240

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

**General Class Sewer Service
(Effective for Consumption on or about January 1, 2027.)**

INSIDE CITY LIMITS ("ICL")

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
5/8"	\$ 10.42		
3/4"	14.30	All Volumes	\$ 4.527
1"	22.05		
1-1/2"	41.43		
2"	64.69		
3"	126.71	<u>Sewer Uplift Assistance Program Fee Rate**</u>	
4"	196.49	All Volumes	\$ 0.106
6"	390.31	** Sewer Uplift Assistance Program Fee effective January 1, 2026.	
8"	622.90		
10"	777.96		
12"	1,088.08		

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

OUTSIDE CITY LIMITS ("OCL")

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 1,000 Gallons</u>
5/8"	\$ 12.51		
3/4"	17.16	All Volumes	\$ 5.433
1"	26.46		
1-1/2"	49.72		
2"	77.64		
3"	152.07	<u>Sewer Uplift Assistance Program Fee Rate**</u>	
4"	235.79	All Volumes	\$ 0.106
6"	468.38	** Sewer Uplift Assistance Program Fee effective January 1, 2026.	
8"	747.49		
10"	933.56		
12"	1,305.70		

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

**Wholesale Sewer Service
(Effective for Consumption on or about January 1, 2027.)**

MONTHLY SERVICE AVAILABILITY CHARGE

All Meter Sizes: \$ 3491.17

MONTHLY VOLUME CHARGE

Rate Per 1,000 Gallons

All Usage: \$ 4.4898

WATER SERVICE INTERCONNECT RATE (EFFECTIVE JANUARY 1, 2006)

On November 17, 2005, the City Council approved the establishment of a Water Service Interconnect Rate. Water purveyors and entities outside the System have and are anticipated to continue to request connections to the System to receive potable water services on a short-term, unscheduled basis. Through these connections, these purveyors then resell the water provided by the System to their customers.

In order to ensure equitable recovery of costs and mitigate usage of these interconnections on more than a short-term basis, a Water Service Interconnect Rate was established. The rate is structured to provide short-term temporary water service while encouraging long-term water service agreements. In addition, the rate ensures that water purveyors utilizing potable water through the interconnection with the System do not profit when reselling this water to their own customers. Water purveyors who connect to the System under the Water Service Interconnect Rate shall pay for all services related to connecting to the infrastructure of the System to include applicable capital and operating costs.

Under the Water Service Interconnect Rate, water purveyors are charged all of the following:

1. The highest bill calculated based on metered usage using the System's or the water purveyors' current residential rate schedules;
2. The System's meter fee for standby service;
3. Additional standby charges of 10 times the meter fee for each month of usage, if usage occurs two consecutive months or more than three months during a calendar year; and
4. Time and material charges incurred to service the interconnect infrastructure.

IMPACT FEES (EFFECTIVE JULY 1, 2024)

On May 16, 2024, the City Council approved amendments to the System's Impact Fees Land Use Assumption Plan ("LUAP") and Impact Fees Capital Improvements Plan ("IFCIP") based on projections for the 10-year period of 2024-2033. Using these amended plans, at the same time the City Council approved amendments to the water supply, water flow, water system development, wastewater collection, and wastewater treatment impact fees for all areas served by the System. Chapter 395, Texas Local Government Code, as amended ("Chapter 395") requires that the LUAP and IFCIP must be updated at least every five (5) years. The previous impact fees for water delivery, water supply, and wastewater were approved by the City Council in 2019.

Chapter 395 requires that impact fees be calculated for an equivalent dwelling unit ("EDU") based upon a LUAP that projects new demand for a period not to exceed 10 years and IFCIP costs associated with providing service to that new demand. The amended LUAP for 2024-2033 projects 161,030 new water EDUs and 148,129 new wastewater EDUs. The pro-rata cost of existing and future capital improvements projects to serve the 2024-2033 growth is estimated to be \$1.5 billion as set forth in the amended IFCIP.

**SUMMARY OF MAXIMUM IMPACT FEES
(Impact Fees are shown as per EDU)**

Water Supply Impact Fee	\$ 2,592
Water Delivery	
Flow	\$ 1,368
System Development	
High Elevation	\$ 2,027
Middle Elevation	\$ 1,744
Low Elevation	\$ 1,510
Wastewater	
Treatment	
Medio Creek	\$ 1,527
Dos Rios/Leon Creek	\$ 1,105
Collection	
Medio Creek	\$ 1,836
Upper Medina	\$ 1,702
Lower Medina	\$ 768
Upper Collection	\$ 4,436
Middle Collection	\$ 2,792
Lower Collection	\$ 1,138

EDWARDS AQUIFER AUTHORITY PERMIT FEE: SAN ANTONIO WATER SYSTEM

City ordinance provides for the establishment and assessment of a pass-through charge of the EAA Permit Fee to all System water customers. The purpose of the fee is to recover fees paid to the EAA for permitted water rights. The annual fee takes into account any cumulative deficit or surplus in the recovery, number of EAA water rights and projected water sales (in gallons) for the year.

Year	EAA Fee (per 1,000 gallons) (\$)
2017	\$0.3612
2018	0.3533
2019	0.3561
2020	0.3452
2021	0.3452
2022	0.3385
2023	0.2992
2024	0.3294
2025	0.3420
2026	0.3659

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ) FEE

The TCEQ imposes certain fees on the System, which is applied to all residential, commercial, and wholesale accounts as well as each apartment account based on the number of units. The annual fee takes into account any cumulative deficit or surplus in the recovery.

TCEQ Pass-Through Fee		
Service Type (Monthly Fee)	Water Connection Fee	Wastewater Connection Fee
2017	\$0.18	\$0.06
2018	0.20	0.06
2019	0.20	0.06
2020	0.21	0.06
2021	0.21	0.06
2022	0.21	0.06
2023	0.21	0.06
2024	0.20	0.06
2025	0.19	0.06
2026	0.19	0.06

CYBERSECURITY

The System's operations are increasingly dependent upon information technology, operational technology, communications systems, and related services, which are subject to cybersecurity threats and incidents. The System regularly assesses and monitors cybersecurity risks and implements measures it deems appropriate to manage such risks, including cybersecurity governance and risk management processes, employee cybersecurity awareness and training, technology and security controls, system monitoring, incident response and recovery planning, and other measures designed to enhance operational resilience.

To date, the System is not aware of any cybersecurity incident that has had a material adverse effect on its operations or financial condition. However, cybersecurity threats continue to evolve, and no assurance can be given that the System's cybersecurity measures will prevent all cybersecurity incidents or that the System will be able to successfully mitigate or remediate the operational or financial effects of any such incident. The System may also be affected by events wholly or partially beyond its control, including electrical or telecommunications outages, natural disasters, cybersecurity incidents affecting third-party service providers, and malicious activities by individuals, criminal organizations, nation-state actors, or other threat actors. Any such occurrence could materially and adversely affect the System's operations, financial condition, or ability to provide services.

DATA CENTERS

Data centers, particularly those used for artificial intelligence, oftentimes require a massive amount of resources, including water. System officials have and will continue to encourage data centers to use recycled water and minimize the uses of water intensive technologies. In 2025, data centers used approximately .01% of the System's potable water and 1.25% of recycled water. There are currently over twenty data centers in the System's area, with current requests for use of approximately .03% of the System's potable water and 12% of recycled water demand. The System cannot predict how many water usage requests it will receive in the future, but currently there are between 10-15 entities participating at some stage of service request.

ENVIRONMENTAL MATTERS AND REGULATORY MATTERS

The City and the System are subject to the environmental regulations of the State and the United States in the operation of the System's water, reuse water, wastewater, stormwater, and chilled water systems. These regulations are subject to change, and the City and the System may be required to expend substantial funds to meet the requirements of such regulatory authorities.

GENERAL REGULATORY CLIMATE

The presidential election and various Supreme Court decisions have the continued ability to affect environmental positions within U.S. government agencies. On November 5, 2024, Donald Trump was elected President. The regulatory approach of the current Trump administration has been different than what occurred during the past Biden administration. Aside from shifts in policy, efforts to shrink the federal workforce have had an impact as regulatory agencies like the EPA have been trimmed down which have affected the ability to draft, interpret, and enforce regulations.

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

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

SAFE DRINKING WATER ACT

The System is in material compliance with several EPA drinking water rules adopted pursuant to the Safe Drinking Water Act, including the Enhanced Surface Water Treatment Rule, the Long Term 2 Enhanced Surface Water Treatment Rule, the Stage 1 and Stage 2 Disinfectant and Disinfection Byproduct Rules, and the Unregulated Contaminant Monitoring Rule. At this time, no increased capital expenditures have been required or are anticipated to be required to maintain compliance with the foregoing rules.

In August 1996, amendments to the federal Safe Drinking Water Act were signed into law, with additional amendments following in subsequent years, including provisions relating to eliminating lead in drinking water. The federal Safe Drinking Water Act requires the EPA to regulate a wide variety of contaminants that may be present in drinking water, including volatile organic chemicals ("VOCs"), other synthetic organic chemicals, inorganic chemicals, microbiological contaminants, and radionuclide contaminants. The list of contaminants to be regulated is so lengthy that the amendments require the EPA to establish a schedule for developing regulations regarding the contaminants. There were several phases in the EPA's regulatory timetables that were undertaken in the years following enactment. The impacts of these amendments to the System were not significant, as the System was able to materially comply with these regulations. The impact of ever evolving regulatory parameters is difficult to project at this time and would be dependent upon what maximum contaminant levels may be set for some future parameters and enhanced water treatment rules. Many of these parameters, such as waterborne pathogens, radionuclides, and infection by-products contaminants may require treatment changes that have not yet been established by the EPA.

In October 2006, the EPA also finalized its Groundwater Rule, a regulation designed to identify and address systems including ground water supplies that are at a high risk of contamination with fecal coliforms. It was anticipated that the EPA's Groundwater Rule could have an impact on the System if it was determined that any individual production well might need additional treatment. To date, the impact has been minimal with only an occasional increase in testing. While the highest estimated cost for compliance with the Groundwater Rule could be up to \$2.00 per gallon at any well that may be affected, this potential worst case would be limited to a very small number of wells.

On October 12, 2019, the EPA published proposed revisions to the "Lead and Copper Rule" (the "Lead Rule") under the Safe Drinking Water Act. The initial public comment period for such revisions closed on February 12, 2020. The EPA's proposed revisions create an action level of 15 parts per billion (ppb) and a new trigger level for lead of 10 ppb. Water sampling and analysis is required with exceedance triggering more extensive sampling and potential adjustments to corrosion control measures. Mandatory testing at schools and childcare facilities is also a component of the proposed revisions. Public water systems with test results exceeding the trigger level are required to work with the State to develop a program to replace service lines that contain lead in its distribution system. The proposed regulation also requires public water systems to develop an inventory of all service lines in both the water system's distribution system and in customer systems. The inventory must categorize service lines in one of four categories: lead, galvanized requiring replacement, non-lead, or unknown. Annual updates to the inventory are expected to reduce the number of unknown service lines and show the results of replacement operations. On June 16, 2021, the EPA issued an update that stated that it would continue to review the Lead Rule, comments and other collected information as well as continue stakeholder engagement and further delayed the effective date for the Lead Rule to December 16, 2021, and the compliance date to October 16, 2024. After completion of the stakeholder engagement process, and a review of the proposed Lead Rule, the EPA announced on December 16, 2021 that the Lead Rule should take effect as it is currently drafted. The Lead Rule that became effective delayed the requirement for testing at schools and childcare facilities until after October 16, 2024. The EPA committed to issuing guidance for the Lead Rule to include information related to developing lead service line inventories, best practices, case studies, and templates.

While awaiting EPA guidance, SAWS began taking steps to quantify the number of water service lines within its System which are of unknown material and may require inspection. Initial estimates are that there are approximately 392,000 such service lines with approximately 292,000 of these being on the customer-owned side of the water meter and approximately 100,000 service lines with unknown material (approximately 62% of service lines) on both the customer and SAWS sides of the line. In October and November of 2024, SAWS sent out approximately 350,000 notifications to homeowners regarding possible lead in their water pipes, depending on the age of their homes. As the testing rates and requirements are still being finalized, it is uncertain as to exactly how many of these service lines SAWS will be required to inspect. SAWS currently estimates that the average cost to conduct potholing inspections would be approximately \$1,000 per service line. Additionally, any required service line replacements identified are estimated to cost approximately \$5,000 per service line with this amount projected to increase with inflation in subsequent years. SAWS would be responsible for the cost of replacing any SAWS-owned service lines while the cost to replace any customer owned service lines is ultimately the responsibility of the homeowner. SAWS does not currently anticipate needing to replace a significant portion of its SAWS owned service lines but is unable to reasonably estimate until further testing is completed. SAWS will maintain and update a publicly available service line inventory related to its findings.

SAWS obtained a consultant to assist in preparing an inventory of service lines to submit to the TCEQ by the October 16, 2024 deadline, which SAWS met. SAWS continues to work with the consultant to develop strategies on how best to determine service line material on the customer's side of the service lateral, including a pilot program to target specific areas of the city to identify service line material. SAWS received approval of a City Council ordinance in 2023 to amend the City's plumbing code to require plumbers to identify and document the pipe material when exposing a private lateral for submittal to SAWS. On March 16, 2026, SAWS closed on a \$11,755,102 loan and principal forgiveness agreement with the Texas Water Development Board under the Drinking Water State Revolving Fund Lead Service Line Replacement Program to assist in the continued inventory of service line within the SAWS service area. In the spring of 2026, the EPA indicated that it was supportive of the use of predictive modeling to satisfy the requirements for identifying lead service lines in water system infrastructure. If this becomes the formal EPA position it will save water systems millions of dollars in line identification costs.

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

In October of 2021, the EPA issued a Strategic Roadmap to address per- and poly-fluoroalkyl substances ("PFAS"). Since that time, the EPA has utilized a whole-of-agency approach to PFAS by taking multiple actions, including revising non-regulatory health advisory limits for PFOA and PFOS; proposed a rule to include PFAS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as Superfund; and established requirements for monitoring of PFAS in drinking water under the fifth Unregulated Contaminant Monitoring Rule ("UCMR"). The UCMR requires all public water systems in the country to test for 29 PFAS substances between 2023 and 2025. Test results will be reported to the EPA and eventually made available to the public. In March 2023, the EPA announced proposed National Primary Drinking Water Regulations ("NPDWR") and a Maximum Contaminant Limit for PFOA and PFOS of 4 parts per trillion, and a mixed hazard index for PFNA, HFPO-DA, PFHxS, and PFBS. The proposed rule requires monitoring of public water supplies and reports of PFAS levels. On April 10, 2024, the EPA announced the final NPDWR for six PFAS. The final PFAS Rule maintained the MCL for PFOA and PFOS at 4 ppt, and established an MCL of 10 ppt for PFNA, HFPO-DA, and PFHxS. PFBS would be measured and regulated in combination with these latter substances within a hazard index (Index PFAS substances). The final PFAS rule established that public water systems have three years to complete initial monitoring for these PFAS substances by April 26, 2027, followed by ongoing compliance monitoring. Water systems must also provide the public with information on the levels of these PFAS in their drinking water by that same date. Compliance and enforcement would begin on April 26, 2029. However, on May 14, 2025, the EPA announced that the PFAS Rule was being revised with the rescinding of previously published MCLs for PFNA, HFPO-DA, and PFHxS, as well as the Hazard Index for those substances in combination with PFBS. Further, compliance deadlines would be extended by two (2) years to 2031. It is unclear if the overall timeline for testing and notifying the public are also extended by an additional two (2) years. This will be monitored as the EPA provides more guidance on the modification of the PFAS Rule. At this time, the PFAS Rule only applies to drinking water and does not address wastewater or its treatment.

On June 7, 2024, the American Water Works Association ("AWWA") and Association of Metropolitan Water Agencies ("AMWA") filed a petition with the U.S. Court of Appeals for the District of Columbia Circuit to review U.S. EPA's Final PFAS Drinking Water Rule. The lawsuit alleges that the EPA did not rely on the best available science and the most recent occurrence data in establishing the MCLs, used novel approaches as the basis for a hazard index, and underestimated nationwide costs that will add to affordability challenges for drinking water. AWWA has stated that they would like to collaborate with the EPA to address the identified concerns. Following the EPA announcement that it would rescind the Index PFAS substances portion of the Rule while it would defend the MCLs established for PFOA and PFOS, the EPA requested to sever and stay challenges to the rescission of the Index PFAS substances. The Natural Resources Defense Council and Earthjustice intervened in the case following the EPA's announcement to rescind the Index PFAS portion of the Rule. The federal appellate court denied the EPA's request to sever and stay, and the case remains open. This case will continue to be monitored going forward.

In April 2023, the EPA issued an Advance Notice of Proposed Rulemaking asking for public input regarding the designation of an additional seven (7) PFAS substances as hazardous substances under CERCLA. Generally, CERCLA imposes liability on any party responsible for, in whole or in part, the presence of hazardous substances at a specific site. On April 19, 2024, the EPA announced that it was designating PFOA and PFOS, as CERCLA hazardous substances. The EPA issued a memorandum that also details that it does not intend to pursue entities where equitable factors do not support seeking response actions or costs under CERCLA, including farmers, municipal landfills, water utilities, municipal airports, and local fire departments. However, because this is not codified, this enforcement discretion is subject to change by future EPA directive. A proposed exemption for water systems has been filed in the U.S. Congress that would establish that passive recipients of PFAS contamination, like public

water systems, are exempt from enforcement and liability under CERCLA. National organizations (AWWA, NACWA) are actively supporting this proposed legislation as it is considered.

Continued changes in rules and regulations, specifically the Lead Rule and the rapidly evolving rules regarding PFAS, may continue to cause process modifications, which may increase the cost of the maintenance and operation of the System's drinking water treatment and distribution facilities. Between 2023 and 2026 SAWS has included a total of \$16.4 million in its budgets for maintenance and operations costs for the Lead Rule initiative. Additional modifications and upgrades may be required to address modified rules, resulting in increased capital expenditures, which may be financed by the issuance of additional revenue bonds.

FEDERAL AND STATE REGULATION OF THE WASTEWATER FACILITIES

The federal Clean Water Act and the Texas Water Code regulate the System's wastewater operations, including the collection system and the wastewater treatment plants. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed in permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System (the "NPDES") program, a national program established by the Clean Water Act for issuing, revoking, monitoring, and enforcing wastewater discharge permits. The Clean Water Act authorized the EPA to delegate the EPA's NPDES permit responsibility to State or interstate agencies after certain prerequisites have been met by the relevant agencies. The EPA has delegated NPDES permit authority to the TCEQ, which means that the TCEQ is the lead agency for issuing Clean Water Act permits to the System. The System has current TPDES permits for its facilities, issued by the TCEQ, which are also issued under authority granted to the TCEQ by the Texas Water Code. Both the EPA and the TCEQ have authority to enforce the TPDES permits.

TPDES permits set limits on the type and quantity of wastewater discharge, in accordance with State and federal laws and regulations. The Clean Water Act requires municipal wastewater treatment plants to meet secondary treatment effluent limitations (as defined in EPA regulations). The Clean Water Act also requires that municipal plants meet any effluent limitations established by State or federal laws or regulations, which are more stringent than secondary treatment.

On June 1, 2010, the EPA published a notice in the Federal Register seeking stakeholder input to help the EPA determine whether to modify the NPDES regulations as they apply to municipal sanitary sewer collection systems and sanitary sewer overflows. On October 27, 2011, the Office of Water and the Office of Enforcement and Compliance Assurance issued a Memorandum on Achieving Water Quality Through Integrated Municipal Stormwater and Wastewater Plans. The memorandum outlines the development of an integrated planning approach framework to help the EPA work with local governments toward cost-effective decisions and solutions regarding the implementation of NPDES related obligations. On June 5, 2012, the EPA issued its Integrated Municipal Stormwater and Wastewater Planning Approach document. This document encourages the EPA Regions to work with the states in their regions to implement integrated planning that will assist municipalities on their critical paths to achieving health and water quality objectives of the Clean Water Act by identifying efficiencies in implementing requirements that arise from distinct wastewater and stormwater programs. In August 2014, the EPA finalized amendments to the Clean Water Act's NPDES program, requiring applicants use "sufficiently sensitive" analytical test methods when completing permit applications. Furthermore, the permit-issuing authority must prescribe that only sufficiently sensitive methods be used for analyses of pollutants or pollutant parameters under a NPDES permit. On May 18, 2016, the EPA proposed revisions to the NPDES regulations to eliminate regulatory and application form inconsistencies, improve permit documentation, transparency, and oversight, clarify existing regulations, and remove outdated provisions. On June 12, 2019, the EPA implemented new rules to address these permit procedure concerns.

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

On February 28, 2017, President Trump executed an executive order mandating the EPA formally reconsider the EPA's Clean Water Rule, as well as the definition of "Waters of the U.S." ("WOTUS") set forth in the Navigable Waters Protection Rule, which, pursuant to amendments promulgated in 2015, gave the EPA jurisdiction to regulate bodies of water within the broad scope of the rule's definition. On September 12, 2019, the EPA and the U.S. Army Corps of Engineers (the "Army") announced the repeal of WOTUS after extended litigation (including two federal district court decisions which reviewed the merits thereof and found the rule suffered from certain errors, resulting in respective remands for further consideration). On January 23, 2020, the EPA and Army finalized the new rule redefining WOTUS under the Clean Water Act, which became effective in June 2020. In June 2021, the EPA and the Army announced they would initiate a new rulemaking process to restore protection in place prior to the 2015 definition.

On January 13, 2021, the Army revised their Nationwide Permitting ("NWP") program adding clarity to regulations which decreases compliance risk for obtaining authorization for construction projects with minimal environmental impact. The effective date of the change was March 15, 2021. The Biden Administration called for a review of the 2021 NWPs, and the rule is being challenged legally. On June 9, 2021, EPA Administrator Michael Regan announced the agency's intent to expand the number of waterways that receive protection under the Clean Water Act. On August 30, 2021, a U.S. District Court in Arizona vacated the Navigable Waters Protection Rule and remanded to the EPA and the Army for reconsideration. In light of this order, the Army and the EPA have halted the implementation of the Navigable Waters Protection Rule and are interpreting WOTUS consistent with the pre-2015 regulatory regime until further notice.

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

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

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

On January 18, 2023, the State of Texas filed a lawsuit challenging the January 2023 Rule, arguing that it was vague and ambiguous, established arbitrary and capricious standards, and that the Agencies exceeded their authority in violation of the relatively new “major questions” doctrine. The January 2023 Rule is currently stayed in Texas, as well as in 26 other states.

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

On August 29, 2023, the EPA and Army issued a final rule (the “Conforming Rule”) that amends the Revised Definition of WOTUS to conform key aspects of the regulatory text to the Supreme Court’s decision in *Sackett*. The conforming rule was published in the Federal Register and became effective on September 8, 2023. The most significant revision in the Conforming Rule eliminates the “significant nexus” standard as struck down by *Sackett*.

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

On March 12, 2025, the EPA and the Army announced a joint memorandum issuing guidance to field staff on implementation of “continuous surface connection” in light of the U.S. Supreme Court’s decision in *Sackett*. The agencies’ guidance applies to both regulatory regimes that are currently in effect across the country. The memorandum also states that a docket would be created to address conformity with Supreme Court decisions going forward. The notice of that docket was published on March 24, 2025 in the Federal Register and provided for listening sessions to be conducted through May 2025. Following the expiration of the listening session period, the EPA and Army announced a proposed rule on November 17, 2025. Under the agencies’ proposed rule, the term “Waters of the United States” would include (1) traditional navigable waters and the territorial seas; (2) most impoundments of Waters of the United States; (3) relatively permanent tributaries of traditional navigable waters, the territorial seas, and impoundments; (4) wetlands adjacent (i.e., having a continuous surface connection) to traditional navigable waters, impoundments, and tributaries; and (5) lakes and ponds that are relatively permanent and have a continuous surface connection to a traditional navigable water, the territorial seas, or a tributary. The agencies are also proposing to amend the exclusions for waste treatment systems, prior converted cropland, and certain ditches, and to add an exclusion for groundwater. Finally, the agencies are proposing to add definitions for continuous surface connection, ditch, prior converted cropland, relatively permanent, tributary, and waste treatment system. The public comment period for the Rule closed on January 5, 2026.

At this time, it remains difficult to determine what impact the Supreme Court’s decision on pending lawsuits challenging the January 2023 Rule, the split interpretation and enforcement of Clean Water Act standards by the Agencies, and the proposed new rule will ultimately impact SAWS’ operations.

STATUS OF DISCHARGE PERMITS FOR CITY’S WASTEWATER TREATMENT PLANTS

All of the System’s wastewater treatment plants have been issued TPDES discharge permits by the TCEQ. An occasional upset may cause permit violations, but generally all of these plants are in compliance with their respective discharge limitations. The EPA notified the System during 2007 of concerns regarding reported sewer overflows under the TPDES permits. The EPA’s concerns and the System’s response are discussed under “THE CITY AND SAN ANTONIO WATER SYSTEM – Sewer Management Program” herein.

POTENTIAL PENALTIES FOR THE CITY’S WASTEWATER SYSTEM’S VIOLATIONS

The failure by the System to achieve compliance with the Clean Water Act could result in either a private plaintiff or the EPA instituting a civil action for injunctive relief and civil penalties. Penalties are updated in the Federal Register via a Civil Monetary Penalty Inflation Adjustment each year. On December 27, 2023, the civil penalty effective January 1, 2024 was increased to \$66,712 per violation. On January 8, 2025, the civil penalty was increased to \$68,445 per violation. The Office of Management and Budget issued Memorandum M-26-11 instructing agencies that there would be no inflation adjustments for penalties in 2026. Therefore, 2025 civil penalty amounts remain in effect. In addition, the EPA has the power to issue administrative orders compelling compliance with its regulations and the applicable permits. The EPA can also bring criminal actions for recovery of penalties of up to \$50,000 per day for willful or negligent violations of permit conditions or discharge without a permit. Violations of permits or administrative orders may result in the disqualification of a municipality from eligibility for federal assistance to finance capital improvements pursuant to the Clean Water Act. Even though the System will be operating under TPDES permits, it still may be liable for penalties from the EPA under the Clean Water Act.

Under State law, civil penalties for violation of State wastewater discharge permits or orders of the TCEQ can be a maximum of \$25,000 per day per violation. The Executive Director of the TCEQ also has authority to levy administrative penalties of up to \$25,000 per day for violations of rules, orders, or permits. Orders resulting from a civil action could require the imposition of additional user or service charges or the issuance of additional bonds to finance the improvements required to ameliorate a condition that may have caused the violation of a TCEQ permit.

See “THE CITY AND SAN ANTONIO WATER SYSTEM – Mitchell Lake Sewer Management Program” herein for a discussion regarding SAWS’ receipt of an administrative order from the EPA regarding an alleged violation related to discharge limitations at its Mitchell Lake facility.

GROUND-LEVEL OZONE

On March 12, 2008, the EPA revised the national ambient air quality standards (the “NAAQS”) for ground-level ozone (the primary component for smog) under the Clean Air Act, as amended in 1990. Prior to the revision, an area met the ground-level ozone standards if the three-year average of the annual fourth-highest daily maximum eight-hour average at every ozone monitor (the “eight-hour ozone standard”) was less than or equal to 0.08 parts per million (“ppm”). The EPA’s March 2008 revision changed the NAAQS such that an area’s eight-hour ozone standard must not exceed 0.075 ppm rather than the previous 0.08 ppm.

The Clean Air Act requires the EPA to designate areas as “attainment” (meeting the standards), “nonattainment” (not meeting the standards), or “unclassifiable” (insufficient data to classify). As a result of the revisions to the NAAQS, on March 10, 2009, Governor Rick Perry submitted a list of 27 counties in Texas, including the County, that should be designated as nonattainment. The final designations were put on hold while the EPA worked on revising the standard even further downward.

On January 6, 2010, the EPA formally proposed a regulation that would lower the primary NAAQS for ozone to a level within a range of 0.060 to 0.070 ppm. The EPA postponed issuing a final rule revising the ozone NAAQS standards, and on September 2, 2011, President Obama requested that the EPA withdraw the draft of the NAAQS revision. On September 22, 2011, the EPA issued a memorandum stating it would designate areas as non-attainment under the 2008 ozone standard of 0.075 ppm.

On November 26, 2014, the EPA proposed ozone standards to within a range of 65 to 70 parts per billion (“ppb”), while taking comment on a level as low as 60 ppb. On October 1, 2015, the EPA lowered the NAAQS for ground level ozone from 75 ppb to 70 ppb, “based on extensive scientific evidence about the ozone’s effects on public health and welfare”. In conjunction with the revised NAAQS, the EPA proposed separate rules to address monitoring the new standard. For Texas, the proposal calls for year-round monitoring throughout the state. On July 25, 2018, the EPA issued a final determination that the County was marginal “non-attainment” under the NAAQS ozone standard with an effective date of September 24, 2018. The State is required to amend its State Implementation Plan (“SIP”) to include the new non-attainment area. Under a marginal classification, the County was required to attain the 2015 eight-hour ozone standard by the end of 2020 to meet a September 24, 2021 attainment date. Within three years after the date of non-attainment determination the State must amend the SIP to provide a plan for how the non-attainment area will achieve NAAQS compliance. The State of Texas submitted a revised SIP addressing the 2015 NAAQS to the EPA on August 17, 2018.

To help achieve ozone attainment by September 2021, the San Antonio Metropolitan Health District (“Metro Health”) convened a “Getting to 70” Committee to coordinate activities that have air quality benefits for residents, businesses, and City internal operations. Metro Health also produced an Ozone Attainment Master Plan (“OAMP”) with stakeholder input. The OAMP was officially approved by the City Council in June 2019 to implement the following ozone action strategies:

- Communications and Marketing Plan
- Volkswagen Beneficiary Mitigation Plan
- Ozone Best Practices
- Identification of Point Sources and Mitigation
- Business Community Engagement
- Policy, Advocacy, and Funding

The City annually reviews its air quality progress, and the 2022 review provided insight to the City’s particulate matter (also called particle pollution) and ozone pollution trends. While particulate matter has risen slightly since 2010, the weighted average has stayed well below the 3.2 exceedance days per year rating the City with a passing grade, where it has been since the start of the American Lung Association’s Annual Report. In addition, there have been no particulate matter exceedance days that the TCEQ monitors in 2021 or in 2022.

In April 2022, the EPA announced a proposed action to move the County from “Marginal” to “Moderate Nonattainment” for ozone. If finalized, this new designation will mean that the City and adjacent areas (the “San Antonio Area”) will be required to comply with new EPA air quality regulations and meet the ozone standard of 70 parts per billion (ppb) by September 24, 2024. On September 15, 2022, the EPA announced that the City and County are designated as “moderate” and it was published on November 7, 2022 in the Federal Register. The proposed rules address additional requirements for inspection and vehicle maintenance. Attainment for the County would be required by the end of 2023 ozone season to meet a September 24, 2027 attainment date. On December 15, 2023, the TCEQ published proposed rules for nonattainment areas classified as moderate and above are required to meet the mandates of the Clean Air Act, which requires the SIP incorporate all reasonably available control measures (“RACM”), including reasonably available control technology (“RACT”), as expeditiously as practicable. The TCEQ is required to implement RACT requirement rules for all categories of stationary sources classified as major stationary sources of NO_x (defined below) or volatile organic compounds. This proposed rulemaking would implement RACT requirements for major sources of nitrogen oxides (“NO_x”) in the County. The TCEQ published the final rules on April 24, 2024.

Any State plan formulated to reduce ground-level ozone may curtail new industrial, commercial, and residential development in the San Antonio Area. Examples of past efforts by the EPA and the TCEQ to provide for annual reductions in ozone concentrations in areas of nonattainment under the former NAAQS include imposition of stringent limitations on emissions of volatile organic compounds (“VOCs”) and NO_x from existing stationary sources of air emissions, as well as specifying that any new source of significant air emissions, such as a new industrial plant, must provide for a net reduction of air emissions by arranging for other industries to reduce their emissions by 1.3 times the amount of pollutants proposed to be emitted by the new source. Studies have shown that standards significantly more stringent than those currently in place in the San Antonio Area and across the State are required to meaningfully impact an area’s ground-level ozone reading, which will be necessary to achieve compliance with the 70 ppb ozone standard. Due to the magnitude of air emissions reductions required as well as the limited availability of economically reasonable control options, the development of a successful air quality compliance plan for areas of nonattainment within the State has proven to be extremely challenging and expensive and will continue to impact a wide cross-section of the business and residential community.

Failure by an area to comply with ozone standards could result in the EPA’s imposing a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of emissions for which construction has not already commenced. Other constraints on economic growth and development include lawsuits filed under the Clean Air Act by plaintiffs seeking to require emission reduction measures that are even more stringent than those approved by the EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against the TCEQ and the EPA seeking to compel the early adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities, and private citizens. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the San Antonio Area. It remains to be seen exactly what steps will ultimately be required to meet federal air quality standards, how the EPA may respond to developments as they occur, and what impact such steps and any EPA action have upon the economy and the business and residential communities in the San Antonio Area.

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

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

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

On October 29, 2024 the EPA issued a third interim final rule responding to the Supreme Court’s order by further temporarily amending the Good Neighbor Plan to administratively stay the effectiveness of its requirements for covered facilities in the remaining 11 states for which an administrative stay was not already implemented under the two previous interim final rules starting with the 2024 ozone season: California, Illinois, Indiana, Maryland, Michigan, New Jersey, New York, Ohio, Pennsylvania, Virginia, and Wisconsin. In addition, the D.C. Circuit granted EPA a voluntary partial remand of the record of the Good Neighbor Plan to enable EPA to more fully respond to certain comments identified by the Supreme Court.

On March 13, 2025, EPA announced approval of the State of Texas’s SIP to address vehicle emissions and improve air quality in the San Antonio area. The plan calls for the state to implement vehicle inspection and maintenance requirements in Bexar County starting no later than November 1, 2026, for vehicles between 2 - 24 years old. On July 29, 2025, the EPA proposed to rescind the 2009 Greenhouse Gas Endangerment Finding. The Endangerment Finding was rescinded on February 12, 2026. The rescission of this finding will have an impact on the regulation of emissions from new motor vehicles and new motor vehicle engines. However, this will not impact the regulation of traditional air pollutants. Bexar County remains classified as a “serious non-attainment” area under the 2015 NAAQS and failure to meet standards for attainment could potentially lead to further air quality standard restrictions and increased permitting and regulatory requirements for treatment plants and other sites that produce identified pollutants.

CLEAN POWER PLAN/AFFORDABLE CLEAN ENERGY RULE

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

Lawsuits were filed challenging the new rules and consolidated into one case in the U.S. Court of Appeals for the District of Columbia Circuit (the “D.C. Circuit Court”). The litigation was massive in scale—nearly every state in the nation is involved in some capacity. West Virginia led a coalition of 27 states challenging the rule, while 18 states came to the Clean Power Plan’s defense. Various cities, counties, environmental groups, utility companies and industry trade groups were also involved. On February 9, 2016, the Supreme Court granted the applications of numerous parties to stay the Clean Power Plan pending judicial review of the rule.

The D.C. Circuit Court heard oral arguments en banc on September 27, 2016. On March 28, 2017, President Trump signed an executive order directing the EPA Administrator to immediately review and begin steps to rescind the Clean Power Plan, which included a request to delay the court proceedings. The EPA asked the D.C. Circuit Court to delay issuing an opinion on the matter in March 2017. Following a request from the EPA, on April 28, 2017, the D.C. Circuit Court granted an abeyance of the litigation for 60 days, and subsequently granted a succession of 60-day abeyances. On July 15, 2019, the petitioners filed a motion to dismiss the petitions in the matter because of the promulgation of the new rules replacing the Clean Power Plan. The D.C. Circuit Court granted the motion to dismiss on September 17, 2019, citing the litigation as moot.

On August 20, 2018, the EPA signed the proposed Affordable Clean Energy Rule (“ACER”) as a replacement for the Clean Power Plan. The proposed rule was published in the Federal Register on August 31, 2018, with the public comment period closing on October 31, 2018. On June 19, 2019, the EPA issued the final ACER, which involves an effort to provide existing coal-fired electric utility generating units, or EGUs, with standards for reducing greenhouse gas emissions. The final ACER became effective on September 6, 2019 and includes three actions: (1) the repeal of the Clean Power Plan; (2) the promulgation of a new set of emission guidelines for regulations of greenhouse gas emissions under the Clean Air Act; and (3) the promulgation of amendments to regulations governing submission and review of state plans under these and future emission guidelines. A lawsuit was filed in the D.C. Circuit Court that seeks repeal of the ACER. On January 19, 2021, the D.C. Circuit Court vacated the ACER governing emissions controls for power plants and its embedded repeal of the Obama-era Clean Power Plan. On February 12, 2021, the EPA issued a memorandum that clarified that because the court vacated the ACER and did not expressly reinstate the Clean Power Plan, the EPA understands the court’s decision as leaving neither rule in effect. The Biden administration and EPA stated that a revised Clean Power Plan would be forthcoming but major elements of the plan were lost in negotiations over the 2021 federal budget. On October 29, 2021, the Supreme Court agreed to hear an appeal of the decision made by the D.C. Circuit Court in January 2021. The appeal was filed by Republican-led states and coal companies seeking to limit the EPA’s authority to regulate carbon emissions under the Clean Air Act. The Supreme Court issued an opinion on June 30, 2022 in *West Virginia v. EPA*. The Supreme Court held that Congress did not grant the EPA the authority to devise emissions caps based on the generation shifting approach the agency took in the Clean Power Plan based on Section 111(d) of the Clean Air Act. This decision represents the Supreme Court’s first formal assertion of the “major questions” doctrine, which would be triggered when an agency claims broad authority based on new interpretations of older statutes, or statutes in which a grant of authority is not explicitly stated. The Supreme Court did not address the ACER in its consideration of the case. The decision reversed the D.C. Circuit Court ruling and remanded the proceedings back to the D.C. Circuit Court for further proceedings consistent with the Supreme Court ruling. On October 27, 2022, the D.C. Circuit Court responded to the Supreme Court decision by issuing an order that withdrew the mandate vacating the ACER, thereby reinstating the ACER. Because the EPA had informed the court that it is presently undertaking a rulemaking process to replace the ACER with a new rule governing greenhouse gas emissions from existing fossil-fuel-fired power plants, the court placed the case in abeyance pending completion of that rulemaking, rather than proceed to consider the remaining factual and legal issues raised by petitioners with respect to the ACER.

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

The EPA published its Greenhouse Gas Standards and Guidelines for Fossil Fuel-Fired Power Plants on May 9, 2024 in the Federal Register. The final rule sets carbon dioxide (“CO₂”) limits for new gas-fired combustion turbines and CO₂ emission guidelines for existing coal-, oil-, and gas-fired steam generating units. The rule mandates that many new gas and existing coal plants reduce their greenhouse gas emissions by 90% by 2032. On May 9, 2024, multiple lawsuits were filed in the U.S. Court of Appeals for the District of Columbia Circuit, including one by 25 states spearheaded by West Virginia and Indiana and another by Ohio and Kansas. Electric utility, mining and coal industry trade groups also filed lawsuits. On May 17, 2024, the Court of Appeals denied the 25 states’ request for an administrative stay of the proposed rule. The legal challenges are pending and will be closely monitored as they move forward. On October 16, 2024, the Supreme Court declined to issue a stay of the EPA’s Greenhouse Gas rule requested by states, energy companies, and other industry groups.

The rescission of the Greenhouse Gas Endangerment Finding coupled with identified Supreme Court decisions has severely limited the establishment of new federal regulation as it appears that foundational determinations must be made by Congress regarding stationary sources of greenhouse gases before federal limits can be established by federal agencies. It’s difficult to determine how all of this might affect the implementation of any new rules regarding power production, and what effect those rules may have on the cost of electricity. SAWS is a major consumer of electricity in the operation of its water production wells, water distribution system, sewer treatment operations, and reuse water distributions system. Any increases in the cost of electricity will increase the cost of providing these services. It is also not known whether required conversion to non-fossil fueled electrical generation will affect the provision of electrical capacity required to operate SAWS’ current systems. These effects will not be known until the compliance requirements for electrical generating utilities become more certain.

ENDANGERED SPECIES ACT

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

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

SAWS and EAA met with USFWS to discuss the potential listing in January 2024 and provided additional information requested by USFWS in March 2024.

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

It is expected that USFWS will review comments and additional information provided following the reopened comment period and determine if these species should be listed as endangered, threatened, or do not merit listing. In late December 2024, USFWS requested SAWS representatives participate in the technical review of a revised draft blindcat SSA, and the System submitted peer review comments on the revised draft SSA in May 2025. USFWS has not made a final determination on the Endangered Rule to date. If the species are listed, USFWS will propose a recovery plan. It is too early in the process to determine what might be included in a potential recovery plan and what impact a recovery plan might have on the System.

LITIGATION AND OTHER MATTERS

CITY OF SAN ANTONIO GENERAL LITIGATION AND CLAIMS

This section describes the litigation involving the City that does not directly involve SAWS or claims payable out of System revenues. Please see “LITIGATION AND OTHER MATTERS – SAWS Litigation and Potential Litigation” herein for a description of litigation involving SAWS.

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and promotional practices; various claims from contractors for additional amounts under construction contracts; property tax assessments; and various other liability claims. The amount of damages in most of the pending lawsuits is capped under the Texas Tort Claims Act, Chapter 101, Texas Civil Practice and Remedies Code, as amended (the “TTCA”). Therefore, as of the City’s fiscal year ended September 30, 2025, the amount of \$43,706,628 is included as a component of the reserve for claims liability. The estimated liability, including an

estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund of the City. The status of such litigation ranges from early discovery stage to various levels of appeal of judgments both for and against the City. The City intends to defend vigorously against the lawsuits, including the pursuit of all appeals; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the outcome of such lawsuits.

In the opinion of the City Attorney, it is improbable that the lawsuits now outstanding against the City could become final in a timely manner, as determined by the date posted hereof, so as to have a material adverse financial impact upon the City that should be reflected in the financial information of the City included herein.

The City provides the following updated information related to the lawsuits:

Rogelio Carlos III, et al. v. Carlos Chavez, et al. San Antonio Police Department (“SAPD”) SWAT officers were assisting High-Intensity Drug Trafficking Areas (“HIDTA”) officers in searching for a fleeing suspect. The Plaintiff was misidentified by the HIDTA officer as being the suspect. The HIDTA officer engaged and attempted to physically apprehend the Plaintiff and was assisted by SAPD SWAT officers. The Plaintiff suffered minor injuries as a result of the arrest, although he later complained of neck and shoulder/arm pain. Several months after the incident, the Plaintiff underwent surgery, during which procedure, the Plaintiff was paralyzed. The Plaintiff has filed suit against the City and various officers under 42 U.S.C. § 1983. The Plaintiff has amended his suit to include the physicians involved in the Plaintiff’s surgical procedure. Discovery has been completed. Motions for summary judgment were filed on behalf of the City and all officers. In April 2020, the Court entered its order dismissing all claims against the City and two (2) officers. Claims against the three remaining officers were pending trial. The case was bifurcated and trial on the issue of liability was held from April 8 through April 17, 2024 with a verdict in favor of one (1) officer but finding liability by the remaining two (2) officers. The damages case was tried in October 2024, with a final judgment totaling \$7,050,000. The court also awarded an additional \$2,489,757.39 in costs. The Plaintiffs filed a motion for attorney’s fees and an additional \$5 million for life care. Defendants have filed motions for new trial and remittitur. In June 2025, the Court entered Final Judgment, denying the motions for new trial and remittitur and awarding \$1,536,809.98 in attorney’s fees and costs. The officers filed an appeal to the Fifth Circuit; the Plaintiff filed a cross appeal challenging the summary judgment in favor of the City as well as challenging the judge’s exclusion of evidence on a life care plan. The City has informed the officers and the Plaintiffs that it cannot indemnify the officers in this matter.

Patricia Slack, et al. v. City of San Antonio and Steve Casanova. SAPD officers responded to persons complaining they had been assaulted in front of a nearby residence. The officers went to the address provided by the victims and approached the front door, which was behind a security door made of metal bars. The officers knocked, and the door swung open to the living room, although the security door remained closed. At least three (3) individuals were present in the living room. One (1) individual stood and approached the door while reaching his hand into his waistband. Officer Casanova discharged his weapon. A bullet fired by Officer Casanova grazed one (1) individual and fatally struck a second individual. A suit was brought on behalf of the estate of the deceased, the injured individual and another individual on the scene. The Plaintiffs have filed suit under 42 U.S.C. § 1983 alleging use of excessive, deadly force. The Court granted the City’s motion for summary judgment in part and denied it in part. It denied the officer’s motion for summary judgment. The District Court issued an order bifurcating the case into two trials – on the claims against the officer and on the claims against the City. The first trial (officer) began on August 17, 2026. The case was submitted to the jury on August 28, 2026. Verdict was rendered in favor of the officer. As a result, the case against the City will be dismissed. Plaintiffs will have 30 days from entry of final judgment to file an appeal.

Anja Contreras, individually and as Representative and Beneficiary to the Estate of Asante Contreras, Deceased v. Mazda Motor Corporation, Mazda Motor of America, Inc., City of San Antonio, Joseph W. Woolard, and Stephen Palade. On May 3, 2020, Defendant Joseph Woolard was wanted on four (4) felony warrants for firing a shotgun at a Bexar County Sheriff’s Office deputy. When police officers attempted to contact him at a gas station, he fled for 40 minutes before going the wrong way on IH 35, striking a vehicle and causing the death of Asante Contreras. The Plaintiff filed suit in state court alleging violations of 42 U.S.C. § 1983, the TTCA and general negligence. The Plaintiffs also asserted claims against Mazda Motor Corp. alleging negligence for the design and safety flaws of the Mazda 3 decedent was driving. Discovery is ongoing. On November 26, 2024, the Court granted the City’s motion for summary judgment, dismissing all claims against the City. The Plaintiff appealed this case. All briefing has been completed. Oral argument has not been set.

Texas Disposal System v. City of San Antonio. Texas Disposal System (“TDS”) holds a contract with the City to operate the City’s waste transfer station on Starcrest Road. TDS alleges that the rates allowed under the contract, even with Consumer Price Index adjustments, does not properly compensate them and sought to change the terms of the contract, which the City denied. TDS brought suit against the City in late 2022 claiming the City has breached the terms of the contract and seeking damages in excess of \$250,000. Trial on this case began on September 15, 2025 and lasted three weeks. The jury returned a verdict in the City’s favor and awarded zero dollars to TDS on October 1, 2025. The City has filed a motion seeking \$1.6 million in attorneys’ fees. The fee motion and entry of final judgment are pending with the trial court. It is anticipated TDS will appeal the jury verdict.

Alexis Tovar, et al. v. City of San Antonio, et al. On June 23, 2023, officers responded to an apartment complex for a call that a woman cut a fire alarm wire. When confronted by the officers, the woman ran to her apartment. Three (3) officers climbed over the railing on her patio and saw her inside the apartment. The woman made a movement toward the patio window and the officers opened fire, killing her. The Plaintiffs filed suit in Federal District Court against the City and the officers, alleging use of excessive force. The City will not be providing representation or indemnification for the officers. The officers filed an initial motion to dismiss, which was granted; however, the Federal District Court allowed the Plaintiffs to amend their complaint. After the amended complaint was filed, the officers and the City filed motions to dismiss. On May 29, 2025, a U.S. Magistrate Judge issued his Report and Recommendation, recommending the case be dismissed as to all parties. The Plaintiffs filed objections to this recommendation. The Federal District Court Judge accepted the recommendation and entered judgment in favor of the City and the former officers. The Plaintiffs appealed to the Fifth Circuit. The case was argued at the Fifth Circuit on July 7, 2026. A decision on the case is pending.

Maria Tijerina, et al. v. City of San Antonio, et al. SAPD received a call that a woman and her children were being held at gunpoint in their apartment by her boyfriend. SWAT was dispatched to the scene. The boyfriend exited the apartment and while standing on the landing, raised his weapon. SWAT officers discharged their weapons, killing the boyfriend. A single bullet went through the apartment door, ricocheted off an air conditioning vent and struck the woman, killing her. Suit has been filed on behalf of the woman and her children in Federal District Court. On August 8, 2025, the Federal District Court granted summary judgment in favor of the City and the officers, dismissing all claims. The Plaintiffs appealed to the Fifth Circuit and oral argument was held on August 5, 2026. On August 25, 2026, the Fifth Circuit issued its opinion upholding the dismissal of all claims. Plaintiffs may seek a rehearing, a rehearing en banc, or appeal to the U.S. Supreme Court.

Maria Vitela, et al. v. City of San Antonio, et al. On September 18, 2022, SAPD officers were flagged down to find a suspect wanted on felony warrants. Family members provided a description of the individual. Alejandro Vitela was seen riding his bicycle in the area, against traffic, and matched the description. When stopped, he was not cooperative, said he had a gun and would shoot the officers and then made movements that appeared that he was pulling a weapon. Officers drew their weapons and fatally shot Mr. Vitela. Subsequently, it was determined that he did not have a weapon. A suit has been filed on behalf of Mr. Vitela's estate against the City and one officer. A motion for summary judgment was filed but the court then allowed the Plaintiffs to file an amended complaint and reopen discovery. The discovery period is now completed, and summary judgments are pending. No trial date has been set.

Erik Cantu, et al. v. City of San Antonio, et al. On October 20, 2022, SAPD Officer James Brennand was dispatched to a McDonald's for a disturbance. On his arrival, the disturbance had abated, but while in the parking lot, he observed a vehicle that had fled from him the night before. Officer Brennand called for backup but approached the vehicle before it arrived. He opened the door, startling the driver, Eric Cantu. Cantu immediately put the vehicle in reverse, causing the car door to strike the officer. Officer Brennand drew his weapon and shot at the vehicle as it drove away. Mr. Cantu was struck several times and was unable to continue driving within a block. Mr. Cantu was hospitalized for multiple gunshot wounds. Officer Brennand was terminated for failure to follow SAPD policies and procedures and was criminally indicted. The City will not be providing a defense for former officer Brennand. Answers have been filed on behalf of all parties. Discovery is on-going. This case is set for trial on March 22, 2027.

Santander Consumer USA v. City of San Antonio, et al. The Plaintiff, an auto loan company, filed suit against the City and its contractor managing the City's impound lot. The Plaintiff claims that the City's ordinance regarding sending notice on towed vehicles is unconstitutional and deprives them of their due process rights to recover vehicles before they are sold at auction. The Plaintiff claims they have been damaged in an amount in excess of \$250,000.00. Motions to dismiss are currently pending. The Plaintiff filed a new petition, and the court has consolidated the cases. On August 5, 2025, the court granted summary judgment in favor of the City. The Plaintiff filed an appeal with the Fifth Circuit. Briefing has been completed and oral argument began August 6, 2026. The Court's opinion is pending.

Bravo Excavation and Construction, LLC v. Austin Bridge & Road, LP and City of San Antonio. This lawsuit concerns a storm water construction project. Austin Bridge & Road, LP ("Austin Bridge") is the general contractor for the City's project; Bravo Excavation and Construction, LLC ("Bravo") is a subcontractor hired by Austin Bridge for trenching. After trenching issues occurred, Austin Bridge alleged that the soil was different than as described in the documents; the City believes Bravo lacked experience in trenching. Austin Bridge terminated Bravo for OSHA violations and site safety concerns. Bravo sued Austin Bridge and the City, alleging a \$1.5 million breach of contract. Austin Bridge countersued Bravo and cross claimed the City for breach of contract. Bravo added a third-party defendant, United Rentals, claiming the water bypass for trenching malfunctioned. Discovery is on-going. This case is set for trial on November 16, 2026.

Ben Gonzalez and Ida Gonzalez v. The City of San Antonio; William McManus Individually and as Chief of the San Antonio Police Department; Detective Brian Belcher #2475 Individually. Police responded to a domestic violence call involving the Plaintiff's son and his ex-girlfriend. When police arrived, the decedent appeared to be holding a weapon on his ex. Officer Belcher discharged his weapon, killing decedent. The Plaintiffs allege that their son was not violent and the shooting was excessive force, in violation of 42 U.S.C. § 1983. Discovery is on-going. This case is set for trial on February 16, 2027.

Juanita Najera, individually and on behalf of the Estate of Ramon Najera, Jr., Raymond A. Najera, Sylvia Martinez, Richard G. Najera v. The City of San Antonio, Andy Segovia. The Plaintiff's decedent was attacked by dangerous dogs, resulting in his death. The owners plead guilty to criminal charges of attack by dog resulting in death. The Plaintiff has filed suit in federal court against the City and the City Attorney alleging that the City failed to take possession of the dogs despite allegedly knowing of their dangerous nature. The Defendants' motion to dismiss was granted by the court. The Plaintiffs filed a motion for reconsideration, which is pending with the Court.

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

The City of Houston et al. v. The State of Texas. In a lawsuit filed in July 2023 in state district court in Travis County, certain Texas home-rule cities including the City seek a court declaration that recent legislation in House Bill 2127 ("HB 2127"), effective September 1, 2023, is unconstitutionally vague. The Texas Constitution affords Texas home-rule cities broad authority in enacting local laws unless the Texas Legislature specifically legislates a state law that preempts local law. Any statutory language preempting local law must do so with "unmistakable clarity". In HB 2127, the Texas Legislature broadly enacted "field preemption" in eight state statutory codes without enacting any specific State law. This sort of "field preemption" does not exist between Texas state law and local law. HB 2127 also provides for a private right of action for any person to sue a home-rule city to invalidate any local law with State field preemption under HB 2127 after a 90-day notice period. In a suit under HB 2127,

a person suing the City may recover attorney's fees from the City. Given the ambiguity of HB 2127, the City cannot begin to predict the outcome of this lawsuit or the scope of potential litigation it may face when HB 2127 goes into effect. In late August 2023, a Travis County judge granted the Cities' motion for summary judgment, finding the statute was overly broad and staying its effective date. The State immediately filed an appeal. On July 18, 2025, the Third Court of Appeals issued its opinion, finding the cities did not have standing to bring the suit at this time and that the State was not the proper party. In doing so, they reversed the trial court's judgment with prejudice. San Antonio joined with Houston and El Paso to file a motion for rehearing and motion for rehearing en banc. In April 2026, the motions for rehearing were denied. In June 2026, the Cities filed a Petition for Review with the Texas Supreme Court. In July 2026, the Texas Supreme Court requested the State file a responsive brief. Separately, in November 2025, suit was filed against the City of Dallas alleging over 100 of its ordinances violated HB 2127. That suit was dismissed in May 2026 on a standing challenge.

Amy Pentkowski, et al. v. City of San Antonio and Bexar County. This suit was brought in federal district court pursuant to 42 U.S.C. § 1983, alleging use of excessive force. On January 23, 2023, around 7:00 am, the SAPD received a call reporting a male outside in a residential area acting in an unusual manner. An officer arrived on the scene and observed Daniel Pentkowski acting oddly. He approached Mr. Pentkowski. After initially engaging with the officer, Mr. Pentkowski became aggressive towards the officer, who took Mr. Pentkowski to the ground and called for backup. Several officers arrived and Mr. Pentkowski was escorted to Bexar County Jail. Bodycam footage from the scene does not show any injury. Officers talked with other individuals at the scene who identified as Mr. Pentkowski's sisters. They stated they rented the Airbnb for a family reunion and their brother had been drinking heavily and acting oddly. The family plaintiffs allege that they had no contact with the SAPD or the Bexar County Sheriff's Office for several days and were then notified that Mr. Pentkowski died. Discovery is on-going. This case has no trial setting at this time.

Gary Perez and Matilde Torres v. City of San Antonio. In 2017, the citizens of San Antonio approved a bond package which included funds for rehabilitation and restoration of areas of Brackenridge Park. In 2023, the City approved plans for restoring crumbling historic walls in the Lambert Beach area. The Plaintiffs assert they are members of a Native American church which recognizes this area as sacred area. They contend that the City's plans to remove trees in the restoration process and to deter nesting migratory cormorants will destroy the spiritual ecology of the area. They filed suit in federal court, seeking a preliminary injunction, which was denied. On appeal to the Fifth Circuit, the court initially entered an opinion upholding the denial, but on motion for rehearing, the court vacated the opinion pending certification to the Texas Supreme Court for determination of the standard of review for the Religious Services Protection Amendment of the Texas Constitution. In June 2025, the Texas Supreme Court issued their opinion, finding that the City's plans for rehabilitation do not violate the Texas Constitution. The matter was returned to the Fifth Circuit. On August 13, 2025, the Fifth Circuit issued a new opinion, with two justices concurring and one dissenting, affirming the denial of the preliminary injunction. The Plaintiffs filed a motion for rehearing en banc. In response, the panel withdrew their opinion and issued a new opinion, again upholding the denial of injunctive relief. Plaintiffs motion for rehearing en banc was denied. The Plaintiffs filed a Petition for Writ of Certiorari with the United States Supreme Court. On July 20, 2026, the Supreme Court requested a response from the City.

Tamika Gloria as next friend of D.G., and C.G., minors, on behalf of The Estate of Victor Manuel Macias-Castro, deceased v. City of San Antonio, Texas and San Antonio City Public Works Department. On June 12, 2025, the City experienced unprecedented rainfall in a short period of time. The Plaintiff decedent's vehicle was washed off the Loop 410 access road east of Perrin Beitel Road. The City's engineering investigation revealed that flooding on the roadway was due to the rainfall amount, vegetation growth on abutting non-City property, and a dip in the road, which is owned by the Texas Department of Transportation. The suit is still new and discovery will be undertaken. This matter is not set for trial.

M-Company General Contractors, Inc. v. City of San Antonio, Wantman Group, Inc., Lake/Flato Architects, Inc. The City contracted with M-Company General Contractors for the construction of the ZerNona Black Multigeneration Cultural Community Center. M-Company received notice to proceed with the project on March 4, 2022 with a substantial completion date of December 3, 2022. Despite several change orders extending the substantial completion date, as of February 2023, the project was still less than 50% complete. Based on M-Company's failure to substantially complete work in a timely manner, the City terminated the contract and hired another contractor to complete the project. M-Company filed suit alleging the City breached the contract and caused the delays. Discovery is on-going. This case is set for trial May 3, 2027.

SAN ANTONIO PARK POLICE OFFICERS ASSOCIATION LAWSUIT

On September 3, 2019, the San Antonio Park Police Officers Association ("PPOA"), the union representing the park and airport officers, sued the City alleging that State law requires that PPOA receive the same pay and benefits as City police officers. PPOA seeks a declaratory judgment that park and airport officers are entitled to both civil service and collective bargaining rights and benefits bargained for by the San Antonio Police Officers Association ("SAPOA"). The City filed pleadings seeking the dismissal of the suit in November 2019. On February 21, 2020, the court heard the City's and SAPOA's pleas to the jurisdiction. The court denied the motions. The City appealed to the Fourth Court of Appeals. The Fourth Court reversed in part and affirmed in part. The City filed a petition for review to the Texas Supreme Court, who declined to review the jurisdictional issue; consequently, the suit has returned to the trial court to proceed with discovery on the merits. Recently, the suit was amended to include a damages claim for past wages calculated under the SAPOA CBA. This case is not currently set for trial.

COLLECTIVE BARGAINING NEGOTIATIONS

The City is required to collectively bargain the compensation and other conditions of employment with its fire fighters and police officers. The City engages in such negotiations with the association selected by the majority of fire fighters and police officers, respectively, as their exclusive bargaining agent. The International Association of Fire Fighters, Local 624 ("Local 624") is the recognized bargaining agent for the fire fighters. The SAPOA is the recognized bargaining agent for the police officers. The following is the status of the collective bargaining negotiations with each association.

Collective Bargaining Agreement between the City of San Antonio and the San Antonio Police Officers' Association. The City Council approved a collective bargaining agreement with the SAPOA on May 12, 2022, which provides for a term through September 30, 2026. The parties commenced negotiations in January 2026 to achieve a successor agreement. A tentative agreement was reached in July 2026. Consideration for approval by

the Union occurred in August 2026 with anticipated City Council consideration on September 10, 2026.

Collective Bargaining Agreement between the City of San Antonio and the International Association of Fire Fighters, Local 624 (Local 624). The City Council approved a collective bargaining agreement with the San Antonio Professional Firefighters Association on September 19, 2024, which provides for a term through September 30, 2027.

SAWS LITIGATION AND POTENTIAL LITIGATION

SAWS is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That substantial litigation includes matters involving construction disputes, contract disputes, personal injury claims, and various other liability claims, as summarized below. Inclusion in the disclosure below does not operate as a waiver of governmental immunity, where applicable, nor is it a waiver of any statutory limit of potential liability under the Texas Tort Claims Act, where applicable. SAWS intends to actively pursue its affirmative litigation and to vigorously defend against litigation filed against SAWS by third parties, including pursuing all appellate avenues as appropriate. While no prediction can be made with respect to the liability of SAWS for such claims or the outcome of such claims or lawsuits, in the opinion of SAWS as of the date of this disclosure, the outcome of the pending litigation will not have a material adverse effect on SAWS, its operations, or financial position.

Cause No. 2023C111920; San Antonio Water System, an agency of the City of San Antonio v. Bexar Medina Atascosa Counties Water Control and Improvement District Number One, in the 407th Judicial District Court, Bexar County, Texas. On June 16, 2023, SAWS filed suit against BMA, seeking a judicial declaration that the 2007 Amended and Restated Water Supply Agreement between BMA and Bexar Metropolitan Water District (“Bexar Met”) (the “BMA Agreement”) and that the BMA board members have engaged in ultra vires acts by continuing to attempt to enforce the BMA Agreement. The BMA Agreement is a “take or pay” contract that gave Bexar Met the right to receive up to 19,974 acre-feet of water per year from Medina Lake for a benchmark price. Following years of mismanagement, Bexar Met was dissolved in 2012 after a legislatively-directed vote of its customers, and SAWS assumed Bexar Met’s rights and obligations under the BMA Agreement. Due to low lake levels and poor water quality, SAWS has not taken water from Medina Lake since around October of 2015 and has paid around \$3 million per year pursuant to the BMA Agreement. BMA has challenged the jurisdiction of the Court, alleging that jurisdiction should lie with the PUC instead. In June 2025, the district court granted BMA’s jurisdictional challenge and dismissed SAWS’s suit. SAWS timely filed its Notice of Appeal on July 3, 2025, which was briefed and argued before the Fourth Court of Appeals. On July 8, 2026, the Fourth Court of Appeals upheld the trial court’s decision, and the case has been dismissed. The parties remain in a dispute regarding the validity and compliance of the BMA Agreement, and SAWS intends to pursue its legal rights related to same going forward.

TEXAS LEGISLATURE

The regular session of the 90th Texas Legislature (the “Legislature”) is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Legislature may enact legislation that may affect current law as it relates to the City, SAWS, and the System, the scope and breadth of which will be determined prospectively. Neither SAWS nor the City makes any representation regarding any action that the Legislature may take during any legislative session.

TAX MATTERS

GENERAL

At the time of the original delivery of the Bonds, Original Co-Bond Counsel to the City rendered their opinion that, as of the date thereof, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds is excludable from the “gross income” of the owners thereof for federal income tax purposes and (2) the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code. As a condition to conversion and remarketing of the Bonds on the conversion date, Co-Bond Counsel will render an opinion to the effect that the conversion will not adversely affect any exclusion of interest on any Bond from gross income of the owner for federal income tax purposes. Except as stated above, Co-Bond Counsel to the City has expressed and will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds, including any opinion relating to the status of the Bonds, as of the conversion date, as obligations described in section 103 of the Code.

In rendering its opinion, Co-Bond Counsel to the City relied upon (i) information furnished by the City, and particularly written representations of officers and agents of the City with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, the construction, use and management of the proceeds and (in the case of the opinion to be rendered on the conversion date) the use of proceeds of and the property to be financed by the Bonds, and (ii) covenants of the City and SAWS with respect to arbitrage, the application of the proceeds received from the remarketing and sale of the Bonds and certain other matters. Failure to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of original issuance of the Bonds.

Co-Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Co-Bond Counsel’s opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Co-Bond Counsel. If an audit is commenced, under current procedures the Internal

Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

STATE, LOCAL, AND FOREIGN TAXES

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

INFORMATION REPORTING AND BACKUP WITHHOLDING

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

FUTURE AND PROPOSED LEGISLATION

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

RATINGS

Fitch Ratings, Inc., Moody's Ratings, and S&P Global Ratings rated the Bonds "AA", "Aa1", and "AA+", respectively. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds. A securities' rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City, acting by and through SAWS (who has accepted such responsibility by resolution of the Board adopted on August 4, 2026) has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the SEC's Rule 15c2-12 (the "Rule"). Under the agreement, SAWS, on behalf of the City, will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB through its EMMA system where it will be available free of charge to the general public at www.emma.msrb.org.

ANNUAL REPORTS

SAWS will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to SAWS of the general type included in this Remarketing Memorandum under the sections “DEBT AND OTHER FINANCIAL INFORMATION” and “SAWS’ STATISTICAL SECTION AND MANAGEMENT DISCUSSION”, and in APPENDIX B. SAWS will update and provide this information within six months after the end of each fiscal year ending in and after 2026.

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

SAWS’ current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless SAWS changes its fiscal year. If SAWS changes its fiscal year, it will file notice of such change with the MSRB.

NOTICE OF CERTAIN EVENTS

SAWS will also provide timely notices of certain events to the MSRB. SAWS will provide notice in a timely manner not in excess of 10 business days after the occurrence of the event of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City or SAWS; (13) the consummation of a merger, consolidation, or acquisition involving the City or SAWS or the sale of all or substantially all of the assets of the City or SAWS, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City or SAWS, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City or SAWS, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or SAWS, any of which reflect financial difficulties. In the Remarketing Resolution, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. Neither the Bonds nor the Ordinance make any provision for liquidity enhancement, debt service reserves as additional security for the Bonds, or credit enhancement. In addition, SAWS will provide timely notice of any failure by SAWS to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, (A) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the City or SAWS in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or SAWS, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or SAWS, and (B) the City and SAWS intend the words used in clauses (15) and (16) of the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION

All information and documentation filing required to be made by the City, acting by and through SAWS, in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB via the EMMA System at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the past five years, SAWS has complied in all material respects with all continuing disclosure agreements made by the City for which SAWS has agreed to comply on the City's behalf, in accordance with the Rule.

OTHER INFORMATION

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2), and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Remarketing Agents to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City has agreed to cooperate, at the Remarketing Agents' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL MATTERS

At the time of the initial issuance of the Bonds, the City furnished a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City, based upon examination of such transcript of proceedings, the approving Original Opinion of Original Co-Bond Counsel with respect to the Bonds issued in compliance with the provisions of the Ordinance, which Original Opinion is attached to this Remarketing Memorandum as APPENDIX E.

Though they represent the Co-Financial Advisors and the Remarketing Agents from time to time in connection with matters unrelated to the Bonds, McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, LLP, as Co-Bond Counsel to the City in connection with the remarketing of the Bonds that is the subject of this Remarketing Memorandum ("Co-Bond Counsel") was engaged by and only represent the System and the City with respect to the remarketing of the Bonds. Co-Bond Counsel has not independently verified any of the factual information contained in this Remarketing Memorandum nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy and completeness of this Remarketing Memorandum, except that, in its capacity as Co-Bond Counsel, such firms have reviewed the information describing the Bonds in this Remarketing Memorandum to verify that such description conforms to the provision of the Ordinance. The legal fee to be paid to Co-Bond Counsel for services rendered in connection with this remarketing of the Bonds is contingent upon the remarketing of the Bonds. The customary closing papers, including a certificate to the effect that no-litigation of any nature has been filed or is pending to restrain the remarketing and settlement of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds was also furnished. In connecting with the remarketing of the Bonds, certain legal matters will be passed upon for the Remarketing Agents by their counsel, Cantu Harden LLP, San Antonio, Texas.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from SAWS' records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Remarketing Memorandum are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CO-FINANCIAL ADVISORS

PFM Financial Advisors LLC and Estrada Hinojosa are employed as Co-Financial Advisors to the System in connection with the remarketing of the Bonds. The Co-Financial Advisors' fee for services rendered with respect to the remarketing of the Bonds is contingent upon the remarketing and settlement of the Bonds. PFM Financial Advisors LLC and Estrada Hinojosa, in their capacity as Co-Financial Advisors, have relied on the opinion of Co-Bond Counsel and have not verified and do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax treatment of the interest on the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Co-Financial Advisors have provided the following sentence for inclusion in this Remarketing Memorandum. The Co-Financial Advisors have reviewed the information in this Remarketing Memorandum in accordance with their responsibilities to the System, and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

CERTIFICATION OF THE REMARKETING MEMORANDUM

At the time of the remarketing of the Bonds, the Remarketing Agents will be furnished a certificate, executed by proper officer(s), acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the System and the City contained in this Remarketing Memorandum, and any addenda, supplement or amendment thereto, on the date of such Remarketing Memorandum, and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the System, the City, and their respective affairs, including financial affairs, are concerned, such Remarketing Memorandum did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the System and the City, and their respective activities contained in this Remarketing Memorandum are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the System and the City since the date of the last audited financial statements of the System.

REMARKETING

The Remarketing Agents for the Bonds from the Current Interest Rate Period to the New Interest Period, has agreed, subject to certain conditions, to purchase the Bonds from the City at the price indicated on the inside front cover of this Remarketing Memorandum, in exchange for compensation in the amount of \$ _____. The Remarketing Agents will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Remarketing Agents and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Remarketing Agents.

The Remarketing Agents are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, and brokerage activities. The Remarketing Agents, from time to time, performed, and may in the future perform, various investment banking services for the City or the System for which they received or will receive customary fees and expenses.

The Remarketing Agents have provided the following sentence for inclusion in this Remarketing Memorandum. The Remarketing Agents have reviewed the information in this Remarketing Memorandum in accordance with, and as a part of, their respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information.

Piper Sandler & Co. ("Piper"), one of the Remarketing Agents of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

FORWARD-LOOKING STATEMENTS

The statements contained in this Remarketing Memorandum, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers

should not place undue reliance on forward-looking statements. All forward-looking statements included in this Remarketing Memorandum are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's and SAWS' actual results could differ materially from those discussed in such forward-looking statements.

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

MISCELLANEOUS

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Remarketing Memorandum for purposes of, and as that term is defined in, the Rule.

The description of the Bonds contained in this Remarketing Memorandum does not purport to be complete. All references to the Bonds are qualified by reference to the Remarketing Resolution, the Ordinance, and to the complete form of the Bonds. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Remarketing Memorandum are made subject to all of the provisions of such statutes and authorizing documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects. So far as any statements made in this document involve budgeted amounts or other estimates or projections, whether or not so expressly stated, they should not be considered statements of fact or representations that the budgeted amount, estimate or projection will approximate actual results.

This Remarketing Memorandum has been approved by the authorized representatives of the Board.

SAN ANTONIO WATER SYSTEM

/s/

Chairwoman, Board of Trustees
San Antonio Water System

APPENDIX A
GENERAL INFORMATION REGARDING THE CITY

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APPENDIX A

CITY OF SAN ANTONIO, TEXAS GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Population and Location

The 2020 Decennial Census (“2020 Census”), prepared by the United States Census Bureau (“U.S. Census Bureau”), found the City to have a population of 1,434,625¹. The City’s Information Technology Services Department has estimated the City’s population to be 1,522,498² for 2026. The U.S. Census Bureau ranks the City as the second largest in the State of Texas (the “State” or “Texas”) and the seventh largest in the United States (“U.S.”).

The City is the county seat of Bexar County. Bexar County had a population of 2,009,324¹ according to the 2020 Census. The City’s Information Technology Services Department has estimated Bexar County’s population to be 2,128,666² and the San Antonio-New Braunfels Metropolitan Statistical Area (“MSA”) population to be 2,765,476² in 2026. The City is located in south central Texas approximately 80 miles south of the State capital of Austin, 165 miles northwest of the Gulf of Mexico and 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo.

¹ Provided by the 2020 Decennial Census.

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

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

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

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

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

³ Provided by the 2020 Decennial Census.

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

Area and Topography

The area of the City contains over 500 square miles with a topography that is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 788.68 feet above mean sea level.

Annexation Process

Like other large American cities, the City experienced unprecedented population growth and suburbanization after World War II. The City has historically been able to capture most of the growth in its Extraterritorial Jurisdiction (“ETJ”) through annexation. The City has grown from its 1940s area of 36 square miles to its current size of over 500 square miles. The City has a net taxable assessed value of \$159 billion in tax year 2025.

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

Annexations and Municipal Boundary Adjustments

The Planning Department recently processed an owner-initiated Consent Annexation request, which became effective at the end of February 2025, for a total of 794.50 acres (1.24 square miles). As a result of that large annexation, the City's corporate land rose to approximately 526.50 square miles.

Governmental Structure

The City is a "Home Rule Municipality" that operates pursuant to the City Charter, which was adopted on October 2, 1951, became effective on January 1, 1952, and was last amended pursuant to an election held on November 5, 2024, whereby, subject only to the limitations imposed by the Texas Constitution, Texas statutes, and the City Charter, all powers of the City are vested in an 11-member City Council which enacts legislation, adopts budgets, and determines policies. The City Charter provides for a Council-Manager form of government with 10 council members elected from single-member districts, and the Mayor elected at-large, each serving four-year terms, limited to two (2) full terms of office as required by the City Charter. The Office of the Mayor is considered a separate office. All members of the City Council stand for election at the same time in odd-numbered years. The City Council appoints a City Manager who administers the government of the City and serves as the City's Chief Administrative Officer. The City Manager serves at the pleasure of City Council.

City Charter

The City may amend its City Charter not more frequently than two (2) full calendar years between amendments (and which amendments must be approved by popular vote). Since its adoption, the City Charter has been amended on 12 separate occasions including: November 1974, January 1977, May 1991, May 1997, November 2001, May 2004, November 2008, May 2012, May 2015, November 2018, May 2021, and November 2024. City Charter elections must be held on a uniform election date (occurring in May and November in each year).

City Charter amendments approved at an election held on November 6, 2018 reduced the City Council's authority to determine compensation and the term of the City Manager by limiting pay to 10 times the amount of the lowest paid City employee, limits the term of a City Manager to eight (8) years, and requires a supermajority (8 votes out of 11) to select the City Manager. Additionally, the City Charter was amended at this election to allow the San Antonio Professional Firefighters Association ("Local 624"), an affiliate of the International Association of Firefighters, to unilaterally declare an impasse in collective bargaining and require the City to enter into binding arbitration.

On February 11, 2021, the City Council ordered an election for a City Charter amendment to be held on May 1, 2021 to allow the City to issue bonds for permanent public improvements or any other public purpose not prohibited by State law, including affordable housing projects, following an election on that matter. A majority of the voters voted for the City Charter amendment. The results of the election were canvassed on May 12, 2021, at which time the City Charter amendment became effective immediately.

On November 14, 2023, the Mayor reconstituted the Charter Review Commission to research and make recommendations for amendments to the City Charter related to the specific areas of ethics, City Council term length and compensation, City Manager tenure and compensation, the number of council districts and process for redistricting, and language modernization. The Charter Review Commission submitted its recommendations to City Council on June 5, 2024. On August 8, 2024, the City Council ordered a City Charter election to be held on Tuesday, November 5, 2024, whereby the following modifications were submitted to the voters: A) Adding a definition of "conflicts of interest", requiring sufficient funding to the Ethics Review Board so it may perform all its assigned duties, and authorizing the Ethics Review Board to accept or decline complaints that have been resolved by an entity other than the Ethics Review Board; B) revising the language of the City Charter to account for outdated and superseded provisions; C) granting City Council the authority to set the full terms of the City Manager's employment including tenure and compensation; D) allowing City employees to participate in local political activity consistent with State and federal law while protecting employees against political retribution and maintaining a general prohibition on participation in local political activity for the City leadership team; E) setting the compensation for City Council members and the Mayor at \$70,200 and \$87,800 annually with annual future adjustments to correlate to the HUD Income Limits for San Antonio; and F) extending the terms of all elected members of City Council, including the Mayor, from two (2) years to four (4) years and changing the term limits from four (4) full terms to two (2) full terms and keeping the terms concurrent. Each of the measures passed in connection with the City Charter election.

Services

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

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

Electric and gas services to the City area are provided by CPS Energy, an electric and gas utility owned by the City that maintains and operates certain utilities infrastructure. This infrastructure includes 20 non-nuclear electric generating units and 40% interest in STP's (South Texas Project) two (2) existing nuclear generating units. CPS Energy operations and debt service requirements for capital improvements are paid from revenues received from charges to its customers. As specified in the City ordinances authorizing the issuance of its system debt, CPS Energy is obligated to transfer a portion of its revenues to the City. CPS Energy revenue transfers to the City for the City's Fiscal Year ended September 30, 2025 were \$492,160,673. (See "San Antonio Electric and Gas Systems" herein.)

Water services to most of the City are provided by the San Antonio Water System ("SAWS"), the City's municipally-owned water supply, water delivery, and wastewater treatment utility. SAWS was founded in April 1992 as a separate, consolidated entity. SAWS' operating and debt service requirements for capital improvements are paid from revenues received from charges to its customers. SAWS is obligated to transfer a portion of its revenues to the City. SAWS revenue transfers to the City for the City's Fiscal Year ended September 30, 2025 were \$35,550,881. (See "San Antonio Water System" herein.)

Economic Factors

The City maintains a favorable business environment that supports economic diversification and sustainable growth. This section examines key economic indicators across employment, business activity, commercial and industrial development, major projects, and placemaking initiatives over the prior year. Historical data is included to demonstrate consistent, sustainable growth and to establish the City's fiscal health and its capacity to meet financial obligations.

Population growth continues to underpin sustained business investment and an expanding tax base. According to five-year estimates from the U.S. Census Bureau's American Community Survey, the MSA population grew by more than 49,000 residents over the past year, reaching approximately 2.6 million total residents. The MSA unemployment rate stands at 4.1%, which is below the statewide Texas rate of 4.3%. Nonfarm employment remained steady between May 2025 and May 2026, with total nonfarm employment currently at 1.20 million.

Collaboration remains central to the City's economic development success. In 2026, the Economic Development Department ("EDD") continues to engage partners in education, workforce development, chambers of commerce, and neighborhood organizations to update the Economic Development Strategic Framework (the "Framework"). The updated Framework will evaluate recent investments, address ongoing needs, and identify new opportunities. City Council accepted the original five-year Framework in October 2022, aligning city policy initiatives toward building a more resilient local economy and strengthening the city's competitiveness for capital and investment. The EDD continues to pursue holistic coordination with economic development partners, cultivate local talent and a strong workforce pipeline, expand business retention and attraction through targeted industry clusters, and accelerate place-based real estate development.

Major Initiative – Local Business and Workforce Development

In 2022, the City received \$326 million in American Rescue Plan Act ("ARPA") funds, with City Council approving major allocations from the federal pandemic recovery funding intended to help communities address the economic impacts of COVID-19. Under the Small Business Support pillar, \$33.9 million was designated for initiatives including access to capital, capacity building, ecosystem growth, localism and placemaking, and to revitalize commercial corridors – particularly in historically underserved areas, overseen by the Economic and Workforce Development Committee. The ARPA obligation deadline for ARPA funds was December 31, 2024, with all expenditures required to be completed by December 31, 2026, with the majority of the programs completed in 2025.

By aligning ARPA investments with community input and the guidance of the Small Business Advisory Commission, the city built a coordinated, equity-centered approach to economic recovery. More than 1,000 small businesses received technical assistance, over 500 grants were distributed, and thousands of business owners were connected to resources that helped them stabilize, grow, and adapt in the aftermath of COVID-19.

Targeted partnerships have amplified impact. These efforts delivered hands-on coaching, leadership development, digital tools, and capital—helping entrepreneurs modernize operations, expand markets, and build sustainable growth pathways.

- **Second Stage Program:** With \$362,000 in ARPA funds, the Maestro Entrepreneur Center (“Maestro”), in partnership with the Edward Lowe Foundation, successfully engaged and supported 49 second stage businesses through targeted outreach, peer roundtable discussions, and individualized training. These efforts strengthened operational infrastructure, improved market readiness, and helped participating companies attract new clients. Over the two-and-a-half-year program, the initiative successfully completed four (4) cohorts. Maestro consistently refined its approach and demonstrated the value of leadership development and peer-to-peer learning in enabling the growth of second-stage-firms across San Antonio. The program concluded on November 30, 2025.
- **Back Office Support Program:** With \$432,000 in ARPA funding, San Antonio for Growth on the Eastside (“SAGE”) engaged 274 small businesses, provided over 300 hours of technical assistance and completion of four (4) cohorts with intensive 10-week support to eastside businesses in business planning, marketing, technical assistance, operational capacity, financial management, and cybersecurity with the assistance of external partners. Across four (4) cohorts, 27 business owners graduated before the program concluded on November 30, 2025.
- **Compañero Program:** With \$362,000 in ARPA funding, the program administered by Prosper West, served 939 westside businesses through hands-on training, technical assistance, and support in applying for capital opportunities. Those efforts helped connect small businesses to access capital of \$218,334 and provided 464 training hours. The program has strengthened the small business ecosystem on the westside, thereby improving the overall economic climate in San Antonio. The ARPA-funded pilot concluded its initial two-year contract on April 30, 2025. City Tax Increment Reinvestment Zone (“TIRZ”) funds were approved to continue to fund the program and in October 2025, Prosper West entered into a new one-year agreement to administer the Compañero Program with a one (1) year renewal option.
- **Digital Presence Program:** Administered by Herospace Digital Consulting, the program used \$550,000 in ARPA funding, supplemented by \$150,000 in General Funds, to provide free coaching and digital services, which increased visibility, offered a platform for customer engagement, and provided a broader customer reach. This program also provided additional support for businesses in city-initiated construction zones. A total of 421 businesses completed assessments, 189 consultations were held, and 108 businesses received direct digital support before the program concluded on June 30, 2025.

ARPA funding also established a one-time Façade Improvement and Outdoor Spaces Programs, which supported more than 120 locally owned businesses, improving storefronts, and strengthening commercial corridors.

- **Façade Improvement Program:** Initially, the program provided grants of \$5,000 to \$50,000 for visible commercial façade improvements in targeted areas. Eighty-nine awards were approved and, as of May 2026, \$2.9 million had been disbursed. With no further payments, the program is anticipated to fully close by the end of Summer 2026.
- **Outdoor Spaces Program:** The program provided grants of \$2,000 to \$10,000 to small, locally owned food and drink establishments for outdoor area enhancements. Thirty-two awards were approved, with \$225,170.86 disbursed. The program fully closed in July 2025.

Further supporting placemaking efforts, the RevitalizeSA: Corridor Leadership Program serves as a catalyst for grassroots economic development by training community leaders to design and implement locally driven placemaking projects. A central component of the ARPA-funded two-year pilot program was the implementation of a project tailored to a specific commercial corridor. Upon completion, participant leaders were eligible to apply for a Commercial Hub Advancement for Neighborhood Growth Engagement (“CHANGE”) Grant of up to \$10,000. These grants were specifically intended to act as a spark for positive, visible change, providing the necessary seed capital to transform a neighborhood business district into a more vibrant and resilient destination. The pilot program successfully completed two (2) cohorts representing 32 participants and 24 projects. These efforts have resulted in the creation of new partnership networks, community markets, vibrant murals, and financial literacy initiatives that strengthen the social and economic fabric of San Antonio’s neighborhoods. RevitalizeSA Cohort 3 launched in April 2026 with 13 participants.

In addition to the programming and technical support highlighted, ARPA funding enhanced access to affordable capital. Through the Zero (0) Percent Interest Rate Loan Program, administered by LiftFund, the City leveraged ARPA funds alongside private and nonprofit partners to deliver \$2.75 million in interest-free loans to 85 businesses in Fiscal Year 2025, supporting job creation, retention, and long-term viability for entrepreneurs unable to access traditional financing. In Fiscal Year 2026, \$500,000 has been allocated for an estimated 26 loans with 21 loans administered by May 2026.

Beyond individual businesses, ARPA investments strengthened the small business ecosystem itself. A \$2.56 million partnership with Local Initiatives Support Coalition (“LISC”) empowered six (6) Business Development Organizations (“BDO”), American Indians in Texas at the Spanish Colonial Missions, Culturingua, Maestro Entrepreneur Center, Prosper West, SAGE, and Southside First, to expand staffing for implementation of prioritized plans and operations and capacity strengthening and technical assistance to the needs of their communities. Each BDO had access to up to \$95,000 for technical assistance and \$260,000 for general operational need.

Separate from ARPA funding-related partnerships and continuing the support for the small business ecosystem development partnerships is Launch SA, an entrepreneurship and small business support center. Launch SA was placed under the management of Geekdom through a three-year agreement signed by the City in 2023. Launch SA offers free services, including business advising, mentorship, and funding connections.

In Fiscal Year 2025, Launch SA hosted 292 workshops, provided 362.5 hours of mentorship, and assisted 10 entrepreneurs in securing \$245,000 in funding from grants, loans, investments and the Geekdom Community Fund. To enhance Launch SA’s capacity, the City has contracted with EcoMap Technologies, Inc. (“EcoMap”) and SizeUp. In partnership with EcoMap, Launch SA Link was created as an online platform to simplify access to small business resources across industries and stages. SizeUp provides market research, benchmarking, and business advising. Together, Launch SA, EcoMap, and SizeUp offer a wide-ranging, no-cost resource portfolio to support businesses throughout their journey.

Building on its small business development efforts, the city also leverages procurement to create economic opportunity for local entrepreneurs. The Small Business Economic Development Advocacy (“SBEDA”) Program plays a central role in this strategy, helping level the playing field for local small businesses by ensuring they have access to city contracting opportunities. In Fiscal Year 2025, the City awarded \$274 million—47.9% of contract dollars where SBEDA applied—to 428 unique local small businesses.

Based on vendor feedback from a 2023 Disparity Study, the Supply SA Procurement Playbook, and current program analysis, in 2025 the City established a first-ever cohesive supplier engagement strategy to foster economic growth by enhancing the awareness, capacity, and competitiveness of local small businesses to expand the availability of firms competing on City procurements. The first phase of implementation included a complete redesign of the Mentor Protégé program, offered in partnership with Alamo Colleges. The program, now known as Vendor Development Academy, aims to provide eligible small businesses with the tools and resources to compete for City contracts. Other aspects of the initiative include targeted outreach on high-opportunity City solicitations as well as expanded stakeholder outreach.

Investments continue to be made in workforce development through the SA: Ready to Work program. As of June 2026, SA: Ready to Work has enrolled more than 16,537 participants. To date, over 7,000 individuals have completed training, with 5,605 placed in quality jobs averaging \$15 per hour—or over \$31,200 annually. More than 1,700 employers have hired graduates. Healthcare, IT and cyber security, transportation, and warehousing are the most pursued fields, underscoring the program’s alignment with local labor market needs and its growing impact on economic mobility.

In Fiscal Year 2025, the City’s Emerging Technology Team (“ETT”) continued to build upon the foundation established from the Smart Cities program. Major development was made in cultivating and expanding the SmartSA program including doubling membership from nine (9) to 18 and adding Bexar County to the Interlocal Data Sharing Agreement. A fourth Working Group on Quality of Place was established by greater:SATX to explore ways to improve our built environment for business recruitment, retention, and resident satisfaction. In addition, the team completed 10 prototypes and 11 research projects. These projects spanned testing Microsoft Copilot, evaluating video analytics for public safety, Artificial Intelligence (“AI”) Language Access tools, generative AI use cases for the city, deepfake research, workforce impacts of AI, among others. ETT continues to lead our exploration and development of AI tools. In November 2024, the ETT created Administrative Directive 7.4a for “Acceptable Use of Information Technology” helping define guardrails for safe adoption of generative AI tools. To support this enterprise-wide directive, the team developed and provided an AI training program for city staff, knowing that the use of AI will play an even more prominent role in City operations.

Building on efforts in workforce development and innovation, the San Antonio Economic Development Corporation’s (“SAEDC”) pivotal role is in advancing the City’s broader economic goals. Established as a 501(c)(3) Type-B-Corporation, the SAEDC fosters job creation and entrepreneurship through strategic investments—primarily in the commercialization of intellectual property and later-stage startups. In 2025, the SAEDC updated its investment guidelines to align with the Framework, expanding its scope to include equitable real estate revitalization projects citywide.

Beyond local business and workforce development, the City is focused on advancing five (5) strategic industry clusters identified in the EDD’s Framework: Bioscience Anchors and Catalysts, Corporate Services, IT Security and Infrastructure, Mobility, and Sustainable Energy. These high-potential sectors are backed by strong local assets and are prioritized for enhanced

incentives under updated economic development incentive guidelines that focus on job creation and higher wage growth industries, reinforcing the commitment to driving targeted economic growth. A summary of current economic trends for each cluster follows.

Bioscience Anchors and Catalysts

The bioscience and healthcare industry generates \$44 billion for the regional economy, employs nearly one (1) in five (5) workers in the City, and continues to serve as a significant driver of regional economic activity, with more than 185,000 employees and sector growth of over 2.4% in the past 12 months. With the largest military complex in the U.S., the only NIH Primate Research Center with BSL-4 labs, three (3) national disease research centers, and one of only two complete end-to-end biotech pipelines in the world, the City's diverse academic expertise and clinical research excellence anchor bioscience research and innovation. The City is also home to major employers including the Texas Biomedical Research Institute, BioBridge Global, Solventum, and five (5) hospital systems – Baptist, Christus, Methodist, University, and VA Audie Murphy. Innovation in this cluster is driven by more than 20 academic, independent, and Department of Defense (“DoD”), also known as the Department of War (“DoW”) biomedical research organizations. San Antonio also hosts the largest military health complex in the United States. The following summarizes the major contributors to the Bioscience Anchors and Catalysts cluster.

The University of Texas at San Antonio (“UT San Antonio”) is a nationally recognized, top-tier public research university and the third-largest public research university in Texas, holding Carnegie R1 designation. Formed through the formal integration of UT San Antonio and UT Health San Antonio effective September 1, 2025, UT San Antonio unites higher education, research, and healthcare within a single institution. UT San Antonio serves over 42,000 students across 350 academic programs and employs 17,000 faculty and staff. It invests more than \$486 million annually in research and generates an estimated \$7 billion in economic impact for Texas. UT San Antonio also serves more than 2.5 million patients annually through its comprehensive health system.

UT San Antonio's \$100 million, 103,000-square-foot Center for Brain Health was formally opened on December 10, 2025, and serves as a major hub for clinical care, diagnostics, research, and caregiver support related to Alzheimer's disease and other neurological conditions, bringing specialty care and neuroscience research together under one (1) facility.

The University of the Incarnate Word (“UIW”), with over 9,000 students, opened its School of Osteopathic Medicine in 2015 and achieved full accreditation in 2021. A \$70 million renovation of the former AT&T building, now Founders Hall, will expand the campus by 20% and house academic units including the Liza and Jack Lewis Center of the Americas, the School of Mathematics, Science and Engineering, and a new student health center. Phase I of the project is targeted for completion in August 2026 and has attracted significant philanthropic support, including a \$5 million pledge from the Elma Dill Russell Spencer Foundation and a \$500,000 gift from Joeris General Contractors. In January of 2026, UIW received a significant gift from Mrs. Jane Cheever Powell to establish the Col. Cheever Events Center and the Cheever Family Auditorium.

University Health's Palo Alto Hospital continues to advance on San Antonio's south side and remains on track to open in 2027. Located on a 68-acre campus adjacent to Texas A&M University San Antonio, the five-story facility is planned to open with 166 inpatient beds, expandable to 286, and will include a 24/7 emergency department, labor and delivery, NICU, operating rooms, radiology, laboratory services, and a connected medical office building for specialists and family medicine. The broader campus entered operations in 2025 with the opening of University Health Vida, which houses multispecialty services and the Institute for Public Health, and is the first center to be built on University Health's larger Palo Alto Hospital project site.

Methodist Healthcare advanced a major capital expansion program in San Antonio during 2025 and 2026, including a \$104 million expansion at Methodist Hospital Stone Oak and a \$146 million patient tower at Methodist Hospital Northeast in Live Oak. The Stone Oak project adds 54 beds through vertical expansion and was marked by a topping ceremony in November 2025, while the Northeast project broke ground in January 2026 on a multi-story 100,000-square-foot tower designed to expand inpatient, critical care, and medical-surgical capacity.

The Defense Health Agency San Antonio market is one of 20 Defense Health Agency markets across the United States and integrates military medical facilities across Joint Base San Antonio (“JBSA”) into a unified healthcare delivery system serving more than 250,000 eligible military beneficiaries in the region. The market encompasses the 59th Medical Wing at JBSA Lackland, Brooke Army Medical Center at JBSA Fort Sam Houston, the U.S. Army Institute of Surgical Research, the Naval Medical Research Unit San Antonio, the Center for the Intrepid, and the South Texas Veterans Health Care System, which includes the Audie L. Murphy Memorial Veterans Hospital and the Frank M. Tejeda Department of Veterans Affairs Outpatient Clinic. These institutions are collectively staffed by approximately 11,000 military members, civilian professionals, and contractors from the U.S. Army, U.S. Air Force, U.S. Navy, and Department of Veterans Affairs, representing one of the most concentrated and strategically significant military medical ecosystems in the DoD.

At the center of this ecosystem is Brooke Army Medical Center (“BAMC”), the largest military healthcare organization within the United States. Both inpatient and outpatient services are provided by approximately 8,500 staff members. As the DoW’s only Level I Trauma Center and home to the U.S. Army Institute of Surgical Research Burn Center, the only burn center in the DoW, BAMC plays a critical role in global combat casualty care, trauma innovation, and advanced medical research. BAMC’s Level 1 Trauma Center serves the City and the surrounding region, caring for more than 4,000 military and civilian trauma patients and 80,000 emergency department visits annually. The hospital maintains approximately 425 operational beds and can expand to 653 beds during national emergency or contingency operations. BAMC also serves as a premier academic platform through the San Antonio Uniformed Services Health Education Consortium, a partnership with the 59th Medical Wing and the Uniformed Services University of the Health Sciences that supports approximately 700 residents and fellows across nearly 40 accredited graduate medical education programs annually, making San Antonio the DoW’s largest military graduate medical education platform.

The San Antonio market maintains deep integration with local higher education and research institutions. The military medical enterprise collaborates closely with UT San Antonio in clinical training, trauma research, surgical innovation, specialty medical education, and research initiatives in biomedical engineering, data science, cybersecurity for healthcare systems, and translational bioscience. Additional partnerships with Trinity University and the Texas Biomedical Research Institute support infectious disease research, biodefense initiatives, and the broader life sciences ecosystem. Complementing these collaborations, the U.S. Army Medical Center of Excellence at JBSA-Fort Sam Houston serves as the Army’s premier medical training and doctrine command, educating thousands of enlisted and officer medical personnel annually and aligning with regional academic partners to advance medical capabilities.

The 59th Medical Wing at JBSA-Lackland Emergency Department at Wilford Hall Ambulatory Surgical Center transitioned to an Urgent Care Center beginning April 4, 2026, shifting services to support non-life-threatening care. Emergency response services on JBSA-Lackland remain fully intact and unchanged including the largest ambulatory surgical center in the DoW. The new Urgent Care Center will operate seven (7) days a week from 6 a.m. to 6 p.m. and will treat acute, non-life-threatening conditions. Services will include provider evaluations, on-site laboratory testing, X-ray imaging and pharmacy support during operating hours. The 59th Medical Wing, as the U.S. Air Force’s premier medical wing, leads in healthcare delivery, research, and professional medical education. Its dental training mission provides approximately 85% of Air Force dental readiness training and benefits from collaboration with regional academic institutions.

Together, the Defense Health Agency San Antonio market institutions, integrated with the City’s universities, research institutes, and training commands, form the foundation of the region’s Military Medical City USA identity. Their combined clinical excellence, research innovation, education capacity, and operational readiness mission sustain national defense medical capabilities and anchor San Antonio’s bioscience economy, strengthen its workforce development pipeline, and position the City as a national leader in military medicine, trauma care, and health innovation.

Texas Biomedical Research Institute (“Texas Biomed”) is one of the largest independent infectious-disease research organizations in the nation and the only independent, non-profit U.S. institute that combines high-level biocontainment laboratories with a federally designated National Primate Research Center, including the nation’s only National Institute of Health (“NIH”) primate center with a biosafety level four laboratory. Spanning 200 acres with 70,000 square feet of lab space, Texas Biomed operates three (3) scientific programs, maintains more than 400 active research projects, and houses over 4,000 research animals. Its team of over 500 employees includes over 130 PhD, MD, and DVM scientists across 36 faculty, 23 scientists, and 13 veterinarians. Texas Biomed has been at the forefront of some of the most consequential medical breakthroughs in modern history, including advancing the first COVID-19 vaccine, the first Ebola treatment, the first Hepatitis-C therapy, and the high-frequency neonatal ventilator for premature infants. In 2025, Texas Biomed marked 25 years of maximum-containment research and signed a new agreement supporting potential non-human primate studies for Galidesivir, an antiviral candidate targeting high-priority threats such as Ebola, Marburg, MERS, Zika, and yellow fever. In 2026, Texas Biomed celebrates its 85th anniversary and has announced the planned opening of a new \$20 million, 18,000-square-foot Animal Health Center.

Southwest Research Institute (“SwRI”) is a nonprofit, independent research and development organization headquartered in San Antonio with more than 79 years of history. In 2025, SwRI achieved record revenue of \$966 million, reported more than 3,200 employees, received 26 U.S. patents, filed 29 patent applications, and supported a record 140 new internal research and development projects through more than \$13 million in internal research for new projects and monetary investment. In health and bioscience-related work, SwRI expanded its pharmaceutical and bioengineering capabilities through its 21,000-square-foot Clinical Supply Facility, which opened in March 2026, and advanced drug development activity, including work on a new chromatography process to accelerate drug development and collaborations with Trinity University on therapies for ischemia-related injury and PTSD.

BioMedSA has served as the hub for the city’s healthcare and bioscience industry since 2005, driving growth and facilitating key collaborations. In 2026, BioMedSA hosted its sixth annual BioFest Invest event. In 2025, BioFest Invest welcomed 250 attendees and saw 16 Texas bioscience companies compete for investment. Since the program’s founding, companies in the pitch competition have collectively received more than \$85 million in investments to date. BioMedSA also

organizes BioFest Days, a 10-day series of events including tours, open houses, workshops, and thought leadership programming. The organization fosters economic growth by connecting companies to resources, hosting networking events such as BioTX Corridor to link the bioscience sectors of Austin and San Antonio, and conducting biomedical startup training through its commercialization program, BioMarketSA.

VelocityTX, a nonprofit founded in 1984, fosters the City's life science industry and sustainable economic growth. To establish a life science Innovation District, VelocityTX is developing a 13-acre campus encompassing the historic Merchant's Ice complex and the adjacent G.J. Sutton property, a project projected to create 10,000 jobs and generate \$3.2 billion in economic impact over 20 years. The district serves as a premier hub for military-civilian medical collaboration, anchored by on-site military medical research and development agencies. VelocityTX supports early-stage bioscience and technology companies through incubators, accelerators, and the CoLabs facility, while actively facilitating the transition of dual-use medical technologies to federal government agencies. VelocityTX is also retooling the annual AIM (Academia, Industry, Military) Health R&D Summit, scheduled for April 7, 2027, to more closely align with BioMedSA's annual event: BioFest. The AIM Health R&D Summit is a collaborative event that unites academia, industry, and the military to accelerate the research, development, and commercialization of transformative medical technologies, with a focus on advancing the military medical mission and dual-use applications. Past summits have drawn more than 900 attendees, including 800 researchers and approximately 20 start-up biotechnology companies.

The SAEDC has historically supported projects in the technology, bioscience, and military-medical sectors. Following the San Antonio Military Life Science Commercialization Action Plan, the SAEDC established the San Antonio Military Medical Innovation ("SAMMI") Fund to assist early-stage companies developing products for military medicine with broader civilian applications. The SAMMI Fund invested \$205,000 in five (5) bioscience and technology startups. Through a three-year partnership with VelocityTX that concluded in Fiscal Year 2025, the SAEDC supported growth of the military-medical sector, including investment in the AIM Health R&D Summit. VelocityTX continues to independently scale this ecosystem, leveraging federal networks to sustain San Antonio's role as a national center for defense health innovation, with the SAEDC continuing its annual investment in the summit.

Corporate Services

San Antonio's Corporate Services Industry Cluster encompasses major employers across professional services, insurance, financial services, and corporate headquarters. The sector generates an annual economic impact of more than \$25.1 billion, employs over 130,000 individuals, and has grown at a rate of 2.9% over the past 12 months. The following summarizes the major contributors to the Corporate Services cluster and highlights from 2025 and 2026.

United Services Automobile Association ("USAA") is the city's largest private-sector corporate services employer, with more than 17,000 employees at its headquarters. USAA serves 14 million customers, including military members, veterans, and their families and employs more than 38,000 people worldwide. In January 2026, USAA announced a record \$3.8 billion in financial rewards to members. San Antonio also hosts regional offices for major insurers including Nationwide, Caremark, UnitedHealth, and Pacificare.

The City hosts several regional banking operations and financial services headquarters, including Frost Bank, Broadway National Bank, Credit Human, Security Service Federal Credit Union, Victory Capital, and USAA Federal Savings Bank. Major financial institutions with significant regional operations include Bank of America, Wells Fargo, J.P. Morgan Chase, Citigroup, PNC Bank, and Pentagon Federal Credit Union. The industry saw notable consolidation in early 2026, with Texas Partners Bank's merger into Prosperity Bank effective February 1, 2026. FDIC Summary of Deposits data confirms San Antonio's standing as a major financial services center, with \$174.9 billion in deposits across 68 FDIC-insured institutions in 2025.

Frost Bank, founded in 1868, completed its new downtown headquarters in 2019, providing 460,000 square feet of Class A++ office and retail space for 660 employees. An additional 2,000 employees work at the 435,000-square-foot One Frost operations center in the northwest part of the city. With over 3,100 employees in the area, Frost Bank's total assets reached \$52.7 billion in 2026, and the institution reported more than \$66 billion in trust, brokerage, advisory, and insurance assets under administration as of March 31, 2026.

San Antonio is home to the National Basketball Association's San Antonio Spurs 50-acre mixed-used campus, which represents approximately \$510 million in investment at The Rock at La Cantera ("The Rock"). The multiphase development features the new San Antonio Spurs training facility and Victory Capital Performance Center. Additionally, The Rock development includes the Human Performance Institute, a 60,000-square foot medical and human research facility and sports-performance research center with a 75,000-square-foot parking garage. The Rock's other facilities and amenities include a 27,000-square foot Frost Plaza outdoor events space, medical, retail and hospitality buildings. UT San Antonio will lease approximately 20,000 square feet for sports medicine, imaging, and human performance uses. The development will also include a 22-acre park that offers community access to walking and bicycle trails, connecting green spaces, and the largest dog park in Bexar County. The Rock's campus will employ more than 1,700 full-time employees. The Victory Capital Performance Center,

opened in 2023, in addition to serving as the Spurs' practice facility with office and medical space, anchors partnerships in research, technology, and sports. The \$510-million development includes a \$100 million Spurs Sports & Entertainment investment and prior support from the city and Bexar County.

IT Security and Infrastructure

The Information Technology ("IT") Security and Infrastructure industry in San Antonio generates an annual economic impact of more than \$15 billion, employs approximately 75,000 workers, a figure that grew 1.8% over the past 12 months, and serves as a major driver of regional economic activity and innovation. The city hosts a broad array of IT companies and initiatives across consumer, corporate, and DoD operations, including Jungle Disk, TrueAbility, Rackspace, Microsoft, Bitdefender, the 16th Air Force ("Air Forces Cyber"), the National Security Agency ("NSA"), and others.

San Antonio holds a position as a global leader in IT, with much of its advanced activity remaining confidential due to the extensive presence of military and intelligence agencies focused on intelligence, surveillance, reconnaissance, and cybersecurity. The city contains the second-largest concentration of cyber professionals in the United States outside the National Capital Region, with more than 40 cyber-related entities headquartered in the area. Key organizations include Air Forces Cyber, the first Information Warfare Numbered Air Force, NSA-Texas, FBI San Antonio, the U.S. Secret Service, and the Department of Homeland Security.

UT San Antonio continues to drive IT innovation across the region. Since the September 2025 merger, the university has further strengthened its role in innovation, research, and workforce development. The National Security Collaboration Center ("NSCC"), housed in San Pedro I, remains a key hub linking academia, government, and industry around cybersecurity, data analytics, and cloud computing; current partners include NSA Texas, Booz Allen Hamilton, Dell Technologies, and Raytheon Technologies, among others. The university's College of AI, Cyber and Computing launched officially on September 1, 2025, and is headquartered across San Pedro I and San Pedro II. The approximately \$130 million, 180,000-square-foot San Pedro II facility which opened in April 2026, focuses on business, innovation, and career preparation. Together, the San Pedro facilities are positioned as anchors of San Antonio's high-technology corridor and catalysts for downtown economic and community investment.

UT San Antonio also became the institutional anchor of the Texas Cyber Command (the "Command") after Governor Greg Abbott signed HB 150 in June 2025, creating the new San Antonio-based state cybersecurity agency. The Command is tasked with strengthening statewide cyber defense through threat intelligence, incident response, and digital forensics. By October 2025, UT San Antonio confirmed it would serve as the Command's permanent home alongside the National Security Collaboration Center. Legislative fiscal estimates projected the Command's budget to be \$138.7 million through Fiscal Year 2027 and approximately \$349.2 million over five (5) years, excluding indeterminate facility acquisition and renovation costs, with staffing projected to grow from 65 full-time equivalents in Fiscal Year 2026 to 130 in Fiscal Year 2027.

Geekdom serves as San Antonio's primary startup engine and collaborative innovation ecosystem, located in downtown. As a mission-driven incubator and accelerator, Geekdom provides infrastructure, mentorship, and capital access to scale early-stage concepts into high-growth enterprises. To date, Geekdom-supported companies have collectively raised more than \$500 million in venture capital and follow-on funding, contributing significantly to private-sector job growth and technological diversification. The Geekdom Community Fund drives a key portion of this economic activity by providing strategic early-stage investments to high-potential startups; since June 2025, the fund has deployed \$120,000 into six (6) local companies. Through tiered programming ranging from ideation workshops to high-intensity accelerators, Geekdom has mentored more than 227 participants in the past year alone.

Port San Antonio (the "Port") continues to strengthen its role as a hub for cybersecurity and advanced technology activity. With support from a \$1.5 million city infrastructure grant, the Port advanced cybersecurity growth through Project Tech I and Project Tech II, opened in 2018 and 2022 respectively. By 2025, the campus supported nearly 18,000 workers, more than 80 tenant customers, over 800,000 square feet of new commercial and industrial space added since 2017, a 350-acre rail yard, and Foreign-Trade Zone designation. Economic development activity in 2025 included planning for Innovation Tower, an approximately 300,000-square-foot, 11-story building projected to cost approximately \$275 million, as well as continued positioning around advanced air mobility and vertiport infrastructure. The Port's proposed approximately \$1 billion military cyber campus remained a strategic priority in 2025; the inclusion of \$50 million in House Bill 500 for a secure facility intended to attract the 16th Air Force/Air Forces Cyber mission to the Port signals meaningful legislative support for the concept, though the project remains in discussion rather than active implementation.

Mobility

Mobility and manufacturing are closely linked in San Antonio through major employers including Toyota, Boeing, Joseph Cyril Bamford Excavators Ltd. ("JCB"), International Motors, StandardAero, and ST Engineering, reflecting a diversified

cluster spanning automotive, heavy vehicle, construction equipment, and aerospace production, maintenance, and advanced mobility technologies. The Mobility cluster accounts for more than 120,000 jobs in the MSA, an increase of 2.4% over the past 12 months, and generates an annual economic impact of more than \$19 billion.

Toyota Motor Manufacturing Texas employs more than 3,700 workers at its San Antonio plant and supports thousands more through on-site suppliers. Toyota's 2022 launch of exclusive Sequoia production in Texas followed earlier investments that expanded Tacoma production and reinforced the campus's long-term footprint in the region. In June 2024, Toyota announced a \$531 million, 500,000-square-foot rear axle plant at its south side campus, a project expected to create more than 400 jobs and strengthen in-house drivetrain production for the Tundra, Sequoia, and Tacoma. Construction, hiring, and equipment installation advanced through 2025, with the facility designed for capacity of up to 500,000 rear axles annually and expected to begin production in 2026.

Heavy equipment manufacturer JCB's San Antonio plant represented one of the region's largest active manufacturing projects in 2025 through 2026. The company reported in October 2025 that construction had gone vertical, with hiring already underway and production scheduled to launch in mid to late 2026. The plant represents a \$500 million investment on the south side of the City with a one (1) million square foot factory and is expected to create approximately 1,500 jobs, manufacturing Loadall telescopic handlers and aerial access equipment.

Boeing's San Antonio operations at the Port are heavily tied to major long-cycle defense modernization work. In December 2025, Boeing delivered the first B-52 Radar Modernization Program flight-test aircraft from San Antonio to the U.S. Air Force, and in early 2026 the company confirmed a new \$2 billion phase of the B-52 Commercial Engine Replacement Program, with modification work tied in part to its San Antonio facility.

Sanko Texas Corp's \$39.8 million manufacturing facility in southern Bexar County broke ground in February 2026, marking the company's first U.S. plant and headquarters. The facility is expected to manufacture plastic pallets, crates, and battery and logistics packaging, reinforcing San Antonio's automotive supply chain. The project is initially expected to create approximately 50 jobs, with longer-term workforce expansion as operations scale.

In July 2025, San Antonio-based Knight Aerospace, a manufacturer that designs and builds modular mission systems, palletized aircraft interiors, and ground support equipment for military cargo aircraft, announced a 20-year agreement with Embraer Defense & Security designating Knight as a primary supplier of modular medical, transport, and VIP mission systems for the KC-390 Millennium aircraft. The agreement represents Knight's largest contract to date, with the potential to double the company's revenue and significantly expand its international reach from the Port's base.

Sustainable Energy

San Antonio's Sustainable Energy cluster employs over 30,000 people, reflecting 2.5% growth over the past year and generating an annual economic impact of more than \$11.3 billion. The City is positioned to attract continued jobs and investment in renewable energy, supported by federal initiatives including the Creating Helpful Incentives to Produce Semiconductors ("CHIPS") Act, the Bipartisan Infrastructure Law, and the Inflation Reduction Act. Texas leads the nation in renewable power generation, and San Antonio's strong economy, workforce programs, and infrastructure establish it as a prime location for continued growth in this sector.

CPS Energy, one of the largest municipally owned utilities in the United States, serves more than 970,000 customers and generates \$4.4 billion annually. The utility's clean energy strategy has advanced under its Vision 2027 Generation Plan. CPS Energy reports more than 1,000 megawatts of solar already operational and launched a request for proposals for up to 600 additional megawatts of solar in November 2025 and issued another solicitation in February 2026 for up to 50 megawatts of community solar. If the 600-megawatt procurement is completed, CPS Energy projects it will have more than 1,600 megawatts of solar either operational or under contract, reinforcing San Antonio's position as a leading solar market in Texas.

In February 2024, the city, CPS Energy, and JBSA signed a memorandum of understanding to explore resilient, carbon-free power options for JBSA, including green hydrogen, geothermal, and advanced nuclear technologies. JBSA has framed the agreement as a platform for strengthening installation resilience, supporting local carbon-reduction goals, and positioning the base for future Air Force infrastructure investment. Separately, CPS Energy's innovation efforts also progressed in 2025 as Quidnet reported that its Texas project site for CPS Energy completed a 35-megawatt-hour discharge test after six (6) months of energy storage with no discernible loss, validating the long-duration storage concept first announced in 2022.

San Antonio's municipal solar buildout continued to advance in 2025. In 2026, the City's municipal solar project was expanded from 42 to 52 sites expanding the \$30 million initiative, described by City officials as the largest on-site solar program undertaken by a local Texas government, with full completion targeted for the end of 2027. At the utility scale, the earlier 150-

megawatt solar addition announced by CPS Energy in 2024 came online in 2025 through the Exodus 1 project in Caldwell County, while CPS Energy's broader 2025 through 2026 resource strategy expanded to include substantial new solar, community solar, and battery procurements.

In 2022, City Council approved a \$113.6 million contract with Balcones Recycling to build and operate a 145,000-square-foot recycling facility, effective August 1, 2024. The facility processes up to 50 tons of recyclable material per hour using advanced technology including optical sorting and artificial intelligence and is expected to reduce processing costs to \$3 per ton compared to \$7 per ton under the prior contractor. The facility reported a recycling rate of 30% in 2025, indicating that stronger public participation and cleaner recycling streams will be required to meet the City's long-term diversion goals.

Major Initiative – Placemaking and Real Estate

The EDD's Strategic Framework outlines the strategic application of placemaking tools, including the SAEDC, to build a more resilient local economy. The city remains committed to geographic placemaking investments that strengthen the connection between people and the places they share.

The City formally launched its multi-phase downtown sports and entertainment district initiative on April 4, 2025, with the signing of a non-binding memorandum of understanding among the City, Bexar County, and the San Antonio Spurs. The initiative is centered on a proposed new Spurs arena and surrounding mixed-use, cultural, and infrastructure improvements in and around Hemisfair, downtown, and the East Side. In July 2025, the city conducted public workshops across all 10 council districts, and on August 21, 2025, City Council authorized completion of a non-binding term sheet under which the Spurs pledged more than \$2 billion toward downtown projects, including \$500 million for a new arena, \$1.4 billion for Hemisfair and nearby improvements, \$30 million for the former federal building, and \$75 million in community benefits. In November 2025, Bexar County voters approved Proposition B, clearing a major funding milestone for the arena component. By January 2026, the city had shifted to execution activities, including City Council consideration of a \$30 million acquisition offer for the Federal Building West properties, initiation of consultant procurements for district studies and program management, and early steps toward acquiring the former Institute of Texan Cultures site for the future arena.

Plans have also advanced for a new \$160 million San Antonio Missions baseball stadium seating 4,500 people near the San Pedro Creek Culture Park, with a targeted completion date of 2028 and corresponding mixed-use development expected to finish by 2032. The ownership group reached agreement with the San Antonio Independent School District on terms for acquiring the final piece of the project site to advance the plan, which includes building two (2) residential buildings and a hotel.

The Alamo Plaza Visitor Center and Museum redevelopment is a major heritage-tourism and public-space investment intended to reshape the Alamo area through new museum, visitor, education, and plaza improvements. The Alamo Trust describes the Visitor Center and Museum as a \$185 million project within a broader Alamo Plan now publicly valued at more than \$700 million. Construction on the museum commenced in 2024, with a target opening in Spring 2028.

Morgan's Wonderland, a fully accessible theme park, reopened on March 11, 2024, following a \$7 million expansion that introduced new attractions including the 4D Magic Cinema, Pirate Island Cruises, Jette's Wonder Bikes, Rocket's Sky Flight Adventure, and a zip line over the park's lake. In December 2024, the park announced Morgan's Hotel, a \$16 million, ultra-accommodating hotel designed to extend the inclusive visitor ecosystem around Morgan's Wonderland and Inspiration Island, with an anticipated completion date of October 2026.

The Monarch San Antonio, an \$185 million, 200-room, 17-story luxury hotel at Hemisfair, is intended to strengthen downtown hospitality, meeting, and visitor activity as part of the broader district buildout. Zachry Hospitality broke ground in November 2023, and the hotel opened on March 3, 2026.

The historic Gunter Hotel marked a significant downtown hospitality milestone with its reopening in Fall 2025 following a \$57 million renovation that repositioned the 1909 property as part of Marriott's Tribute Portfolio. The redevelopment upgraded guest rooms, meeting space, food and beverage offerings, and amenities while reinforcing Houston Street's role as a visitor and entertainment corridor.

The JW Marriott River Walk/IBC Centre redevelopment at 175 E. Houston Street is a \$140 million, approximately 300-room hospitality project that will add a new 14-story structure with parking, event space, and rooftop amenities, representing a significant adaptive reuse and downtown revitalization tied to the River Walk and Houston Street corridor. The proposal was announced in September 2025, with construction reported as beginning in July 2026.

El Tropicano is a \$46 million River Walk hotel redevelopment that is transforming the historic property into Sítio El Tropicano, an urban oasis concept intended to revitalize one of downtown San Antonio's legacy hospitality assets. The redeveloped hotel is planned to reopen in Fall 2026 with 315 rooms, more than 400 feet of River Walk frontage, 16,000 square feet of meeting and event space, a 5,000-square-foot spa, and the City's largest hotel pool deck.

Broadway East San Antonio, also branded as the BESA District, is a \$560 million, 15-acre mixed-use development east of Pearl planned to deliver retail, restaurant, and later hospitality and residential uses in a walkable urban format. The project received key City design approvals in June 2025, with site-preparation activity underway and Phase I completion anticipated by 2027.

Additional retail and commercial developments are also active across San Antonio:

- Galm Crossing is a \$16.6 million, 69,000-square-foot shopping center planned at 13253 Galm Road on the Far Northwest Side. Construction began in November 2025, with completion anticipated by October 1, 2026. Known anchor tenants include a 23,000-square-foot Sprouts Farmers Market, a national chicken quick-service restaurant, an oil change business, and additional retail shops.
- The Talley Road shopping center at 2807 Talley Road is a \$3.6 million, approximately 18,000-square-foot retail project. Construction began in June 2025, and tenants are currently being sought.
- Steven's Point at 14302 Potranco Road is a \$3.1 million, approximately 13,590-square-foot retail center where site work began in September 2025, with tenant delivery expected by August 2026. Known tenants include Dunkin', Einstein Bros. Bagels, Ideal Dental, and PNC Bank.
- Atrium of Arcadia at 13746 Potranco Road is a \$1.4 million, approximately 8,000 to 8,255-square-foot retail plaza. Construction began in May 2025 and is expected to open mid-to-late 2026. Known tenants include Farmer's Insurance and Taqueria Don Julio Bar and Grill.

The Brackenridge Park Conservancy effort is a multi-part park improvement and restoration program aimed at strengthening one of San Antonio's signature civic landscapes and cultural destinations. The Brackenridge Park Facilities Leverage Fund project totals \$5 million with an estimated construction window from Fall 2025 to Winter 2027, while a separate nature playscape tied to park activation has been publicly reported at \$9.7 million.

Brooks Development Authority ("Brooks") is a 1,308-acre mixed-use innovation community in Southeast San Antonio, established to transform the former Brooks Air Force Base into a nationally competitive engine for economic development and regional prosperity. Governed by a city-appointed board, Brooks aligns strategic land use, infrastructure investment, and targeted industry recruitment to attract quality jobs, global investment, and inclusive growth across the region. Brooks has catalyzed more than \$1.79 billion in development since inception, with more than \$328 million currently underway. The community is home to more than 150 businesses supported by strong healthcare, advanced manufacturing, and education sectors. Brooks has also secured six (6) Foreign Direct Investment projects representing companies from Japan, France, South Korea, and the Czech Republic.

Brooks's impact is driven by deliberate infrastructure and connectivity investment. To date, more than \$133 million has been invested in roads, utilities, drainage, and mobility improvements that unlock sites for development and accelerate project delivery. The campus hosts the VIA Brooks Transit Center, one of the busiest transit hubs in San Antonio, providing multimodal access for employees, students, and residents. Residential growth is also a core component of Brooks' long-term strategy: more than 4,000 housing units exist or are underway across a mix of market-rate, for-sale, affordable, and senior living communities. Current projects include multiple new multifamily developments, two (2) affordable housing communities, and a permanent supportive housing initiative. Strategically located with direct access to IH-37 and Loop 410 and visibility to more than 80,000 vehicles per day, Brooks offers immediate connectivity to downtown San Antonio, regional airports, and major employment centers. The campus also features direct trail access to the San Antonio River Mission Reach, with future connections planned to Salado Creek and the Arboretum San Antonio.

The Neighborhood & Housing Services Department's ("NHSD") Strategic Housing Implementation Plan, adopted in December 2021, establishes a 10-year framework to advance quality, accessible, and affordable housing choices for all San Antonians. Over the plan's horizon, NHSD aims to support the production and preservation of more than 28,000 housing units. To date, nearly 10,500 completed and in-progress units have been supported, with the majority available to renters earning less than 60% of the area median income. During 2026, the City and local partners will revisit the plan to ensure alignment with community need. NHSD also manages the Fee Waiver Program, which waives city development fees and water and sewer development impact fees for eligible projects, with the goal of supporting affordable housing creation and preservation citywide and encouraging the rehabilitation and adaptive reuse of existing structures. In Fiscal Year 2025, the Fee Waiver Program assisted in the development and rehabilitation of 1,553 affordable housing units. This figure reflects a decrease of 403 units compared to the prior year, attributable to the timing and composition of the affordable housing development pipeline rather than any reduction in City support.

Hospitality Industry

The City's diversified economy includes a significant sector relating to the hospitality industry. An economic impact report of the City's hospitality industry found that the hospitality industry had an economic impact of \$23.4 billion in 2024. The estimated annual payroll for the industry was \$4.7 billion, and the industry provided an estimated 150,000 jobs.

In 2025, lodging statistics continued to rebound from the circumstances associated with the COVID-19 pandemic. As compared to 2024, the City’s overall level of hotel occupancy was down 4.6% while room supply was up 1.0%. Total room nights sold decreased 3.8% with the average daily room rate increasing 0.4% while revenue per available room decreased 4.4% and overall revenue decreased 3.6%.

Tourism. The list of attractions in the City area includes, among many others, the Alamo, the San Antonio Missions Historical Park, and other sites of historic significance, the River Walk, and three (3) major theme parks, SeaWorld San Antonio, Six Flags Fiesta Texas, and Morgan’s Wonderland, the only Ultra-Accessible Park in the World. In 2024, the City attracted 37 million visitors. Of these, over 19.7 million were overnight visitors, historically placing the City as one of the top U.S. destinations in Texas. For Fiscal Year 2025, Visit San Antonio was able to achieve the following results: (1) obtained 214 million in online engagements, showing consumer interest in the City through the Visit San Antonio website and social-media channels, both important travel decision influencers and (2) reported an estimated \$34 million in earned media. Visit San Antonio focused on Texas and regional media while being opportunistic and taking advantage of any national and international media that may come on a reactive basis. This media value is the dollar value of the positive media coverage generated by the Visit San Antonio communications team, which represents the stories and articles in print (i.e., magazines, newspapers, etc.), TV, radio, and online media; the dollar figure aligns with what the advertising cost of that coverage would have been if Visit San Antonio had purchased the exposure.

Conventions. The City has traditionally been one of the top convention cities in the country and hosts 5.7 million business visitors a year to the area for a convention, meeting, or other business purpose. Total group sales production for Fiscal Year 2025 resulted in 801 group and meeting events with 990,596 group room nights booked all of which had an economic impact of \$903 million. Visit San Antonio also saw an increase in corporate events that chose the City for their conventions. Forty percent of the events booked in Fiscal Year 2025 were corporate programs, which is a significant increase from years past. These corporate groups tend to book short-term and have a higher per person spend, all helping the City’s hotel community recover faster from the pandemic. Visit San Antonio will continue to be proactive in attracting convention business through its management practices and marketing efforts.

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

Calendar Year	Hotel Occupancy ¹	Hotel (RevPAR) ¹	Room Nights Sold ¹	Convention Attendance ²	Convention Room Nights ²
2016	65.90%	\$71.12	9,116,363	637,658	676,501
2017	66.00%	\$73.45	9,268,201	823,561	816,582
2018	67.10%	\$77.88	9,568,119	672,288	882,650
2019	67.40%	\$75.98	9,989,643	605,093	766,259
2020	42.10%	\$37.10	5,986,600	218,957	181,737
2021	59.10%	\$64.04	8,727,861	238,192	287,167
2022	62.60%	\$79.61	9,250,267	541,587	596,512
2023	61.50%	\$78.18	9,239,945	548,953	538,322
2024	61.00%	\$78.78	9,226,809	546,531	622,462
2025	58.20%	\$75.34	8,875,874	621,137	746,364

¹ Data obtained from Smith Travel Research (“STR”) based on hotels in the San Antonio selected zip code reports produced for December 2025 (reporting 2025 numbers), and historical annual reports for prior years. Information is subject to adjustment as hotels submit adjusted data and/or additional hotels begin participating in the STR survey with actual data replacing estimated data.

² Reflects only those conventions hosted by Visit San Antonio.

Source: Visit San Antonio

Military Industry

The growth in new missions and significant construction activities brought about by Base Realignment and Closure (“BRAC 2005”) strengthened the City’s role as a leading military research, training, education and Level I Trauma medical center. One of the major outcomes of BRAC 2005 was the creation of JBSA, which is the largest joint base in the DoD. JBSA consolidates all the base support functions, real property, and real estate for JBSA-Lackland, JBSA-Randolph, and JBSA-Fort Sam Houston (including Camp Bullis) under the 502nd Air Base Wing. JBSA (includes over 46,500 acres), supports over 80,000 personnel, has a plant replacement value of \$30 billion, and an annual budget of \$800 million. Over 138,000 personnel are trained at JBSA facilities every year.

JBSA and its 266 mission partners represent a significant component of the City’s economy providing an annual economic impact, and when combined with other DoD contracts and contractors, military retirees, veterans, the direct and indirect jobs amount to nearly 240,403. This results in over \$30 billion for the City. The military contributed approximately \$55 billion

to the State, which amounts to over one-third (1/3) of the military economic impact of the entire State. In addition, the property of the former Brooks Air Force Base, a fourth major military installation, was transferred from the U.S. Air Force to the City, who created Brooks in 2002 as part of the Brooks City-Base Project. Furthermore, the military is still leasing over 1.7 million square feet of space at the Port, which is the former Kelly Air Force Base that was closed in 2001.

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

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

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

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

JBSA-Fort Sam Houston. JBSA-Fort Sam Houston is engaged in military-community partnership initiatives to help reduce infrastructure costs and pursue asset management opportunities using military facilities. In April 2000, the U.S. Army entered into a partnership with the private organization, Fort Sam Houston Redevelopment Partners, Ltd. ("FSHRP"), for the redevelopment of the former BAMC and two (2) other buildings at Fort Sam Houston. These three (3) buildings, totaling about 500,000 square feet in space and located in a designated historic district, had been vacant for several years and were in a deteriorating condition. On June 21, 2001, FSHRP signed a 50-year lease with the U.S. Army to redevelop and lease these three (3) properties to commercial tenants.

Some of the major mission partner organizations on JBSA-Fort Sam Houston include Army Installation Management Command, Army Medical Command, Army Medical Department and School, Regional Health Command-Central, BAMC, Medical Educational and Training Campus, Mission and Installation Contracting Command, Navy Medicine Education, Training & Logistics Command, three (3) U.S. Army Reserve Depots, a Navy/Marine Reserve Operations Center, and a Texas Army National Guard armory. Of note: U.S. Army North and U.S. Army South have been combined and re-designated as Western Hemisphere Command ("WHC"). As of October 1, 2026, WHC will no longer be based in San Antonio with the unit being relocated to North Carolina.

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

Various construction projects continue or have been completed at JBSA-Fort Sam Houston. The Walters Street Gate and Entry Control Point and a new Medical Education and Training Campus Headquarters Building are now complete. A student activity center opened in November 2013 and construction was completed on a new BAMC visitor control center and entry control point in January 2014. A new 310-room hotel was completed in October 2014, and a 192-room apartment style dormitory broke ground in 2016 and was completed in early 2018. A small addition to the hospital for a hyperbaric chamber was completed in June 2017, and a two-story Army-Air Force exchange services exchange main store was finished in Spring 2020. In 2016, the

United Service Organization in partnership with JBSA, completed an all-service facility located in the Sam Houston Community Center. New construction includes a Combat Medic Lab Instructional Building (the “Lab”) replacing a 1940’s facility. The Lab trains combat medics at a daily average of 180 students. Mission growth saw five (5) new organizations whose cyber and medical missions brought approximately 305 new positions to the installation.

JBSA-Camp Bullis. Armed Forces medics and Corpsmen at JBSA-Fort Sam Houston receive additional field training at the 28,000-acre JBSA-Camp Bullis. JBSA-Camp Bullis is also used by the 37th Training Wing for Security Forces technical and professional development training. Additionally, JBSA-Camp Bullis is home to the United States Air Force Medical Training Readiness Center, which encompasses four (4) medical-related courses. It is also home to multiple Army Reserve and Army National Guard units of all types, to include Military Intelligence, Engineer, Medical, Infantry and Special Forces. The 470th Military Intelligence Brigade, headquartered at JBSA-Fort Sam Houston, operates the United States Army Intelligence and Security Command Detention Training Facility at JBSA-Camp Bullis, and the Defense Medical Readiness Training Institute operates the Combat Casualty Care Course. JBSA-Camp Bullis also supports regular use by local law enforcement agencies and Federal entities. An average of 500 people train at Camp Bullis every day for an average of about 180,000 man-days of training annually. Changes in current events around the world can cause surges in training that occurs at Camp Bullis. Because of its geographical size, numerous units and missions are continually looking at JBSA-Camp Bullis as a viable place to locate and train. An \$18.5 million-dollar Military Construction (“MILCON”) for a new 36,000 square foot dining facility, which serves approximately 370,000 meals a year, is now complete after some of the funding was diverted from the DoD Fiscal Year 2020 budget.

JBSA-Lackland. JBSA-Lackland is home to the 37th Training Wing, situated on 9,700 acres, all within the City limits. According to a recent Economic Impact Analysis, over 53,000 military personnel, civilians, students, contractors, and military dependents work, receive training, or utilize JBSA-Lackland services. JBSA-Lackland hosts the Air Force’s only Basic Military Training (“BMT”) function for all enlisted Airmen, which is known as the “Gateway to the Air Force”, and currently provides BMT for the United States Space Force. Additionally, JBSA-Lackland hosts many of the technical training courses which the BMT graduates are routed to prior to their first assignment. On an annual basis, JBSA-Lackland is expected to graduate 86,000 Airmen and international students. The Air Force is in the middle of a \$900 million MILCON program to replace the BMT recruit housing and training buildings that have been in continuous operation since their construction in the late 1960s. Construction is now complete for four (4) of the Airmen Training Complexes (“ATC”) and the first two (2) Dining/Classroom Facilities (“DCF”) that support the ATCs. Construction is also complete for the Pfingston BMT Reception Center, every new recruit’s entry into BMT. The beginning of the second half of the BMT Complex replacement program began in Fiscal Year 2019 with the start of the fifth ATC and the third DCF. Each ATC will house up to 1,200 trainees and the DCF includes dining halls and classroom facilities for two (2) ATCs. The ATC program has 50% of the new dorms in operational status, 25% are under construction, and 25% are programmed for future years. The BMT replacement program is estimated to be completed in 2029 or 2030.

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

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

Much of the new BRAC 2005 growth which occurred on the Port’s property is at Building 171. The Air Force spent \$26.5 million to renovate the building, which houses 11 missions. Seven missions and approximately 800 personnel have relocated to the building from Brooks. These include the Air Force Civil Engineer Center, four (4) medical missions including the Air Force Medical Operations Agency, and other support missions. Building 171 also houses the personnel and mission of the former 24th Air Force that is now conducted under the 16th Air Force consisting of approximately 450 personnel and the Air Force Real Property Agency.

In the near future, eight (8) new organizations are expected to bring approximately 660 new positions to JBSA-Lackland. These new personnel will perform cyber, flight and technical, and training missions. Part of this growth has already taken place. In October of 2018 the Secretary of the Air Force announced that JBSA would be home to the Special Warfare Training Wing (“SWTW”) bringing 135 new jobs to the area and significantly enhancing the base’s military value. Part of the Fiscal Year 2020 Defense Appropriations Bill included \$69 million for a new aquatics tank to support the SWTW mission. The aquatics tank officially opened in April of 2024.

JBSA-Randolph. JBSA-Randolph, which is known as “the Showplace of the Air Force” because of its consistent Spanish Colonial Revival architectural standard retained from when the installation was first constructed in the early 1930s, is on the northeast side of the City and houses the Headquarters Air Education and Training Command and the Air Force Personnel Center (“AFPC”). Other major tenant organizations include the Air Force Manpower Agency, the 19th Air Force, the Air Force Recruiting Service, and the Air Force Office of Special Investigations (Region 4). The main operational mission is carried out by the 12th Flying Training Wing (“12 FTW”) which equips and trains aviators and supports worldwide contingency operations. The 12 FTW operates parallel runways on either side of the main installation facilities and conducts 24-hour-a-day flight training operations. In a related aviation mission, JBSA-Randolph, which in 2017 added 85 instructors and staff to its Remotely Piloted Aircraft (“RPA”) training unit, produces RPA pilots to man an Unmanned Aerial Systems (“UAS”) force which now encompasses 8.5% of total Air Force pilot manning. The UAS force grew by approximately 25% between Fiscal Year 2013 and Fiscal Year 2017. New construction includes a commercial vehicle gate which replaces a non-Anti-Terrorism/Force Protection compliant gate in the airfield clear zone. New organizations will see 30 new positions supporting the base’s flight training mission. The Fiscal Year 2020 Defense Appropriations Bill provided \$36 million in MILCON for a replacement AFPC B-Wing building, and a total of nearly \$20 million in MILCON for buildings to support T-X ground-based flight simulators and T-X aircraft maintenance training facilities. The T-X is also referred to by its nomenclature of T-7 Red Hawk; it is the Air Force’s next generation training aircraft that will replace the T-38 Talon.

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

The City is home to two (2) large projects which serve all the military branches. The Audie L. Murphy Veterans Administration Hospital, which includes a new \$67 million Level I Polytrauma Center, was completed in 2011. This hospital is designed to be the most advanced in the world and can provide state-of-the art medical care to veterans with multiple serious injuries. The City is also home to the National Trauma Institute (“NTI”), a collaborative military-civilian trauma institute involving BAMC, University Hospital, UT San Antonio, and the U.S. Army Institute of Surgical Research. The NTI coordinates resources from the institutions to treat trauma victims and their families most effectively. The U.S. Department of Veterans Affairs is also undertaking a plan to build a new facility and replace the existing Audie L. Murphy Memorial. The new facility is planned to have approximately 1.6 million square feet.

In response to BRAC 2005, the City established the Military Transformation Task Force (“MTTF”). The MTTF is tri-chaired by a senior elected official from the City, Bexar County, and the Greater San Antonio Chamber of Commerce. The Task Force is the San Antonio region’s forum where JBSA’s active duty, National Guard, and Reserve military commanders inform key public officials and community stakeholders of their most pressing requirements, challenges, and opportunities. The overall mission is to preserve and increase military missions, maximize operational readiness, support mission partners, protect military missions/installations from urban encroachment, and enhance the region’s military-friendly environment. What was referred to as BRAC in the past is now in the works again under a different name, as the Army goes through an “Army Transformation Initiative.” As the Secretary of Defense and Administration seek to make the military more efficient, lean, and lethal, the Secretary proposed in a memorandum to Senior Pentagon Leadership dated April 30, 2025, subject line “Army Transformation and Acquisition Reform,” several measures to realign the Army. A day after this memo, Army General Randy A. George posted “Letter to the Force: Army Transformation Initiative” describing some additional details, and as these directives play out there will likely be adjustments in personnel numbers, unit alignments and some missions. There could be changes to the Air Force in future planning, so the MTTF is as important and relevant as ever.

These changes from the Army Transformation Initiative will impact the City and the State from a military mission standpoint. There may be the potential loss of missions and some opportunities to gain additional ones. Regardless, these actions will have an economic impact. The impact to the economic productivity centered on military industry could decrease if missions are relocated to other cities/states. However, the community will advocate for adjustments if the military or industry takes opportunities in the fields of military medicine, aviation, drones, advanced manufacturing, unmanned systems, 3D printing for mobile logistics, and cyber, there is potential gain or a replacement to any previous economic activity that is lost. This is true particularly for units that have Army aviation platforms (such as the Texas Military Department and the 149th Army Aviation Regiment).

In January 2007, the City established the Office of Military Affairs (“OMA”) as the single point of contact for the City on military and veteran related issues. In 2018, OMA formally changed its name to the Office of Military and Veterans Affairs

(“OMVA”), and in early 2022 the City elevated the OMVA from and “Office” to a “Department” within the City’s organizational structure. OMVA became the Military and Veteran Affairs Department (“MVAD”). The mission of MVAD remains unchanged, which is to keep and grow military missions and work with the military to sustain and enhance mission readiness, develop, and institutionalize relations to strengthen the existing community-military partnership, and to provide an official point of contact for the military and veteran community to highlight and work through issues of common concern.

For the past several years, MVAD has aggressively pursued partnerships with JBSA to preserve and increase military missions, protect military installations, and improve the City’s military-friendly environment for the military and veteran community. MVAD advocates on behalf of the military at the local, state, and national level. Through advocacy and close relationships with JBSA leadership, MVAD has advocated for, and been successful in securing numerous infrastructure projects supporting JBSA. This tangible support, which has included funding through the City’s bond program, State and federal grants, has resulted in approximately \$160 million dollars in investments supporting military commander infrastructure priorities since 2007. These projects have been mutually beneficial for both the City and the military and added military value to the region’s installations. Military value has been part of the scoring criteria in previous BRACs.

MVAD works closely with the military to address compatible land-use issues around the installations to enhance mission readiness. This includes testifying and submitting written testimony at committee hearings before the Texas Legislature during the year and at their biennial sessions. During the 85th Texas Legislative Session, MVAD, along with local and state elected officials, was successful in ensuring the establishment of a five-mile protection buffer against encroachment around all Texas military installations. This same team effort was applied during the 86th Texas Legislative Session to maintain this five-mile buffer. The 87th Texas Legislature saw the successful defeat of three (3) bills which would have given authority for development in the City’s ETJ that is incompatible with select JBSA military missions. MVAD continued its collaboration with JBSA, other City departments, and external partners to shape legislation in the 88th Texas Legislature on items that could have negatively impacted JBSA missions and mission partners. Currently, MVAD, JBSA and other City departments are working with the Government Affairs team to amend bills which threaten military missions.

MVAD provides administrative support to the Mayor and the 10 council members who make up the City’s Veterans Advisory Commission. Chartered in 2022, this 11-member board serves in an advisory capacity focused on all veteran issues within the community.

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

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

Since 1998, the City has aggressively pursued, and consistently received just over \$33 million in grants from the Texas Military Preparedness Commission’s DEAG program. This program assists defense communities who have either been negatively or positively impacted by BRAC decisions. The grant money is invested in infrastructure projects and other initiatives to increase the military value of JBSA installations, thereby mitigating the potential negative effects of future BRAC round(s). The \$33 million plus funded a total of 12 projects. The most recent DEAG award, the first for the City since 2009, was for \$5 million and is funding three (3) individual projects as part of a collaborative effort between the City, JBSA, SAWS and CPS Energy. The CPS Energy project was completed in the Summer of 2023. The City’s project, executed by the Public Works Department was completed in August 2024. The third project undertaken by SAWS is now operational, providing a reliable power supply to two (2) key water pump stations during emergencies.

This most recent project consisted of three (3) distinct phases which improved installation resiliency, enhanced physical security, and reduced risks associated with aircraft mishaps. The primary level of effort now provides backup power generation to two (2) critical potable water production facilities serving JBSA-Lackland and a DoD Combat Support Agency. The second component of this proposal includes installation of stormwater crossings at five (5) locations along JBSA’s perimeter. The final

component of this proposal involved replacement of overhead electrical lines with underground distribution lines in the southwest clear zone of JBSA-Randolph.

Finally, the City and JBSA entered into an Intergovernmental Support Agreement (“IGSA”) in late 2018 through which JBSA can leverage the City’s existing roadway facility contracts to provide pavement repair services across JBSA’s installations. A pilot project was completed on JBSA-Fort Sam Houston in 2019 and saved the government \$52,000, and a second project on JBSA-Fort Sam Houston was completed in the summer of 2020. This IGSA was amended in the spring of 2020 to allow the City to support more complex roadway repairs for JBSA. The City and JBSA representatives met at JBSA-Randolph in early April 2022 to conduct a site visit of a possible third project under this IGSA. In September of 2020, the 502nd Civil Engineer Squadron made its first three (3) purchases under the City of San Antonio-JBSA Bulk Purchase IGSA. This IGSA provides JBSA the opportunity to leverage the City’s contracts to purchase bulk materials such as gravel and sand. A third IGSA, for 911/Emergency Medical Service (“EMS”) services, was signed in June 2023 between JBSA and San Antonio Fire Department (“SAFD”).

Through this IGSA, SAFD will provide 911/EMS service to JBSA-Fort Sam Houston and JBSA-Camp Bullis. The JBSA commander announced in February 2024 that this IGSA thus far provided 12.4% savings over its previous 911/EMS services contract. Additionally, JBSA notified the City that it desires to execute the first one (1) year option on this IGSA.

On March 24, 2017, the United States Patent and Trademark Office (“USPTO”) granted the City the trademark Military City, USA®. The trademark was a result of a year-long process to ensure that no other city had previously met the criteria. For over 300 years, the City has had a rich military history. The moniker Military City USA® became most prominent after World War II. During this time, five (5) military installations operated in the City and the surrounding areas. The trademark emphasizes the City’s rich military history and honors approximately 250,000 veterans.

This trademark is also becoming a contributing factor in the City’s effort to meet the challenge of military spouse unemployment, which was estimated to be as high as 24% nation-wide prior to the COVID-19 pandemic. In 2019, the City budgeted \$150,000 to fund up to 40 fellowships over a two (2) year period through a partnership with the U.S. Chamber of Commerce’s Hiring Our Heroes (“HOH”) Foundation. This partnership created a San Antonio Military Spouse Fellowship Program (“MSFP”). The City was one of the first trailblazers in the nation, and the first municipality in Texas to provide funding for the HOH and MSFP programs.

With over 60 companies now participating, the City is proud to report that in addition to the 40 fellowships funded by the City, an additional 45 spouse fellowships were funded through other corporate financial contributions. A total of 85 military spouses completed the fellowship with 78 being hired by their host employer, a 92% hiring rate. Moreover, the average annual salary of a MSFP fellow is greater than \$60,000, which exceeds the MSA average annual salary of \$49,500 and equates to a combined annual income of over \$4.5 million. The City completed a second \$150,000 agreement (Fiscal Year 2023) with HOH (one (1) year period of performance), and is currently executing a third agreement (also \$150,000) as part of the Fiscal Year 2024 budget. The City’s MVAD is requesting another \$150,000 to support a fourth agreement with HOH.

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

Currently, the DoD is the community’s largest employer, supporting the employment of over 805,685 people, with an economic impact of approximately \$151.2 billion to the Texas economy in 2023. JBSA alone directly employs 282,995 people and has a total economic impact of \$47 billion in payroll, contract expenditures, and value of jobs created. Over 250,000 veterans reside in the City and receive over \$1.5 billion in annual benefit payments. The BRAC 2005 program in the City concluded in 2011, but the construction momentum continues.

Aerospace

According to the economic impact study commissioned by the Greater San Antonio Chamber of Commerce in 2018, aerospace is a \$3.4 billion industry in the City. This industry provides approximately 17,250 jobs, with employees earning total annual wages of over \$1 billion. The aerospace sector includes key aerospace assets, which include San Antonio International Airport, Stinson Municipal Airport, Port San Antonio, JBSA-Randolph, JBSA-Lackland, and Martindale Army Heliport.

Many of the major aerospace industry participants such as Boeing, StandardAero, STSA, FedEx, UPS, and others, have significant operations in the City. The aerospace industry in the City includes air passenger service, maintenance, repair, overhaul, and general aviation.

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

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

In early 2012, Boeing announced that its City facility would gain 300 to 400 workers along with maintenance responsibilities for the nation's executive fleet due to a decision to close a Wichita, Kansas plant. The aircraft maintenance and support work, which moved to the City, included improvements to the nation's fleet of executive jets, including Air Force One, the Boeing 747 that transports the President of the United States, and the jets that transport the Vice President, Cabinet members, and other government officials. In 2018, Boeing announced that it would be increasing its City workforce by approximately 900, effectively doubling its presence in the City. In 2017, StandardAero was awarded a contract to overhaul engines that power military transport planes and other aircraft. In 2018, StandardAero also announced that it would be increasing its City workforce, creating 100 jobs.

Texas Cyber Command

The future establishment of the Command, designed to be a center of excellence for cyber security throughout the State, has been announced by the Governor. With the UT San Antonio holding the mandate, this initiative has the potential to generate economic opportunities to the City and a nexus with the military industry community, particularly considering news about the Army Transformation Initiative. Army (and in the future Air Force) formations will likely explore opportunities to grow and strengthen in the Secretary of Defense's identified priorities. These include cyber, unmanned systems, and 3D printing technology to leverage more mobility in maneuver forces and logistics.

Defense Economic Adjustment Assistance Grant Application – South Beach Pavilion (JBSA–Fort Sam Houston)

Building upon its long-standing success with the Texas Military Preparedness Commission's DEAG program, the City has advanced a new DEAG application in support of the South Beach Pavilion project at JBSA-Fort Sam Houston. This initiative is designed to support the evolving requirements of the Defense Health Agency ("DHA") as medical functions and administrative elements continue to consolidate within the San Antonio Market.

The South Beach Pavilion project represents a strategic infrastructure investment aligned with DoD medical transformation efforts. As DHA centralizes and optimizes healthcare delivery across its markets, the availability of modern, mission-ready facilities at JBSA-Fort Sam Houston is essential to sustaining operational efficiency, ensuring continuity of care, and retaining high-value medical missions within the region. The South Beach Pavilion will provide adaptable space capable of accommodating DHA functions and personnel, enhancing installation resiliency while reinforcing San Antonio's role as Military Medical City USA®. The proposed funding structure reflects a coordinated tri-level government approach, leveraging commitments from the City, Bexar County, and the State of Texas through the DEAG program. This collaborative investment underscores the region's unified support for military medicine and demonstrates proactive engagement amid ongoing DoD transformation initiatives, including potential impacts associated with the Army Transformation Initiative.

Beyond infrastructure, the South Beach Pavilion initiative is fundamentally a readiness project. By ensuring appropriate space and capacity for DHA operations at JBSA-Fort Sam Houston, the City is helping safeguard thousands of military, civilian, and contractor medical positions while preserving the San Antonio Market's standing as one of the DoD's premier healthcare hubs. The project also supports the broader medical ecosystem anchored by BAMC, the 59th Medical Wing, and associated research and training institutions across the region.

Additionally, in December of 2025, the City of San Antonio was officially designated Military Medical City USA® by the USPTO. This action strengthens the City's national brand identity in military medicine and complements ongoing infrastructure and mission advocacy efforts designed to retain and expand defense-related healthcare operations in the region.

Together, the DEAG submission and the USPTO filing reflect a forward-looking strategy that integrates infrastructure investment, mission protection, economic stability, and brand stewardship to ensure JBSA and the City remain a cornerstone of military medical readiness and economic vitality for decades to come.

Growth Indices

San Antonio Average Electric and Gas Customers

<u>For the Month of</u>	<u>Average Electric</u>	<u>Average Gas</u>
<u>December</u>	<u>Customers</u>	<u>Customers</u>
2016	802,712	342,928
2017	819,333	346,247
2018	823,153	348,313
2019	857,559	357,189
2020	883,026	366,019
2021	896,251	370,171
2022	928,915	380,771
2023	948,756	388,514
2024	975,130	394,195
2025	996,428	398,973

Source: CPS Energy.

SAWS Average Customers per Fiscal Year

<u>Fiscal Year</u>	<u>Water Customers</u> ¹
<u>Ended December 31</u>	
2016	486,649
2017	493,768
2018	502,024
2019	511,361
2020	522,515
2021	537,813
2022	552,005
2023	561,290
2024	571,740
2025	581,027

¹ Average number billed, excluding SAWS irrigation customers.

Source: SAWS.

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Construction Activity

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

Calendar Year	New Residential Single Family ¹		Residential Multi-Family ²		Other ³	
	Permits	Valuation	Permits	Valuation	Permits	Valuation
2016	2,150	\$409,048,513	219	\$408,327,871	19,106	\$2,093,010,308
2017	2,421	\$453,152,457	196	\$505,855,511	18,172	\$2,707,666,910
2018	3,337	\$556,401,894	161	\$387,094,077	19,993	\$3,158,550,699
2019	4,034	\$414,277,872	227	\$469,523,112	20,104	\$2,507,754,861
2020 ⁴	3,908	N/A	284	\$633,871,049	18,362	\$3,107,728,887
2021 ⁵	6,235	N/A	352	N/A	22,972	N/A
2022	4,618	N/A	297	N/A	21,832	N/A
2023	4,348	N/A	175	N/A	20,417	N/A
2024	5,140	N/A	141	N/A	19,419	N/A
2025	3,876	N/A	132	N/A	21,713	N/A

¹ Includes new single family attached and detached projects.

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

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

⁴ As of September 1, 2019, Development Services no longer captures valuation for new single family home construction per HB 852.

⁵ As of November 30, 2020, Development Services reports from a new permitting platform that introduced new permit record types with associated new business and technical reporting processes. Development of reports to produce accurate valuation data is ongoing.

Source: City of San Antonio, Development Services Department.

Total Municipal Sales Tax Collections – Ten Largest Texas Cities

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Arlington	\$193,616,052	\$194,079,904	\$192,752,363	\$192,792,412	\$157,711,765
Austin	356,062,671	354,681,125	346,506,960	335,448,823	278,311,232
Dallas	460,212,116	439,640,677	426,748,146	408,638,487	358,215,983
El Paso	138,826,722	133,640,741	132,615,536	138,161,603	114,356,341
Fort Worth	249,285,578	238,473,709	231,940,150	219,947,155	189,968,733
Frisco	142,358,157	141,158,631	136,588,801	127,550,767	111,487,858
Houston	923,406,695	889,040,848	892,880,233	848,613,073	747,671,385
Plano	134,370,969	121,073,962	113,984,729	108,687,974	95,385,916
Round Rock	129,332,684	117,035,675	118,640,963	116,966,437	103,903,015
SAN ANTONIO	490,450,630	491,460,528	479,106,605	466,369,905	415,149,253

Source: State of Texas, Comptroller's Office.

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Education

As of October 2025, there are 15 independent school districts within Bexar County with a combined enrollment of 288,745 encompassing 61 high schools, 84 middle/junior high schools, 276 early education/elementary schools, 24 magnet schools, and 15 alternative schools. There are an additional 24 charter school districts with 132 open enrollment charter schools at all grade levels. In addition, Bexar County has 127 accredited private and parochial schools at all education levels. Generally, students attend school in the districts in which they reside. There is currently no busing between school districts in effect. The eight (8) largest accredited and degree-granting universities, which include a school of medicine, a school of nursing, a dental school, a law school, and five (5) public community colleges, had combined enrollments of 155,695 for Fall 2025.

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

Employment Statistics

The following table shows current non-agricultural employment estimates by industry in the San Antonio-New Braunfels MSA for the period of May 2026, as compared to the prior periods of April 2026 and May 2025, respectively.

Employment by Industry

San Antonio-New Braunfels MSA ¹	May 2026	April 2026	May 2025
Mining, Logging, and Construction ²	75,800	75,000	76,800
Manufacturing	60,000	59,500	60,500
Trade, Transportation, and Utilities	216,600	215,200	209,300
Information	17,100	17,100	18,400
Financial Activities	101,600	101,500	101,300
Professional and Business Services	158,600	158,900	155,600
Education and Health Services	183,700	183,900	183,700
Leisure and Hospitality	150,600	147,800	152,300
Other Services	43,000	42,700	42,800
Government	191,900	191,600	193,400
Total Nonfarm	1,198,900	1,193,200	1,194,100

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

² Mining, Logging, and Construction have been combined compared to previous years.

The following table shows civilian labor force estimates, the number of persons employed, the number of persons unemployed, and the unemployment rate in the San Antonio-New Braunfels MSA, Texas, and the United States for the period of May 2026, as compared to the prior periods of April 2026 and May 2025, respectively.

Unemployment Information (all estimates in thousands)

San Antonio-New Braunfels MSA ¹	May 2026	April 2026	May 2025
Civilian Labor Force	1,353,943	1,348,255	1,347,256
Number of Employed	1,298,109	1,296,484	1,296,920
Number of Unemployed	55,834	51,771	50,336
Unemployment Rate (%)	4.1	3.8	3.7
Texas (Actual) ¹			
Civilian Labor Force	15,915,979	15,867,636	15,807,386
Number of Employed	15,238,091	15,234,999	15,182,232
Number of Unemployed	677,888	632,637	625,154
Unemployment Rate (%)	4.3	4.0	4.0
United States (Actual) ¹			
Civilian Labor Force	169,801,000	169,548,000	170,216,000
Number of Employed	162,897,000	162,781,000	163,401,000
Number of Unemployed	6,904,000	6,768,000	6,815,000
Unemployment Rate (%)	4.1	4.0	4.0

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

San Antonio Electric and Gas Systems

History and Management

The City acquired its electric and gas utilities in 1942 from the American Light and Traction Company, which had been ordered by the federal government to sell properties under provisions of the Holding Company Act of 1935. The City bond ordinances (collectively, the “Bond Ordinances”), authorizing the issuance from time to time of indebtedness secured by liens on and pledges of all income and revenues from the operation of the City’s electric and gas systems (the “Systems”), after deduction of Maintenance and Operations Expenses (such revenues, the “Net Revenues”), provide that the complete management and control of the Systems is vested in the City Public Service Board of San Antonio, Texas, conducting business as “CPS Energy” and managed by the Board of Trustees (the “Board”), comprised of the Mayor of the City and four (4) United States (“U.S.”) citizens permanently residing in Bexar County, Texas (the “County”) (elected, upon the occurrence of a vacancy, by majority vote of the remaining Board members and confirmed by the City Council of the City (the “City Council”)).

The Mayor of the City is a voting member of the Board, represents the City Council, and is charged with the duty and responsibility of keeping the City Council fully advised and informed at all times of any actions, deliberations, and decisions of the Board and its conduct of the management of the Systems. The present members of the Board are:

<u>Name & Position</u>	<u>Profession</u>	<u>Originally Appointed to the Board</u>	<u>Present Term Expires⁽¹⁾</u>
Dr. Francine Sanders Romero, Chair	Associate Professor & Chair of the Public Administration Department at the University of Texas at San Antonio	February 1, 2022	January 31, 2027
Dr. Willis Mackey, Vice Chair	Superintendent, Retired Judson Independent School District	April 6, 2018	January 31, 2028
Dr. Erika Gonzalez, ⁽²⁾ Trustee	CEO and President, STAAMP Allergy	February 1, 2026	January 31, 2030
Janie Martinez Gonzalez, Trustee	President & CEO, Webhead	February 18, 2019	January 31, 2029
Gina Ortiz Jones, ⁽³⁾ Ex-Officio Member	Mayor, City of San Antonio	June 18, 2025	May 31, 2029

⁽¹⁾ Dr. Romero and Dr. Erika Gonzalez are each serving their first terms. Dr. Mackey and Ms. Gonzalez are each serving their second terms.

⁽²⁾ Mr. John Steen’s second term ended on January 31, 2026. City Council voted in favor of CPS Energy Board nominee Dr. Gonzalez, whose five-year term began on February 1, 2026.

⁽³⁾ Ms. Ortiz Jones was elected as Mayor of the City on June 7, 2025 and thereafter became an Ex-Officio Member of the Board.

All vacancies in membership on the Board are filled as follows: a nominee to fill such vacancy shall be elected by the majority vote of the remaining members of the Board, such majority vote to include the vote of the Mayor. The elected nominee is then submitted by the Mayor to the vote of the City Council for confirmation. A vacancy in certain cases may be filled by authorization from the City Council. At the expiration of their first five-year term of office, the members of the Board are eligible for re-appointment by election of the other Board members and confirmation by the City Council to one (1) additional five-year term. In 1997, the City Council ordained that Board membership should be representative of the geographic quadrants established by the City Council. New Board members considered for approval by the City Council will be those whose residence is in a quadrant that provides such geographic representation.

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

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

2021 Winter Weather Event

From February 12, 2021 through February 19, 2021, the continental United States experienced a severe winter storm, the “2021 Winter Weather Event”, resulting from the southern migration of a polar vortex that meteorologists characterize as the most significant in terms of scope and duration since monitoring of these weather phenomena began in the 1950s. As a result of the 2021 Winter Weather Event, record breaking cold weather invaded the entire State, during which time the City experienced three (3) consecutive days of record low temperatures, over 100 consecutive hours below freezing, and wind chills of negative six (-6) degrees Fahrenheit.

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

As the 2021 Winter Weather Event covered the entire State, the Electric Reliability Council of Texas (“ERCOT”) implemented what were initially expected to be rotating outages to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of the 2021 Winter Weather Event and the corresponding increase in demand on the Texas electric grid, combined with limited availability of generation, widespread and prolonged power outages began at 1:00 a.m., Central Time, on Monday, February 15, 2021, and continued throughout the week.

Ultimately, approximately 4,000,000 Texas residents were without power for significant stretches of the week. By the middle of the 2021 Winter Weather Event, ERCOT announced that it had lost 46,000 megawatts (“MW”) of generation, comprised of 28,000 MW of natural gas and coal generation and 18,000 MW of wind and solar.

CPS Energy remains engaged in litigation against certain of its natural gas suppliers, in which CPS Energy disputes (under the disputed payment provisions of the relevant contract) prices charged by those suppliers for natural gas during the 2021 Winter Weather Event as being unenforceable under Texas law. The trial related to the disputed charges claimed to be owed by CPS Energy to two (2) Energy Transfer subsidiaries, Houston Pipeline Company, LP and Oasis Pipeline, LP began on March 30, 2026 and continued for approximately three (3) weeks. During the trial, CPS Energy presented evidence outlining its position and vigorously fought for the benefit of its customers. Because such matters were litigated as a bench trial, the judge is currently taking the evidence under advisement before issuing a decision. A second trial is currently being scheduled. CPS Energy makes no guarantee or prediction regarding the outcome of these disputes.

Retail Service Area

The CPS Energy electric system serves a territory consisting of substantially all of the county and various regions throughout the State. Certification of this service area was granted by the Public Utility Commission of Texas (“PUCT”).

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

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

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

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

Franchise Agreements. CPS Energy maintains “Franchise Agreements” with 31 incorporated communities in the San Antonio metropolitan area. These Franchise Agreements permit CPS Energy to operate its facilities in the streets and public ways of these cities, in exchange for a franchise fee of 4.5% on electric and natural gas revenues earned within their respective municipal boundaries. Of the 31 cities, six (6) have decided to increase their franchise fees to 5.5%. The effective dates of these agreements were February 1, 2015, for two (2) municipalities, January 1, 2018, May 1, 2020, August 1, 2021, and February 1, 2024. Certain cities retain the ability to seek a one percent (1%) increase in their franchise fee under the applicable agreements related thereto.

Wholesale Power

CPS Energy has an active program to optimize its excess power generation capacity in the wholesale power market, which includes both power purchases and power sales when such can be reasonably expected to reduce cost or generate revenue for the electric system. As a part of managing the power generation portfolio, CPS Energy may also purchase power if there is an unanticipated deficit in capacity, to maintain reserve margins, to enhance reliability for the electric system, or when economically prudent to reduce overall costs of its obligations in the ERCOT market. Trained, experienced staff in CPS Energy’s Energy Supply & Market Operations (“ESMO”), who report to the CPS Energy Senior Director - Asset Management, conduct wholesale power transactions in accordance with established procedures. CPS Energy is a Qualified Scheduling Entity (“QSE”) within ERCOT which allows CPS Energy to manage both load and generation in the ERCOT real-time and day-ahead markets. The QSE function is also managed by ESMO. The governance for ERCOT market activity is established by the Energy Markets and Risk Management Policy. Under this policy, the Energy Portfolio Strategy Committee, comprised of select executive leadership, provides comprehensive review and oversight of proposed wholesale transactions to ensure alignment with CPS Energy strategies, including evaluation of the associated risks. CPS Energy conducts wholesale power transactions only with approved counterparties with which CPS Energy has established master enabling agreements for such transactions. The enabling agreements outline payment and delivery terms and conditions of such sales and purchases and provide for written confirmation of each transaction between CPS Energy and its counterparts.

Long-term supply agreements were established with Central Texas Electric Cooperative (“CTEC”), the City of Boerne, Texas (“Boerne”), the City of Seguin, Texas (“Seguin”), and the Kerrville Public Utility Board (“KPUB”) to provide energy supply for terms that began in June 2013. The CTEC contract ended at the end of calendar year 2021. The Boerne and Seguin contracts ended at the end of calendar year 2023, and the KPUB contract will end at the end of calendar year 2026. In addition, CPS Energy has converted its retail contracts with the City of Hondo, Texas (“Hondo”), the City of Castroville, Texas (“Castroville”), and Floresville Electric Light and Power System (“FELPS”) into wholesale contracts as well. The FELPS’ contract will conclude at the end of calendar year 2030. The Hondo contract was extended for five (5) years through December 2027. The Castroville contract ended in December 2022. The requirements under the wholesale agreements are for firm energy obligations provided by CPS Energy. In December 2025, CPS Energy extended the current contract with Seguin through December 2033. In June 2025, CPS Energy entered into a contract with the City of Robstown, Texas (Robstown Utility Services) with a contract expiration of May 2030.

CPS Energy is open to entering into new long-term wholesale power sales agreements with public or private entities in the future. There is some potential to add new agreements or to extend existing agreements with certain counterparties who wish to continue to secure their power supply from CPS Energy. CPS Energy may also agree to provide a variety of supply arrangements on a short-term basis for terms ranging from one (1) month up to one (1) year with a variety of approved counterparties.

Customer Rates

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

Retail Service Rates

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

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

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

CPS Energy has periodic rate increases, with the most recent electric and gas base rate increase of 4.25% approved by the Board on December 4, 2023 and approved by the City Council on December 7, 2023. The rate increase, which became effective February 1, 2024, covers the following investments: (1) infrastructure reliability and resiliency, including reinforcing CPS Energy's power plants, wires, and poles; (2) assessment of needs and design of a future technology platform to replace current end-of-life platform; (3) meet the substantial growth of the community by expansion of existing substations, construction of new substations, installing transformers and equipment, and upgrade or replace aging service districts; and (4) hiring and training of employees and employee retention, in preparation for continuous retirements. The rate increase is expected to generate an additional \$85 million annually. For the average residential customer, the rate increase is expected to add \$4.45 or 2.7% (includes base plus fuel and regulatory revenue) to the monthly bill. A 3.85% base rate increase was previously implemented on March 1, 2022 (the first such rate increase since a 4.25% electric and gas base rate increase became effective on February 1, 2014). In conjunction with the March 1, 2022 rate increase, costs associated with the severe winter storm that occurred between February 12, 2021 through February 19, 2021 throughout a majority of the continental United States, including Texas (2021 Winter Weather Event) and recorded as part of the regulatory asset (the "Regulatory Asset"). The Regulatory Asset was approved by City Council on January 13, 2022 for the unrecovered costs of purchased natural gas and power, plus legal, interim financing, and other contractual charges, which began to be recovered on customer bills through the fuel cost adjustment. These costs, which under current estimates are not anticipated to exceed \$1 billion in the aggregate, are expected to be amortized over a period of 25 years and recovered through fuel costs (taking into consideration, among other factors, affordability and monthly customer bill impact). When combined with the \$1.26 or 0.8% (for paid 2021 Winter Weather Event costs of approximately \$414 million) per month in the fuel adjustment portion of a customer's bill related to the regulatory asset, the total average bill increase was

estimated to be \$5.10 or 3.3% for the average electric and natural gas residential customer. CPS Energy expects it will continue to periodically seek electric and gas base rate increases as required to maintain debt service coverage, debt-to-equity, and liquidity ratios.

Year-after-year, CPS Energy's management team continually monitors and analyzes its cash and revenue positions. Within this process, CPS Energy assesses its projections for actual and anticipated costs and expenses. This information is also used to evaluate the scope and timing of potential requests for rate adjustments. When possible, the CPS Energy team shares this approach with the public to ensure there is general awareness that rate adjustments will be needed from time-to-time. CPS Energy will be closely tracking budget results through the summer months of 2026 before deciding on whether to seek community support for a rate adjustment.

In addition to standard service rates, CPS Energy also provides several rates and riders for a variety of programs and products. Since May 2000, under Rider E15, CPS Energy has offered a monthly contract for renewable energy service (currently wind-generated electricity). The High Load Factor ("HLF") rate, first offered in February 2014, is available to customers with new or added load of 10 MW or greater. The HLF rate requires eligible customers to maintain an annual billing load factor of 90% or more and meet the requirements of Rider E16. Rider E16 offers discounts off the Super Large Power and HLF demand charge for a period up to four (4) years for new or added load of at least 10 MW. Under certain conditions, the discount may be extended for up to an additional six (6) years. Eligible customers that qualify for Rider E16 discounts must also meet City employment targets or other related performance metrics and targets for purchases of goods or services from local businesses. Rider E17, which became effective in September 2008, provides a discount on residential electric bills for customers with income at or below 125% of federal poverty guidelines, and meets at least one of several criteria, such as being at least 60 years old or having a disability. The current discount on the monthly bill is \$13.48. The discount typically goes up when a base rate increase becomes effective. Rider G4 provides a similar discount for natural gas customers and is currently set at \$4.88 per month. Since July 2012, under Rider E19, CPS Energy provides an optional service offering electricity generated by wind-powered turbines, solar-powered systems, or other renewable resources. Additionally, Rider E20, which became effective February 1, 2015, waives late fees for individuals 60 years or older with income at or below 125% of the federal poverty level. CPS Energy revised its "Rules and Regulations Applying to Retail Utility Service", effective March 1, 2019, which contains provisions for alternative payment plans, payment assistance, and extensions, and is now referred to as "CPS Energy Customer Terms and Conditions Applying to Retail Utility Service". The New Service Options ("NSO") tariff, effective October 2018, is an umbrella tariff that enables CPS Energy to offer new service options on a pilot basis, with oversight by the City's Office of Public Utilities. This tariff allows CPS Energy to provide innovative energy services while gauging customer interest and cost recovery requirements while gathering information to refine the offering. The Commercial Electric Vehicle Pilot Rate was the first offering under the NSO tariff. Several other pilots have been launched through this tariff since its inception, including offerings for public electric vehicle charging and resiliency service. The resiliency service pilot, designed to enhance reliability from natural gas generators, was successful and was approved as a full tariff in September of 2020.

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

In May 2009, the City Council established a mechanism to fund CPS Energy's Save for Tomorrow Energy Plan ("STEP"), an energy efficiency and conservation program to be funded largely through the electric fuel adjustment fee. The total cost of the STEP program during the 2009 to 2020 time period was approved at \$849 million with annual costs ranging from \$12.3 million to over \$111 million. While approximately \$10 million is currently recovered each year through existing base rates, the additional costs for the STEP program will be recovered through a STEP charge applied to the electric fuel adjustment as stated above. Through Fiscal Year 2025, the accumulated cost for the STEP program was \$1.042 billion. As of CPS Energy's fiscal year ending on January 31, 2025, CPS Energy quantified a cumulative reduction of 1,264 MW. Over the lifetime of STEP, the benefits of the program have exceeded the implementation costs to achieve energy savings.

As the STEP goal was achieved a year early, in January 2020, the Board and City Council voted to extend the existing STEP program. The extended program, known as "STEP Bridge", was approved to spend \$70 million to reach a targeted, additional reduction of 75 MW. CPS Energy envisioned STEP Bridge delivering a diverse portfolio of programs to assist customers to save energy. Seeking feedback from a broad array of customers and key stakeholders, CPS Energy used the information that it gathered to update, design, and create programs and services that met the needs of its diverse set of customers. Due to the Pandemic and delays in achieving the STEP Bridge goals, CPS Energy sought and received City Council approval in January 2021 to extend the STEP Bridge program. The City Council authorized CPS Energy to expend up to an additional \$70 million on energy efficiency and conservation programs to be completed by July 2022. On August 30, 2021, the Board requested staff to perform an analysis of the STEP program to determine whether to continue the program. The analysis was prepared by the Brattle Group and presented to the Board at its February 2022 meeting. On June 16, 2022, the City Council approved a plan for the new Sustainable Tomorrow Energy Plan (also known as "STEP") program to be funded as a \$350 million initiative over the next five (5) years. This average impact will continue to be \$3.50 per month to a residential energy bill. The program goals

include 410 MW of demand reduction, 1% energy savings per year, 16,000 weatherized homes, and 1.85 million tons of avoided carbon. For additional information on CPS Energy's STEP energy efficiency and conservation programs, and other strategic initiatives, please see the latest offering document posted to EMMA.

Green Tariff

CPS Energy continues to innovate to meet the emerging needs of its customers. On August 20, 2020, the City Council approved an optional "Green Tariff" for large commercial customers which offers access to renewable energy. This product option was created to facilitate large customers' goals of accelerating their access to renewable energy. Under this tariff, customers may ask CPS Energy to provide renewable energy from specific sources that meet their needs. The Green Tariff has three (3) main components: a monthly grid share charge, a demand charge, and energy charges based on a renewable energy supply agreement. CPS Energy is also evaluating other optional product offerings that will enable customers to use renewable energy while still covering the full cost of service.

Resiliency Tariff

In September 2020, CPS Energy converted a limited Resiliency Service pilot into a permanent tariff for its commercial customers. Under the Resiliency Service offering, CPS Energy or a third party will provide on-site backup generators capable of providing electricity to retail customers during outages of the electric system in exchange for a monthly Resiliency Service capacity fee. The natural gas backup generators are owned and operated by one of CPS Energy's suppliers. As of January 31, 2026, Resiliency Service had been enabled at 28 customer sites with a total capacity of 31.6 MW.

Fuel and Gas Cost Adjustment

The Systems' tariffs feature a fuel cost adjustment provision in the electric rates and a gas cost adjustment provision in the gas rates, which allow CPS Energy to reconcile fuel and gas cost variances above or below levels included in base rates. CPS Energy's electric rates are subject to a positive or negative monthly adjustment equal to the variance in the price of fuel above or below a base cost of \$0.01416 per kilowatt-hour ("kWh"). Similarly, CPS Energy's base gas rates are subject to an adjustment equal to the variance in the price of natural gas above or below a base cost of \$0.220 CCF, approximately equivalent to \$2.167 per one million British Thermal Unit ("Btu"), a measure of energy content in fuel used in the power steam generation, and heating and air conditioning industries. Natural gas is usually measured in Btus. However, the foregoing is qualified by the 2021 Winter Weather Event, which may alter these costs.

Governmentally Imposed Fees, Taxes, or Payments

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

In March 2000, two (2) new governmental assessments resulting from regulatory changes in the Texas electric utility industry, including the open access wholesale transmission charges, were added to CPS Energy's electric billings as regulatory adjustments and are updated annually or as needed. The first assessment recovers additional ERCOT-related transmission expenditures not recovered through CPS Energy's current base rates. For CPS Energy residential customer rates, this adjustment (effective February 2025) adds \$0.01340 per kWh sold. The second assessment relates to CPS Energy's share of the cost to fund the staffing and operation of ERCOT, the Independent System Operator, and the quarterly Electric Reliability Organization ("ERO") fee. The PUCT retains oversight authority over ERCOT. For all CPS Energy retail customers (effective February 2025), this charge increased bills by \$0.00086 per kWh sold.

In March 2005, the RRCT began imposing a regulatory fee to cover the cost of regulation by the RRCT. The fee is based upon the number of active gas customers and is recovered from CPS Energy gas customers through the payment of an annual fee assessed one (1) time during the year.

Transmission Access and Rate Regulation

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

The 1999 Texas Legislature amended PURA95 to expressly authorize rate authority over MOUs for wholesale transmission and to require that the postage stamp method be used exclusively for pricing wholesale transmission transactions.

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

Strategic Initiatives

The utility industry is witnessing rapid change and CPS Energy's strategic plan, Vision 2027 – An Evolving Utility, is designed to guide CPS Energy through this transformation in the near future. The strategic plan sets out clearly how CPS Energy will better serve its customers and community. CPS Energy's power generation plan includes a transition from coal generation to cleaner resources while also replacing aging gas steam units with a diverse mix of renewable and dispatchable energy sources, resulting in further emissions reductions.

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

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

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

CPS Energy is executing four (4) strategic initiatives to achieve Vision 2027's objectives:

- Power Generation Plan
- System Resiliency & Growth
- Evolve: Enterprise Resource Plan
- Customer Experience

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

Beginning in September 2023, CPS Energy's leadership team hosted internal workshops focused on setting goals for CPS Energy's future, receiving early employee feedback and aligning with industry trends. Throughout the fall of 2024, CPS Energy engaged stakeholders, including CPS Energy employees and customers, through roadshow events, town hall discussions, and surveys that will help CPS Energy continue to refine the framework for addressing future challenges, and ensuring sustainable growth while continuing CPS Energy's commitment to deliver outstanding service and value to its customers. The result is CPS Energy's latest strategic framework, Horizon 2050, which was approved by the Board on January 31, 2025, and is a long-term strategic direction that focuses on addressing future challenges and opportunities.

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

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

CPS Energy's Integrated Planning Process is a coordinated, cross-functional effort that aligns strategic priorities with risk management and financial planning. This process is anchored in the CPS Energy Business Plan and supported by business unit plans that drive execution through major initiatives, milestones, performance measures, and goal alignment.

Performance targets and supporting metrics are cascaded throughout the organization, creating a clear line of sight from enterprise-level objectives to business unit goals and individual accountability.

Progress is tracked through the Enterprise Scorecard, which enables ongoing monitoring, reporting, and analysis of performance trends. This disciplined approach ensures that CPS Energy remains focused on achieving its strategic goals.

Citizens Advisory Committee – Citizens Input Committee

To enhance its relationship with the community and to provide community input directly to the Board and CPS Energy staff, CPS Energy established a 15-member Citizens Advisory Committee (“CAC”). The CAC met monthly with the primary goal of providing recommendations on utility-related projects and programs to offer a customer perspective on community issues, assisting in identifying strengths and offering suggestions for improvement to the organization. Representing the various sectors of CPS Energy’s service area, the CAC encompassed a broad range of representatives in order to identify concerns and understand community issues. The City Council members nominated 10 of the 15 members, one (1) representing each City Council district. The other five (5) members were at-large candidates who resided anywhere within the service territory. The Board approved all members of the CAC and each member could serve up to three (3), two-year terms.

On April 22, 2024, the Board accepted changes to the CAC bylaws modifying the group name to the Community Input Committee (“CIC”), expanding the committee members from 15 to 19, and revising the purpose, mission, and vision to clarify the bi-directional flow of information between the community and the Board through the CIC. The four (4) new members representing the four (4) quadrants of the CPS Energy service area were chosen by the Board on June 24, 2024. The CIC has three (3) working groups: Power and Technology, Finance and Business, and Customer Relations and Communications.

Rate Advisory Committee

In January 2021, CPS Energy solicited applications for the community to participate in the Rate Advisory Committee (“RAC”) that was formed by CPS Energy in December 2020. The RAC’s mission is to provide helpful and unique knowledge and customer insights to the efforts and projects related to rate structure, rate design, and generation planning with the ultimate goals of helping the Board and management balance its strategic objectives and increasing the mutual understanding of public issues and concerns. The RAC consists of 21 members comprised of 11 appointees by the Board, including Mayoral appointees, and City Council appointees.

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

In February 2023, the RAC moved to its next focus area of rate design with a series of meetings focused on affordability. The topic of bill affordability for customers was addressed from three (3) vantage points—bill discounts, energy efficiency and conservation, and demand management. Following these discussions, RAC members in June 2023 completed a survey with their feedback on potential initiatives and measures to address affordability challenges. In August 2023, CPS Energy thanked the RAC for their hard work, dedication, and recommendations to the Board.

Affordability Discount Program

On May 2, 2024, the City Council approved an update to its affordability discount program, with the federal poverty guidelines now at or below 150%, thereby expanding the number of total eligible customers by 29,151 to 134,502 customers within the City. Approximately \$2 million in funding for this program is provided by wholesale revenue, and CPS Energy enrolled more than 80,000 customers. The change went into effect on June 1, 2024.

State and National Legislation

For State and national legislative action regarding competition, CPS Energy continues to participate actively in the legislative process to voice the interests of MOUs and the local community, and play an integral part in shaping the environment in which it operates. CPS Energy is actively evaluating all aspects of its business model, including the pricing components of its energy services, fully recognizing that the cost of electricity will be a crucial factor for success in a deregulated environment. Cost control efforts, along with further phases of debt management strategies, will persist in the coming years.

Historical Programs

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

through which CPS Energy added more solar resources coupled with battery energy storage and firming capacity.

CPS Energy executed an agreement with Consolidated Edison Development, Inc., a subsidiary of Con Edison Clean Energy Businesses, Inc., for a 300 MW solar project called Peregrine Solar to be located in Goliad County, representing the first initiative of CPS Energy's FlexPOWER BundleSM. This project came online in February 2025 and is for a 25-year term. In October 2022, RWE Clean Energy, LLC (based out of Germany) announced it would be acquiring all of Con Edison Clean Energy Businesses. The transaction closed in March 2023. CPS Energy consented to the ownership change. In September 2022, CPS Energy reached an agreement with Kenlov Ashtrom Renewable Energy LLC, a subsidiary of Kenlov Renewable Energy and Ashtrom Renewable Energy ("KARE"), for the purchase of 180 MW of solar energy from the Tierra Bonita project. Developed and originated by KARE's U.S. development partner, OnPeak Power, this project provides CPS Energy with 180 MW of the full 305 MW from the Tierra Bonita solar farm located in Pecos County. The KARE agreement is a 20-year contract, and the project came online in late 2024. In January 2023, CPS Energy signed a contract with Ashtrom Renewable Energy, in collaboration with OnPeak Power, for 104 MW of the El Patrimonio solar project, which will be located in the County. The power purchase agreement (each, a "PPA") is a 20-year contract with an anticipated commercial operation date of September 2027. Additionally, as part of the agreement, Ashtrom Renewable Energy will provide community benefits, including the contribution of funds towards CPS Energy student scholarships, as well as on-site field day mentorship to local students during the construction of the facility in the County. Ashtrom Renewable Energy will also grant funds towards the construction of an outdoor classroom that can be used for field trip instruction.

In January 2023, CPS Energy signed a contract with Calpine, totaling approximately 522 MW of firming capacity from the Guadalupe Energy Center located in Guadalupe County. Firming capacity with natural gas is dispatchable, controllable, and reliable energy that can be utilized when the sun is not shining, or the wind is not blowing. The Calpine agreement began delivering power to CPS Energy in the Spring of 2023.

In January 2023, CPS Energy signed a contract with Eolian L.P., who will provide CPS Energy the exclusive right to dispatch a 50 MW, two-hour duration battery energy storage project located in the County. This location, combined with the operating flexibility offered by energy storage, will further improve CPS Energy system resiliency as well as customer reliability. The agreement is a 20-year contract and became operational in July 2025.

CPS Energy and Quidnet Energy ("Quidnet") entered into a 15-year contract for an energy storage project to employ Quidnet's Geomechanical Pumped Storage technology. This includes pumped hydro storage, where water is pumped underground and stored between impermeable rock layers to keep the water under pressure. To produce electricity, the pressurized water is released to a hydroelectric turbine that generates emissions-free electricity. The project will be developed in two (2) phases, starting with a one (1) MW, 10-hour storage facility. As the project matures, CPS Energy has the option to expand the project to provide 15 MW, thus completing the second phase. CPS Energy's role in the partnership is that of the buyer of capacity provided by Quidnet's storage facility (thus mitigating CPS Energy's financial risk by mutually agreed upon operating standards). CPS Energy's financial obligation in buying the capacity is adjusted based on the storage facilities' actual operating performance.

Electric System

CPS Energy currently operates 66 non-nuclear electric generating units, two (2) of which are coal-fired, 51 of which are gas-fired, two (2) solar photovoltaic ("PV") sites, and one (1) Battery Energy Storage System ("BESS"). Some of the gas-fired generating units may also burn fuel oil (ultra-low sulfur diesel), which provides fuel flexibility and greater resiliency. CPS Energy also owns a 40% interest in STP's two (2) existing nuclear generating Units 1 and 2. These nuclear units supplied 20.0% of CPS Energy's total generation for the 12 months ending January 31, 2025.

On October 18, 2023, CPS Energy formally launched a Request For Proposal ("RFP") for up to 500 MW of energy storage systems, as part of its power generation plan approved by the Board in 2023. Projects under this request that were diverse in technologies were welcomed, as well as responses from both large-scale and smaller sized projects. The smaller scale projects can be strategically placed at different locations within the CPS Energy service area, providing another tool to meet community growth and the ability to improve reliability in specific locations. This request was the first time CPS Energy issued a notice solely for standalone storage projects, although past RFPs have included storage as an overall component. From this RFP, CPS Energy successfully contracted 470 MW of battery energy storage projects.

On July 31, 2025, CPS Energy formally launched a RFP for up to 400 MW of additional wind energy, as part of its power generation plan approved by the Board in 2023. The deadline for submitting proposals was September 5, 2025. CPS Energy is working through the final stages of the selection process and has already engaged certain counterparties to initiate contract discussions. CPS Energy expects to execute contracts related to this RFP some time in the second quarter of calendar year 2026.

On November 13, 2025, CPS Energy formally launched a RFP for up to 600 MW of additional solar energy, as part of its power generation plan approved by the Board in 2023. The deadline for submitting proposals was January 9, 2026. CPS

Energy is working through the final stages of the selection process and has already engaged certain counterparties to initiate contract discussions. CPS Energy expects to execute contracts related to this RFP some time in the second quarter of calendar year 2026.

On December 11, 2025, CPS Energy formally launched a RFP for up to 500 MW of additional transmission scale and/or distribution scale storage, as part of its power generation plan approved by the Board in 2023. The deadline for submitting proposals was January 30, 2026. CPS Energy is currently evaluating the proposals. CPS Energy expects to engage counterparties and execute contracts related to this RFP some time in the second quarter of calendar year 2026.

The generating plants are normally referred to by the plant name and number (i.e., Spruce1 for Spruce unit 1, Braunig3 for Braunig unit 3).

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Generating Capability ⁽¹⁾

<u>Dispatchable or Firm Supply</u>	<u>Unit</u>	<u>Fuel</u>	<u>Year Installed</u>	<u>Summer Net Max Capability MW ⁽²⁾</u>	<u>Total Summer Capability MW</u>	<u>Type</u>
STP (40% Ownership) ⁽³⁾	Unit 1	Nuclear	1988	526.0		
	Unit 2	Nuclear	1989	522.0	1,048.0	Nuclear
STP PPA ⁽³⁾	PPA	Market	2024	200.0	200.0	Market
Spruce	Unit 1	Coal	1992	560.0		
	Unit 2	Coal	2010	785.0	1,345.0	Coal
Arthur Von Rosenberg (NGCC 2x1)	Unit 1	Gas	2000	518.0		
Sommers	Unit 1	Gas	1972	420.0		
	Unit 2	Gas	1974	410.0		
Barney Davis ⁽⁴⁾	Unit 1	Gas	1974	292.0		
MBL West	MBLCT 1 ⁽⁵⁾	Gas	2004	46.0		
	MBLCT 2 ⁽⁵⁾	Gas	2004	46.0		
	MBLCT 3 ⁽⁵⁾	Gas	2004	46.0		
	MBLCT 4 ⁽⁵⁾	Gas	2004	46.0		
MBL East	MBLCT 5 ⁽⁵⁾	Gas/Oil	2010	48.0		
	MBLCT 6 ⁽⁵⁾	Gas/Oil	2010	48.0		
	MBLCT 7 ⁽⁵⁾	Gas/Oil	2010	48.0		
	MBLCT 8 ⁽⁵⁾	Gas/Oil	2010	47.0		
HO Clarke ⁽⁹⁾	Unit 1	Gas	2021	45.0		
	Unit 2	Gas	2021	45.0		
	Unit 3	Gas	2021	45.0		
	Unit 4	Gas	2021	45.0		
	Unit 5	Gas	2021	45.0		
	Unit 6	Gas	2021	45.0		
	Unit 7	Gas	2021	45.0		
	Unit 8	Gas	2021	45.0		
Mark One ⁽⁹⁾	Unit 1	Gas	2022	45.0		
	Unit 2	Gas	2022	45.0		
	Unit 3	Gas	2022	45.0		
	Unit 4	Gas	2022	45.0		
	Unit 5	Gas	2022	45.0		
	Unit 6	Gas	2022	45.0		
	Unit 7	Gas	2024	45.0		
	Unit 8	Gas	2024	45.0		
Remy Jade ⁽⁹⁾	Unit 1	Gas	2024	45.0		
	Unit 2	Gas	2024	45.0		
	Unit 3	Gas	2024	45.0		
	Unit 4	Gas	2024	45.0		
	Unit 5	Gas	2024	45.0		
	Unit 6	Gas	2024	45.0		
	Unit 7	Gas	2024	45.0		
	Unit 8	Gas	2024	45.0		

<u>Dispatchable or Firm Supply</u>	<u>Unit</u>	<u>Fuel</u>	<u>Year Installed</u>	<u>Summer Net Max Capability MW ⁽²⁾</u>	<u>Total Summer Capability MW</u>	<u>Type</u>
Topaz ⁽⁹⁾	Unit 1	Gas	2021	45.0		
	Unit 2	Gas	2021	45.0		
	Unit 3	Gas	2021	45.0		
	Unit 4	Gas	2021	45.0		
	Unit 5	Gas	2021	45.0		
	Unit 6	Gas	2021	45.0		
	Unit 7	Gas	2021	45.0		
	Unit 8	Gas	2021	45.0		
	Unit 9	Gas	2021	45.0		
	Unit 10	Gas	2021	45.0		
Laredo Plant (CT) ⁽⁴⁾	Unit 1	Gas	2008	90.0		
	Unit 2	Gas	2008	87.0		
Rio Nogales (NGCC 3x1) ⁽⁶⁾	Unit 1	Gas	2012	798.0		
Barney Davis (NGCC 2x1) ⁽⁴⁾	Unit 2	Gas	2010	633.0		
Nueces Bay (NGCC 2x1) ⁽⁴⁾	Unit 1	Gas	2010	633.0		
Guadalupe Energy Center ⁽⁷⁾	PPA	Gas	2023	522.0	6,308.0	Gas/Oil
Commerce BESS ⁽⁸⁾	Unit 1	BESS	2019	10.0		
Padua 1 Grid	PPA	BESS	2025	50.0	60.0	BESS
Total Dispatchable or Firm					8,961.0	

⁽¹⁾ Data as of October 31, 2025.

⁽²⁾ Summer net max capability reflects net summer rating for CPS Energy owned plants.

⁽³⁾ Current net summer electric rating (MWe) for CPS Energy's share of STP1 and 2. Additional 2% ownership acquired on May 2, 2024, subject to the receipt of various approvals and not included in table.

⁽⁴⁾ Purchase of plants completed on May 1, 2024.

⁽⁵⁾ Plants renamed MBL (Milton B. Lee) CT (Combustion Turbine) as of March 6, 2014.

⁽⁶⁾ The Rio Nogales Plant was commissioned in 2002 and purchased by CPS Energy on April 9, 2012.

⁽⁷⁾ Effective Spring 2023, CPS Energy contracted for a gas toll PPA for 522 MW of NGCC capacity.

⁽⁸⁾ BESS – Battery Energy Storage System.

⁽⁹⁾ Purchased on September 23, 2025.

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Renewable Nameplate Capability

Other Generation & Renewable Nameplate Capability	Unit	Fuel	Year Installed	Summer Net Max Capability MW ⁽²⁾	Total Summer Capability MW	Type
Desert Sky Wind Farm ⁽¹⁰⁾	PPA	Wind	2002	63.4		
Cottonwood Creek Wind Farm (Sweetwater3) ⁽¹⁰⁾	PPA	Wind	2005	82.6		
Sweetwater 4	PPA	Wind	2007	240.8		
Penascal ⁽¹⁰⁾	PPA	Wind	2009	320.0		
Cedro Hill	PPA	Wind	2010	160.0		
Los Vientos	PPA	Wind	2012	200.1	1,066.9	Wind
Nelson Gardens	PPA	Landfill Gas	2014	4.2	4.2	Landfill Gas
Blue Wing	PPA	Solar PV ⁽¹¹⁾	2010	13.9		
Sinkin 1	PPA	Solar PV ⁽¹¹⁾	2012	9.9		
Sinkin 2	PPA	Solar PV ⁽¹¹⁾	2012	9.9		
Somerset	PPA	Solar PV ⁽¹¹⁾	2012	10.6		
Alamo 1	PPA	Solar PV ⁽¹¹⁾	2013	39.2		
St. Hedwig (Alamo 2)	PPA	Solar PV ⁽¹¹⁾	2014	4.4		
Eclipse (Alamo 4)	PPA	Solar PV ⁽¹¹⁾	2014	39.6		
Solar Host (Community Solar) ⁽¹²⁾	PPA	Solar PV ⁽¹¹⁾	2015	5.0		
Walzem (Alamo 3)	PPA	Solar PV ⁽¹¹⁾	2015	5.5		
Helios (Alamo 5)	PPA	Solar PV ⁽¹¹⁾	2015	95.0		
Solara (Alamo 7)	PPA	Solar PV ⁽¹¹⁾	2016	106.4		
CEC Beck (Community Solar) ⁽¹²⁾	Owned	Solar PV ⁽¹¹⁾	2016	1.0		
Sirius 1 (Alamo 6)	PPA	Solar PV ⁽¹¹⁾	2017	110.2		
Sirius 2 (Pearl)	PPA	Solar PV ⁽¹¹⁾	2017	50.0		
Lamesa II (Ivory)	PPA	Solar PV ⁽¹¹⁾	2018	50.0		
Commerce PV	Owned	Solar PV ⁽¹¹⁾	2019	5.0		
Big Sun (Community Solar) ⁽¹²⁾	PPA	Solar PV ⁽¹¹⁾	2019	5.0		
Tierra Bonita	PPA	Solar PV ⁽¹¹⁾	2024	180.0		
Peregrine Solar	PPA	Solar PV ⁽¹¹⁾	2025	300.0	1,040.6	Solar PV
Total Other Generation & Renewable Nameplate Capability					2,111.7	
Total Capability ⁽¹³⁾					11,072.7	

⁽¹⁰⁾ Capacity updated to reflect contracted nameplate capacity after contract renegotiation and turbine uprate.

⁽¹¹⁾ Solar PV capacity is reported on an alternating current ("AC") nameplate basis.

⁽¹²⁾ Community Solar pilot project "CEC Beck" added to CPS Energy renewable portfolio table to align with other corporate reporting.

⁽¹³⁾ Decrease from January 31, 2025 is due to CPS Energy ceasing operation at Braunig1 and Braunig2 units on April 1, 2025.

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Renewable Resources

CPS Energy has one of the strongest and most diverse renewable energy programs in Texas, including local solar, West Texas solar, South Central Texas solar, West Texas wind, coastal wind and landfill gas.

As a step in diversifying its energy resource plan, CPS Energy is proactively pursuing renewable energy supplies. CPS Energy is currently receiving renewable energy under several long-term contracts and has contracts for projects in various phases of development.

As of January 31, 2026, CPS Energy has 1,123.6 MW of wind, 1,040.6 MW of solar and 4.2 MW of landfill gas generated energy for a total other generation and renewable energy capacity in operation of 2,163.4 MW.

Wind

- Desert Sky: consisted of two (2) contracts for wind-generated energy from the Desert Sky Wind Project: a 20-year contract for 135 MW and a 15-year contract for 25.5 MW. These contracts were renegotiated into one (1) single contract, with a termination date of December 31, 2021, in response to a request from the developer to repower the project with improved equipment. The plant capacity factor improved, providing CPS Energy with additional MWh at a lower cost per MWh than the original contracts. The term of the new contract remained the same as the original contracts. The repower was completed in August 2018 and added approximately 8 MW of nameplate capacity. The Desert Sky Wind contract has since been renegotiated to extend through December 31, 2027 and now provides a total of 63.4 MW.
- Cottonwood Creek (Sweetwater 3): this wind farm was also repowered, and the contract was extended in late 2025 and increased offtake capacity to 108.5 MW. This new five-year contract is scheduled to end in calendar year 2030.
- Sweetwater 4: a 20-year contract for 240.8 MW from the Sweetwater 4 Wind Farm.
- Penascal: originally a 15-year contract for 76.8 MW of capacity. This contract was extended in April 2024 for a three-year term and increased CPS Energy's offtake to 160.8 MW. In April 2025, CPS Energy agreed to another extension to April 2028. CPS Energy now is receiving 160.8 MW of capacity from Penascal 1, 111.6 MW from Penascal 2, and 47.6 MW from Penascal 3 for an aggregate amount of 320 MW.
- Los Vientos: a 25-year contract for 200.1 MW of capacity.
- Cedro Hill: a 20-year contract for 150 MW of capacity. This contract was renegotiated in January 2023 with a revised termination date of November 2045, in response to a request from the developer to repower the project with improved equipment. The repower occurred in December 2024 and increased CPS Energy's offtake to 160 MW.

Solar

- Blue Wing: a 30-year contract for 13.9 MW which entered into commercial operation in November 2010.
- Sinkin 1 and Sinkin 2: consists of two (2) 25-year contracts, each 9.9 MW which became operational in May 2012.
- Somerset: a 25-year contract for 10.6 MW, which became operational in August 2012. Sinkin 1 and 2 and Somerset Solar projects comprise what was formally referred to as the SunEdison Project.
- Commerce (Southwest Research Institute): In August 2018, renewable energy infrastructure developer Renewable Energy Systems was selected by CPS Energy to construct an innovative solar and energy storage project, located at Southwest Research Institute and is the first co-located solar and storage project interconnected at the distribution level within ERCOT. This project broke ground on October 9, 2018 and went online in February 2020. This project has 17,752 solar panels that produce about five (5) MW of solar, enough to power approximately 1,250 homes. The project also includes a Battery Energy Storage System, with 10 MW of storage capacity, which provides flexibility to store energy by charging when market prices are low and discharge the stored energy when market prices are high.
- Peregrine Solar: In May 2022, CPS Energy executed a 25-year agreement with Consolidated Edison Development, Inc., a subsidiary of Con Edison Clean Energy Businesses, Inc., for a 300 MW solar project to be located in Goliad County. In October 2022, RWE Clean Energy, LLC (based out of Germany) announced it would be acquiring all of Con Edison Clean Energy Businesses, Inc. The transaction closed in March 2023. CPS Energy consented to the ownership change. Commercial operation began in February 2025.
- Tierra Bonita: In September 2022, CPS Energy reached an agreement with Kenlov Ashtrom Renewable Energy LLC, a subsidiary of KARE, for the purchase of 180 MW of solar energy. Developed and originated by KARE's U.S. development partner, OnPeak Power, this project will provide CPS Energy with 180 MW of the full 305 MW from the Tierra Bonita solar farm located in Pecos County. The KARE agreement is a 20-year contract and came online in late 2024.
- El Patrimonio: In January 2023, CPS Energy signed a contract with Ashtrom Renewable Energy, in collaboration with OnPeak Power, for 104 MW of the El Patrimonio solar project, which will be located in the County. This is a 20-year contract with an anticipated commercial operation date of September 2027.

- Exodus Solar: In December 2023, CPS Energy signed a contract with Exodus Solar LLC, that will provide CPS Energy 150 MW in Caldwell County. The agreement is a 25-year contract with an anticipated commercial operation date of calendar year 2028. Additionally, as part of the agreement, Genesis Consolidated Industries will provide community benefits, including the contribution of funds as well as efforts to establish various training programs in the community related to renewables projects and developments.

CPS Energy executed a Master Agreement with OCI Solar Power for approximately 400 MW from seven (7) facilities. All seven (7) facilities have been or became operational in early 2017. Each individual facility comprising OCI Solar's 401.8 MW has an existing PPA:

- Alamo 1: a 39.2 MW project which achieved commercial operation in December 2013.
- Alamo 2: (St. Hedwig): a 4.4 MW project which achieved commercial operation in March 2014.
- Alamo 4 (Eclipse): a 39.6 MW project which achieved commercial operation in August 2014.
- Alamo 3 (Walzem): a 5.5 MW project which achieved commercial operation in January 2015.
- Alamo 5 (Helios): a 95 MW project which became operational at the end of December 2015.
- Alamo 7 (Solara): a 106.4 MW project which became operational in September 2016.
- Alamo 6 (Sirius 1): a 110.2 MW project in Pecos County, which became operational in March 2017.

In addition to the 25-year PPAs executed under the Master Agreement with OCI, CPS Energy has also executed two (2) separate 25-year PPAs for:

- Pearl: a 50 MW project located adjacent to Alamo 6. Project Pearl became operational on October 16, 2017.
- Ivory: a 50 MW project located near the City of Lamesa, Texas, which previously sold to D.E. Shaw Renewable Investments and began commercial operation on December 20, 2018.

In March 2017, CPS Energy and OCI executed an Amended and Restated Master Power Purchase and Economic Development Agreement. The original Master Agreement was replaced in order to simplify the agreement and reflect pertinent terms going forward.

Landfill Gas

- Covell Gardens: CPS Energy recently ended a long-term contract in 2024 for this landfill gas-generated energy project totaling 9.6 MW which came on-line in December 2005.
- Nelson Gardens: Under an additional 15-year contract, the Nelson Gardens 4.2 MW landfill gas generation project achieved commercial operation in April 2014.

An estimate of less than 1.0 MW of solar electricity will be produced by the utility's Solartricity Producer Program. The Solartricity Producer Program is a limited pilot project that is currently closed to any new subscribers and is not included in the "Generating Capability" table. Each Solartricity participant has a 20-year contract with CPS Energy. In addition, the pilot "Simply Solar" program currently constitutes approximately 10 MW of solar capacity. When including these pilot programs, CPS Energy's renewable portfolio capacity increases to 2,111.7 MW. Only CEC Beck is included in the "Generating Capability" table, since it is owned and operated by CPS Energy and to align with other corporate reporting.

CPS Energy executed several agreements in 2022 and 2024 for the purchase of solar capacity once these new projects are fully developed and operational at various future dates.

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Nuclear

Nuclear is one of CPS Energy’s base energy options, providing about 25% of CPS Energy’s total net annual generation for the 12 months ending January 31, 2026. STP is a two-unit nuclear power plant with Unit 1 and Unit 2 (or “STP1” and “STP2”) having a combined nominal output of approximately 2633.1 MW. STP is located on a 12,220-acre site in Matagorda County, near the Texas Gulf Coast, approximately 200 miles from the City. CPS Energy currently owns 40% of these units. Participant Ownership (“Participants”) in STP1 and STP2 and their shares therein are as follows:

Ownership Effective January 31, 2026 ⁽¹⁾⁽²⁾		
<u>Participants</u>	<u>%</u>	<u>Nominal Output MW (approximate)</u>
Constellation Energy	44.0	1,158.6
CPS Energy	40.0	1,053.3
City of Austin-Austin Energy	16.0	421.2
	<u>100.0</u>	<u>2,633.1</u>

⁽¹⁾ On November 1, 2023, NRG Energy, holder of a 44% interest in STP, was acquired by Constellation Energy. The 44% interest in STP1 and STP2 is wholly owned by Constellation South Texas a subsidiary of Constellation Energy. CPS Energy’s 2% additional ownership interest discussed below is subject to various approvals.

⁽²⁾ The data related to this table is updated annually as of January 31st.

STP is maintained and operated by a non-profit Texas corporation (“STP Nuclear Operating Company” or “STPNOC”) financed and controlled by the owners pursuant to an operating agreement among the owners and STPNOC. Currently, a four-member board of directors governs the STPNOC, with each owner appointing one (1) member to serve with the STPNOC’s Chief Executive Officer (“CEO”). All costs and output continue to be shared in proportion to ownership interests.

The STPNOC Board of Directors selected Charles “Chuck” Kharrl as the CEO/CNO (“Chief Nuclear Officer”), effective June 9, 2025. Kym Harshaw, who was the prior acting CEO/CNO, retired in June 2025.

On June 1, 2023, NRG Energy announced that the company had entered into a definitive agreement for the sale of their 44% share of ownership of STP to Constellation Energy (“Constellation”). CPS Energy filed litigation in Matagorda County to seek a legal determination of its rights as a co-owner under existing agreements related to STP. In addition, CPS Energy filed a motion with the NRC to dismiss, stay, or intervene in the license transfer application related to the proposed sale. The purpose of these filings was to ensure that CPS Energy’s rights under existing agreements were preserved and followed by all parties. Austin Energy later joined the Matagorda County litigation as a plaintiff to protect their contract rights under applicable STP agreements. On November 1, 2023, NRG Energy, Inc announced its subsidiaries Texas Genco LP LLC and Texas Genco GP LLC completed the sale of NRG South Texas LP, a 44% ownership interest in the STP, to Constellation. Constellation, NRG, CPS Energy, and Austin Energy subsequently agreed to enter into settlement negotiations and stayed the Matagorda County litigation as well as the NRC proceeding to work toward a mutually agreeable solution. On May 2, 2024, CPS Energy, Austin Energy, NRG and Constellation resolved their disputes regarding the proposed sale of an interest in STP by NRG to Constellation South Texas LLC (formerly NRG South Texas LP) and the related contractual rights of CPS Energy and Austin Energy. As part of this resolution, CPS Energy and Austin Energy dismissed the Matagorda County litigation and withdrew their NRC objections. The settlement also included CPS Energy entering into an agreement to acquire an additional two percent (2%) ownership of STP from Constellation and a long-term Power Purchase Agreement (“PPA”) with Constellation. The 200 MW PPA with Constellation is in effect; CPS Energy has not closed on the additional two percent (2%) ownership share of STP. When the transaction closes (anticipated to be by the second quarter of calendar year 2026), CPS Energy’s ownership of STP will be 42%, Constellation’s will be 42%, and Austin Energy’s ownership will remain at 16%. CPS Energy currently has the benefit of the PPA associated with the transaction. The NRC approved the request for ownership transfer on December 11, 2024. CPS Energy is working with federal and State regulators to complete the transfer and has not set a transfer date.

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

During the 2021 Winter Weather Event, STP1 automatically shut down on February 15, 2021 amid bitter cold temperatures. The unit located in Bay City, Texas, was subsequently repaired, started and was operating at 36% of capacity by the early morning of February 18, 2021 before ascending back to 100% capacity. STP2 remained online throughout the event at full generating capacity.

STP completed corrective actions to ensure the station is ready for winter weather operations. These actions included replacement of missing or degraded heat trace systems and piping insulation, revising the station’s Winter Readiness procedure, and training on the station’s winter readiness for Operations, Maintenance, and Engineering personnel. In addition, STP submitted TAC 25.55 required Winter Weather Readiness Reports to ERCOT on December 1, 2021. ERCOT inspectors were onsite on December 6, 2021 to tour the plant and confirm STP’s compliance.

Used Nuclear Fuel Management. Under the Nuclear Waste Policy Act, 42 U.S.C. 10101, et seq. (“NWP”), the Department of Energy (“DOE”) has an obligation to provide for the permanent disposal of high-level radioactive waste, which includes used nuclear fuel at United States commercial nuclear power plants such as STP. To fund that obligation, all owners or operators of commercial nuclear power plants have entered into a standard contract under which the owner(s) pay a fee to the DOE of 1.0 mill per kilowatt hour (1M/kWh) electricity generated and sold from the power plant along with additional assessments. In exchange for collecting this fee and the assessments, DOE undertook the obligation to develop a high-level waste repository for safe long-term storage of the fuel and, no later than January 31, 1998, to transport, and dispose of the used fuel. To date, no high-level waste repository has been licensed to accept used fuel. The National Association of Regulatory Utility Commissioners (“NARUC”) has challenged further collection of this fee. On November 19, 2013, the U.S. Court of Appeals for the District of Columbia (the “D.C. Circuit Court”) ruled in favor of NARUC and ordered DOE to submit to Congress a proposal to reduce the fee to zero (0) until certain conditions are met. While the reporting of volumes will continue, effective May 16, 2014, the rate changed to 0.0 mill per kilowatt hour (0/M/kWh), or no fee.

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

On August 31, 2000, in *Maine Yankee Atomic Power Company, et al. v. US*, the United States Court of Appeals for the Federal Circuit affirmed that the DOE has breached its obligations to commercial nuclear power plant owners for failing to live up to its obligations to dispose of used nuclear fuel. After that decision, the DOE has settled with certain commercial nuclear power plant owners and agreed to provide funds to pay for storage costs while the DOE continues to develop a permanent high-level waste repository. In early February 2013, STPNOC, on behalf of the owners of STP, entered a similar settlement with the DOE. Under the terms of the settlement, the DOE will reimburse STP for certain costs that will be incurred in continuing onsite storage of all its used nuclear fuel. As with similar settlements throughout the nuclear industry, the terms of the agreement call for the DOE to reimburse for certain costs incurred through December 2013. In early November 2013, STPNOC and its outside counsel received notice from the Department of Justice (“DOJ”) that the DOE was offering to extend the terms of the settlement to allow for the DOE to reimburse for costs incurred through December 2016. The settlement extension (addendum) was executed on January 24, 2014 and extended the term of the Spent Fuel Settlement Agreement with the DOE through December 31, 2016. In November 2016, STPNOC and its outside counsel received notice from the DOJ that the DOE extended the terms of the settlement through December 31, 2019. On June 25, 2020 STPNOC and its outside counsel received notice from the DOJ that the DOE extended the terms of the settlement through December 31, 2022. On March 5, 2023, STPNOC and its outside counsel received notice from the DOJ that the DOE proposes extending the terms of the settlement through December 31, 2028. The extension was executed on April 4, 2023. On January 5, 2026, STPNOC and its outside counsel received notice from the DOJ that the DOE proposes extending the terms of the settlement through December 31, 2028. Additionally, *In re Aiken County*, 725 F.3d 255 (D.C. Cir. 2013), the court ordered the NRC to comply with the NWP and use available funds to resume consideration of the DOE’s Yucca Mountain application as a possible depository. NRC staff concluded the Yucca Mountain to be a safe location, but the DOE must still obtain acquisition rights and complete licensing requirements. On May 6, 2016, NRC issued its final supplement to the environmental impact statement examining the use of the Yucca Mountain as a permanent repository for used nuclear fuel and high-level radioactive waste. After analyzing the potential impacts on groundwater and surface groundwater discharge, the NRC determined all impacts would be “small”. The adjudicatory hearing, which must be completed before a licensing decision can be made, remains suspended. On December 16, 2016, the DOE released its “Draft Plan for a Defense Waste Repository”, evaluating the possibility of a separate disposal repository (other than the Yucca Mountain). The preliminary plan describes the technical, regulatory, risk management, cost, and schedule consideration thereof and remained open for comment until March 20, 2017. In January 2017, the Government Accountability Office issued a report that assessed DOE’s analysis of the defense-only repository as excluding major costs “that could add tens of billions of dollars” and including a schedule that “appears optimistic”, in light of “past repository siting experiences”. On September 20, 2022, Nevada Governor Steve Sisolak and the Nevada Agency for Nuclear Projects announced the filing of a new legal motion to bring an end to failed federal plans to construct a repository for the Yucca Mountain. As of the date of the filing of the CPS Quarterly Update, no funding for the Yucca Mountain repository is pending before the Congress.

Until the DOE fulfills its responsibilities under the NWP (which includes a permanent underground disposal facility), the NWP has provisions directing the NRC to create procedures to provide for interim storage of used nuclear fuel at the site of a commercial nuclear reactor. Pursuant to STPNOC analysis of NRC guidance, STPNOC constructed an on-site independent spent fuel storage installation (“ISFSI” also known as “Dry Cask Storage”) and commenced dry cask loading operations of spent

nuclear fuel in January 2019. The expenditures for the spent fuel management project are being funded by the STP owners as the costs are incurred. CPS Energy funds its 40% ownership share of these costs and periodically requests reimbursement from its Decommissioning Trusts spent nuclear fuel subaccount for allowable costs.

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

CPS Energy received reimbursement for certain initial costs related to the Dry Cask Storage project incurred prior to May 1, 2012. A second claim submitted to the DOE under the Spent Fuel Settlement Agreement was submitted on October 31, 2013 and sought reimbursement for covered costs during the period of May 1, 2012 through July 31, 2013. On April 14, 2014, the DOE issued a letter that denied reimbursement for certain costs associated with upgrading the spent fuel dry cask handling cranes. On May 8, 2014, STPNOC agreed to accept the DOE's decision but reserved the right to seek reimbursement for future costs associated with upgrading the cranes. CPS Energy expects that the DOE will render its decision regarding the eligibility for reimbursement of future crane upgrade costs as part of the review process for each annual claim. For those costs that have been deemed, or that in the future may be determined to be, non-reimbursable by the DOE, CPS Energy expects to pay these costs using funds currently held in the STP Decommissioning Trusts. CPS Energy received its share of the allowable reimbursement costs from the DOE on August 6, 2014. The third claim with the DOE under the Spent Fuel Settlement Agreement was submitted on October 31, 2014 and sought reimbursement for covered costs during the period of August 1, 2013 through July 31, 2014. In January 2015, \$3.2 million was recorded for STP spent fuel management project capital costs. On February 25, 2015, STPNOC received DOE's "Determination Letter" regarding this claim which disallowed reimbursement of certain costs associated with dry cask handling crane upgrades. STPNOC filed a Request for Reconsideration with the DOE on March 27, 2015. On June 25, 2015, the DOE issued a Supplemental Determination letter which determined that a portion of the costs to upgrade the dry cask handling cranes was reimbursable as an allowable cost. CPS Energy received its share of the allowable reimbursement costs from the DOE on August 21, 2015 for the third claim. The fourth claim with the DOE under the Spent Fuel Settlement Agreement was submitted on October 30, 2015 and sought reimbursement for covered costs during the period of August 1, 2014 through July 31, 2015. On March 3, 2016, STPNOC received DOE's "Determination Letter" regarding this claim which disallowed reimbursement of certain costs. On June 13, 2016, CPS Energy received its share of the allowable reimbursement costs from the DOE for the fourth claim. The fifth claim with DOE under the Spent Fuel Settlement Agreement was submitted on October 28, 2016. On February 13, 2017, STPNOC received DOE's "Determination Letter" regarding this claim for reimbursement of certain costs. On June 14, 2017, CPS Energy received its share of the allowable reimbursement costs from the DOE for the fifth claim under the Spent Fuel Settlement Agreement. On April 11, 2018, DOE issued its "Determination Letter" regarding the October 2017 claim from STP. STP accepted the DOE's "Determination Letter" on April 20, 2018 and payment was received on June 1, 2018. The seventh claim under the Spent Fuel Settlement Agreement with the DOE was submitted in late October 2018 for the period of August 1, 2017 to July 31, 2018. On April 29, 2019, CPS Energy received its share of the allowable reimbursement costs from the DOE. The eighth claim under the Spent Fuel Settlement Agreement with the DOE was submitted in late October 2019 for the period of August 1, 2018 to July 31, 2019. On June 24, 2020, CPS Energy received its share of the allowable reimbursement costs from the DOE. The ninth claim under the Spent Fuel Settlement Agreement with the DOE was submitted in was submitted in late October 2020 for the period of August 1, 2019 to July 31, 2020. On April 19, 2021, CPS Energy received its share of the allowable reimbursement costs from the DOE. The 10th claim under the Spent Fuel Settlement Agreement with the DOE was submitted in late October 2021 for the period of August 1, 2020 to July 31, 2021. On April 19, 2022, CPS Energy received its share of the allowable reimbursement costs from the DOE. The 11th claim under the Spent Fuel Settlement Agreement with the DOE was submitted in late October 2022 for the period of August 1, 2021 to July 31, 2022. On April 11, 2023, CPS Energy received its share of the allowable reimbursement costs from the DOE. The 12th claim under the Spent Fuel Settlement Agreement with the DOE was submitted in October 2023 for the period of August 1, 2022 to July 31, 2023. On April 9, 2024, CPS Energy received its share of the allowable reimbursement costs from the DOE. On October 29, 2024, the 13th claim under the Spent Fuel Settlement Agreement with the DOE was submitted for the period of August 1, 2023 to July 31, 2024. On April 1, 2025, CPS Energy received its share of the allowable reimbursement costs from the DOE. On October 29, 2025, the 14th claim under the Spent Fuel Settlement Agreement with the DOE was submitted for the period of August 1, 2024 to July 31, 2025. On March 18, 2026, CPS Energy is expected to receive its share of the allowable reimbursement costs from the DOE.

A June 2012 decision by the D.C. Circuit Court vacated the NRC's waste confidence rule update. In response, the NRC issued an order stating that final approval of licenses dependent on the waste confidence rule, such as new reactor licenses and license renewals (Combined Construction and Operating License Application – "COLA"), would not be granted until the court ruling had been addressed. Subsequently, the NRC directed staff to develop a new waste confidence rule and Generic Environmental Impact Statements ("GEIS") by September 2014. In January 2014, the NRC revised the review schedule for the GEIS and to have a new final rule by October 3, 2014. The slight delay in schedule was related to time lost during the government shutdown and lapse of appropriations in October 2013. On August 26, 2014, the NRC approved the GEIS and final rule (renamed

the Continued Storage Rule). In a separate order, NRC approved lifting the licensing suspension once the Continued Storage Rule becomes effective. The rule became effective on October 20, 2014. On September 29, 2014, intervenors filed a petition to suspend the new rule with the Atomic Safety and Licensing Board (a unit of the NRC) and a proposed contention opposing the NRC's action. On February 26, 2015, the NRC issued a decision that rejects the petition, the proposed contention, and the motion to reopen filed by the intervenors in September 2014. On January 28, 2015, the intervenors filed a petition with the NRC to require reactor specific environmental impact statement for each license application for a new reactor and license extension (renewal). The NRC issued a decision in April 2015 that denied the petition. On April 24, 2015, the intervenors filed a petition with the NRC to intervene in the STP1 and STP2 license renewal and STP3 and STP4 license application proceedings regarding the Continued Storage Rule. On May 1, 2015, NRC staff responded to the intervenor's hearing request and motion to reopen the record in the license renewal proceeding for STP1 and STP2. The NRC concluded the intervention petition was inadmissible because it raised an issue that was beyond the scope of the proceedings by challenging an NRC rule without requesting a waiver of the rule. Furthermore, the NRC noted that the petition failed to raise a genuine issue of material fact or law and was filed late without good cause. The motion to reopen was deemed inadmissible because it was "untimely without addressing an extremely grave issue", did not address a significant environmental issue, and did not demonstrate that a materially different result would be likely if its proposed new contention had been raised at the beginning of the proceeding. Furthermore, a move to reopen and request to allow "placeholder" contentions to challenge the 2014 Continued Storage Rule and GEIS were denied by the NRC on June 9, 2015.

In late October 2014, the states of New York, Vermont, Massachusetts, and Connecticut filed a timely petition for review of the Continued Storage Rule by the D.C. Circuit Court. The NRC issued further guidance in February 2015 determining the AEA does not require a waste confidence safety filing and declined to suspend final licensing decisions. Intervenor-Respondents filed a brief with the D.C. Circuit Court on September 11, 2015 in support of the Continued Storage Rule. Petitioners' reply briefs were due by October 23, 2015. The U.S. Court of Appeals heard oral arguments on February 12, 2016. On June 3, 2016, the D.C. Circuit Court upheld the NRC's justification for allowing spent nuclear fuel to be stored on-site at active facilities. Petitions for rehearing were later denied by the court.

Smart Grid Modernization Program. Starting in 2013, CPS Energy began building a converged advanced metering infrastructure ("AMI") and distribution automation network. The rollout of new electric meters and gas interface management units using this network began in 2014 in order to reduce operational costs and improve reliability. A new energy portal was implemented to give customers the opportunity to better track and manage their energy usage. The project was completed in the summer of 2018. The combined cost of the network, electric and gas upgrades was \$264 million. Operational savings, accurate reads, and distribution automation are all factored into the program. Savings are expected to cover the cost in approximately 13 years. As of January 31, 2026, approximately 1.4 million smart grid devices have been installed pursuant to this program. In addition, CPS Energy is utilizing smart grid technologies to ensure grid resilience and reduce the impacts of power events during natural disasters such as flooding and hurricanes.

Smart Streetlights. CPS Energy and the City have partnered on a joint RFP to pilot and award a smart streetlight control solution with added smart city use cases. Smart streetlight controls will enable centralized monitoring, provide locations of streetlights, and provide streetlight failure and status reports which will improve maintenance planning and increase operational efficiency. The solution will provide a foundation for future technologies such as enhanced control of streetlights and adaptive lighting schedules.

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

CPS Energy and the City selected two (2) solution providers to pilot smart streetlight control and smart city applications within the City's three (3) Innovation Zones (Downtown, Medical Center, and Brooks City Base) over a six-month period. The pilot period concluded on October 15, 2021. An initial evaluation of the results of the streetlight pilot are complete, and such results are being shared with internal and external shareholders. CPS Energy has finalized the evaluation of results from the pilot. While the results of the pilot are promising, CPS Energy is deferring the implementation of the Smart Streetlights until 2031 to focus on the operational streetlight deployment and maintenance.

New Products & Services. CPS Energy continually evaluates its entire portfolio of electric and gas products and services to more fully meet customers' needs. To that end, in the latter half of calendar year 2020, CPS Energy received approval from the Board and City Council for three (3) new offerings now available to commercial customers. First, CPS Energy developed a tariff that provides large commercial customers with improved access to renewable energy sources. Under this optional Green Tariff, CPS Energy procures renewable energy from a source chosen by the customer, and then sells it to the customer through the Green Tariff. Second, CPS Energy converted a limited Resiliency Service pilot into a permanent tariff for its commercial customers. Under the Resiliency Service offering, CPS Energy or a third party will provide on-site backup generators capable of

providing electricity to retail customers during outages of the electric system in exchange for a monthly Resiliency Service capacity fee. The natural gas backup generators are owned and operated by one of CPS Energy's suppliers. As of January 31, 2026, Resiliency Service has been enabled at 28 customer sites with a total capacity of 31.6 MW.

Lastly, in support of growing demand for distribution-level interconnection by energy storage facilities seeking to access to the ERCOT wholesale energy markets as generation resources, CPS Energy finalized regulatory approvals of updates to its existing Wholesale Distribution Service ("WDS") tariff. The updated WDS tariff enables eligible transmission service customers to interconnect at various locations within the distribution system at applicable rates for utilizing the portion of distribution assets ascribed to the location of interconnection. Consistent with the Board's recommendation, the WDS tariff updates were approved by the City Council on September 17, 2020. The WDS tariff, which offers transmission service to customers served at distribution voltage, is subject to the joint jurisdiction of the City Council (regarding appropriate cost recovery for use of distribution assets) and the PUCT (to ensure nondiscriminatory rates and terms of access to the transmission system via the distribution network). CPS Energy filed its application with the PUCT for administrative approval of the updated WDS tariff on October 12, 2020, in Docket No. 51409, which was subsequently challenged by two (2) energy storage companies requesting a hearing on the merits. The PUCT granted the request for a contested hearing and forwarded the matter to the State Office of Administrative Hearings ("SOAH") for adjudication. On June 25, 2021, the SOAH administrative law judges approved the WDS tariff rates on an interim basis subject to potential adjustment pending the final resolution of the case. On September 15, 2022, the PUCT issued a final order approving CPS Energy's revised WDS tariff as filed, consistent with a settlement agreement reached among the parties to their contested proceeding.

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

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

Distribution System. The distribution system is supplied by 97 substations strategically located on the high voltage 138 kV transmission system stepping down to distribution system voltages of 34.5 kV, 13.2 kV, and 4kV. The City's central business district is served by nine (9) underground networks, each consisting of four (4) primary feeders operated at 13.2 kV, transformers equipped with network protectors, and both a four-wire 120/208 volt secondary grid system and a four-wire 277/480 volt secondary spot system. This system is designed for the highest level of distribution reliability.

Approximately 8,442 circuit miles (three-phase equivalent) of overhead distribution lines are included in the distribution system. These overhead lines also carry secondary circuits and street lighting circuits. The underground distribution system consists of 778 miles of three-phase equivalent distribution lines, 87 miles of three-phase downtown network distribution lines, and 6,680 miles of single-phase underground residential distribution lines.

Gas System

Transmission System. The gas transmission system consists of a network of approximately 116 miles of steel mains that range in size from eight (8) to 30 inches. Over 89 miles of gas transmission was placed into service since 2000 and approximately 77% is less than 30 years old. The entire system is coated and cathodically protected to mitigate corrosion. The gas transmission system operates at pressures between 135 pounds per square inch ("psig") and 1,100 psig and supplies gas to the distribution system and CPS Energy Generating Plants. System Supervisory Control & Data Acquisition ("SCADA") computer system monitors the gas pressure and flow rates at many strategic locations within the transmission system. Additionally, most of the critical pressure regulating stations and isolation valves are remotely controlled by SCADA.

CPS Energy completes the required integrity assessments of the gas transmission system, in accordance with State and federal transmission integrity rules, using the most recently available technology. Over 95% of the system mileage is being inspected using in-line inspection technology. Furthermore, CPS Energy maintains an ongoing reassessment plan and maintains a more conservative leak survey and patrol schedule interval than is required by regulation.

Distribution System. The gas distribution system consists of 25 gate/tap and 361 district pressure regulating stations and a network of approximately 6,225 miles of mains. The system consists of two (2) to 30-inch steel mains and 1-1/4 to 8-inch high-density polyethylene (plastic) mains. The distribution system operates at pressures between nine (9) psig and 485 psig. All steel mains are coated and cathodically protected to mitigate corrosion. Critical areas of the distribution system are also remotely monitored by SCADA and designated critical pressure regulating stations and isolation valves are also remotely controlled by SCADA.

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

Accounting Policies

CPS Energy is subject to and complies with the provisions of Governmental Accounting Standards Board (“GASB”) pronouncements and guidance made from time to time, upon assessment of applicability to and implementation by CPS Energy. GASB pronouncements and guidance to which CPS Energy adheres, and implements are described in its audited financial statements. For a description of recent GASB pronouncements and guidance, as well as CPS Energy’s response thereto in connection with each fiscal year financial reporting.

Other than the changes resulting from GASB pronouncements and guidance that are described in the Basic Financial Statements for the fiscal year ended January 31, 2025, there were no additional significant accounting principles or reporting changes implemented in the fiscal year ended January 31, 2025. Other accounting and reporting changes that occurred during the prior reporting year continued into the fiscal year ending January 31, 2025. These accounting changes and the effects on the financial statements are described in greater detail in the MD&A and in the Notes to the Basic Financial Statements for fiscal year ended January 31, 2025.

10-year Historical Financial Transactions

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

On April 27, 2017, CPS Energy issued \$308.0 million of Revenue and Refunding Bonds, New Series 2017 which included refunding Revenue Refunding Bonds, New Series 2006B and Revenue Refunding Bonds, New Series 2007.

On August 30, 2017, CPS Energy issued \$194.9 million of Revenue Refunding Bonds, New Series 2017 to refund certain outstanding commercial paper notes.

On November 15, 2018, CPS Energy issued \$218.3 million of Revenue Refunding Bonds, New Series 2018 which included refunding a portion of the Revenue Refunding Bonds, New Series 2009D and all of the Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012A, Series 2012B, and Series 2012C.

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

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

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

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

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

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

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

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

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

On November 05, 2020, CPS Energy issued \$418.3 million of New Series 2020 Senior Lien Taxable Revenue Refunding Bonds. Proceeds were to refund the Series 2013 Junior Lien Revenue Bonds.

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

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

On April 26, 2021, CPS Energy effectuated its 2021 Inferior Lien Flexible Rate Revolving Note Program, Series B, in the amount \$500,000,000.

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

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

On April 13, 2022, CPS Energy issued \$413.7 million of Taxable New Series 2022 Senior Lien Revenue Refunding Bonds. Proceeds will be used to refund \$210.9 million and \$100.0 million of the Commercial Paper Series A and Commercial Paper Series C as well as \$100.0 million of the Flexible Rate Revolving Note Program Series A, respectively, on April 14, 2021.

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

On June 22, 2023, CPS Energy issued \$100.4 million of Series 2023 Variable Rate Junior Lien Revenue Refunding Bonds. Proceeds were used to refund \$100.0 million Commercial Paper Series A and Commercial Paper Series C, on July 13, 2023 and September 12, 2023, respectively.

On June 22, 2023, CPS Energy issued \$459.5 million of New Series 2023A Senior Lien Revenue Refunding Bonds. Proceeds, including the \$50.7 million premium associated with the bonds were used to refund \$500.0 million Commercial Paper Series A and Commercial Paper Series B, on July 13, 2023, August 10, 2023, and September 12, 2023.

On June 22, 2023, CPS Energy issued \$177.1 million of New Series 2023B Senior Lien Revenue Refunding Bonds. Proceeds, including the \$15.4 million premium associated with the bonds were used to purchase by means of a tender offer \$194.0 million Revenue Refunding Bonds, Taxable Series 2020 and Taxable Series 2022 on June 22, 2023.

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

On June 25, 2024, CPS Energy issued \$452.2 million of New Series 2024A Revenue Refunding Bonds. Proceeds, including the \$47.2 million premium associated with the bonds were used to refund \$200.0 million of Commercial Paper New Series A-1, \$8.5 million of Commercial Paper New Series B, \$128.3 million of Tax-Exempt Flexible Rate Revolving Notes, Series B-1, \$114.0 million of Tax-Exempt Flexible Rate Revolving Notes, Series B-2, and \$42.8 million of Tax-Exempt Flexible Rate Revolving Notes, Series B-3.

On June 25, 2024, CPS Energy issued \$453.4 million of New Series 2024B Revenue and Refunding Bonds. Proceeds, including \$39.8 million premium associated with the bonds, were used to issue \$310.0 million in new money proceeds, and

refund \$30.8 million of the Junior Lien 2014A Bonds on August 9, 2024, escrow to maturity and defease (as applicable) \$60.6 million of the New Series Revenue Refunding Bonds, Taxable New Series 2022, and purchase, by means of a tender offer, certain maturities of the Revenue Refunding Bonds, Taxable New Series 2020 and Taxable New Series 2022.

On June 25, 2024, CPS Energy issued \$193.3 million of New Series 2024C Revenue Refunding Bonds. Proceeds, including \$18.0 million in premium, was used to refund \$60.0 million of Commercial Paper, Series A, \$75.0 million of Commercial Paper, Series B, and \$75.0 million of Commercial Paper, Series C.

On August 28, 2024, CPS Energy issued \$488.0 million of New Series 2024D Revenue Refunding Bonds. Proceeds, including \$56.5 million in premium, was used to refund \$295.0 million of Commercial Paper, Series A, \$21.4 million of Commercial Paper, Series C, \$75.0 million of Commercial Paper, Series C, \$124.2 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015A, and \$99.7 million of the Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015C.

On August 28, 2024, CPS Energy issued \$268.7 million of New Series 2024E Revenue Refunding Bonds. Proceeds, including \$33.1 million in premium, was used to refund \$50.0 million of Commercial Paper New Series B, \$150.0 million of Commercial Paper New Series C, and \$100.0 million of Taxable Flexible Rate Revolving Notes, Series A.

On November 19, 2025, CPS Energy issued \$1.395 billion in Taxable New Series 2025A Revenue Refunding Bonds. Proceeds were used to refund \$190.0 million of Commercial Paper New Series A-1, \$107.2 million of Commercial Paper New Series B, \$125.0 million of Commercial Paper New Series C, \$125.0 million of Commercial Paper New Series D-1, \$125.0 million of Commercial Paper New Series E, \$115.0 million of Commercial Paper New Series F, \$100.0 million of Taxable Flexible Rate Revolving Notes, Series A, \$225.0 million of Taxable Flexible Rate Revolving Notes, Series B-1, \$200.0 million of Taxable Flexible Rate Revolving Notes, Series B-2, \$75.0 million of Taxable Flexible Rate Revolving Notes, Series B-3.

On November 19, 2025, CPS Energy issued \$345.7 million of New Series 2025B Revenue Refunding Bonds.

On November 19, 2025, CPS Energy issued \$615.7 million of Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2025A. Proceeds were used to remarket \$134.9 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2018, and \$127.8 million of the Variable Rate Junior Lien Revenue Refunding Bonds, Series 2020.

On January 13, 2026, CPS Energy issued \$603,005,000 of New Series 2026A Revenue Refunding Bonds to refund certain outstanding Build America Bonds.

On February 12, 2026, CPS Energy issued \$672,425,000 of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2026A to refund short-term obligations.

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CPS Energy Historical Net Revenues and Coverage ⁽¹⁾

(Dollars in thousands)

	Fiscal Year Ended January 31				
	2021	2022	2023	2024	2025
Gross Revenues ⁽²⁾	\$ 2,511,242	\$ 2,754,975	\$ 3,469,577	\$ 3,442,879	\$ 3,643,570
Maintenance & Operating Expenses	\$ 1,555,519	\$ 1,743,521	\$ 2,211,545	\$ 1,967,750	\$ 2,181,324
Available For Debt Service	\$ 955,723	\$ 1,011,454	\$ 1,258,032	\$ 1,475,129	\$ 1,462,246
Actual Principal and Interest Requirements:					
Senior Lien Obligations ^{(3) (4) (8)}	\$ 327,599	\$ 331,844	\$ 349,887	\$ 366,255	\$ 422,216
Junior Lien Obligations ⁽⁴⁾	\$ 61,964	\$ 60,198	\$ 77,548	\$ 77,917	\$ 72,508
ACTUAL COVERAGE – Senior Lien ⁽⁵⁾	2.92x	3.05x	3.60x	4.03x	3.46x
ACTUAL COVERAGE – Senior and Junior Liens ⁽⁵⁾	2.45x	2.58x	2.94x	3.32x	2.96x
PRO FORMA MADS COVERAGE					
Senior Lien ⁽⁶⁾	2.03x	2.15x	2.67x	3.13x	3.10x
Senior and Junior Liens ⁽⁷⁾	1.51x	1.60x	1.98x	2.33x	2.31x

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

⁽²⁾ Calculated in accordance with the Bond Ordinances.

⁽³⁾ Net of accrued interest where applicable.

⁽⁴⁾ Includes a reduction related to the direct subsidy for the Build America Bonds.

⁽⁵⁾ Calculation differs from “FIVE-YEAR STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE” in CPS Energy’s most recent Official Statement by the inclusion of nonoperating expenses in the above schedule.

⁽⁶⁾ Maximum annual debt service on Senior Lien Obligations.

⁽⁷⁾ Maximum annual debt service on Senior Lien Obligations and Junior Lien Obligations is based upon the footnoted assumptions under “Outstanding Senior Lien Obligations and Junior Lien Obligations” as set forth in CPS Energy’s most recent Official Statement.

⁽⁸⁾ Amount shown is gross debt service and does not include any cash contributions made.

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The Airport System

General

The Airport, located on a 2,600-acre site that is adjacent to Loop 410 freeway and U.S. Highway 281, is eight (8) miles north of the City's downtown business district. The Airport consists of three (3) runways with the main runway measuring 8,502 feet and able to accommodate the largest commercial passenger aircraft. Its two (2) terminal buildings contain 24 second-level gates and three (3) ground-level loading gates. As of June 2026, the Airport offers an average of 133 daily departures to 46 nonstop destinations. This service is provided by 12 airlines (eight (8) domestic and four (4) foreign flag carriers). The Airport has, over the past several years, expanded nonstop options including a substantial expansion throughout Mexico. The growth of new and existing carriers has increased total available daily seats and lowered fares to levels comparable to competing airports.

The Airport is classified as a medium hub facility by the Federal Aviation Administration ("FAA"). A "medium hub facility" is defined as a facility that enplanes between 0.25% and 0.50% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States. According to Airports Council International – North America ("ACI-NA"), an airport industry group, the Airport ranked 45th based on total U.S. passenger traffic for calendar year 2024. Calendar year 2025 enplanements totaled 5.4 million, 3.71% lower than 2024 and 3.22% higher than 2019 pre-COVID levels. Airport management has determined that approximately 97% of the Airport's passenger traffic is origin and destination ("O&D") in nature, which is important because it demonstrates strong travel to and from the City independent from any one airline's hubbing strategies. A variety of services are available to the traveling public from approximately 280 commercial businesses which lease facilities at the Airport and Stinson ("SSF"; collectively the "Airport System").

Primary Service Region

The Airport's primary service region is the San Antonio-New Braunfels-Kerrville, Texas, Combined Statistical Area (the "Air Trade Area" or "CSA"), encompassing 10 counties in South Central Texas. According to the U.S. Census Bureau, the population of the Air Trade Area was approximately 2.8 million as of calendar year 2023, and is projected to grow to approximately 3.3 million by 2035, representing a compound annual growth rate of 1.3%, outpacing projected national population growth of 0.6% over the same period. In calendar year 2024, San Antonio ranked as Texas' second largest city and the Air Trade Area was the 24th largest metropolitan area in the United States.

The Airport primarily serves O&D passengers. O&D passengers accounted for approximately 97% of total passengers at the Airport in calendar year 2025. The FAA classifies the Airport as a medium hub airport based on its share of nationwide enplaned passengers, with approximately 5.4 million enplaned passengers recorded in calendar year 2025. The Air Trade Area's economy is large and diverse, anchored by government and military, healthcare, finance, information technology and cybersecurity, manufacturing, and leisure and hospitality sectors. The largest employer in the region is Joint Base San Antonio, with approximately 82,000 employees, followed by H-E-B (20,000 employees) and USAA (19,000 employees).

In 2018, the Airport System initiated a two-phased Strategic Development Plan as part of its update to the Master Plan of the Airport. The focus of the first phase was to determine if the current location of the Airport could grow to accommodate the region's long-term aviation needs in the next 20 to 50 years. This phase concluded that the current location could be adapted to meet the region's needs which were briefed to City Council on October 31, 2018. Phase 2 of the Strategic Development Plan advanced to focusing on planning optimal facilities for the growing passenger and cargo traffic through 2040. Phase 2 included planning for the future of the almost obsolete 40-year-old Terminal A, the need and location for a future Terminal C, additional parking and multi-modal facilities, the size and location of cargo expansion, and runway improvement to accommodate demand for additional future international air service.

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

Capital Improvement Plan Program

The approved Capital Improvement Plan (“CIP”) totals approximately \$2.591 billion and is comprised of certain projects for the design and construction of airfield improvements, Transit and Parking improvements, terminal expansions, IT upgrade projects and construction of a new terminal for the Airport (“Airport CIP Program”).

The CIP consists of the following:

Terminal Development Program (“TDP”)

The cornerstone of the CIP, this program provides for the construction of a new Terminal C and related facilities at the Airport, promoting a “sense of place” which is uniquely San Antonio. The program consists of the following major components:

- New Terminal C
 - Up to 18-gate New Concourse including six (6) international arrival gates which can accommodate both domestic and wide-body international flights
 - With a focus on delivering Sustainability, Accessibility, Customer Experience and Sense of Place, the new terminal will be more than 850,000 square feet of new space, making the new terminal larger than the existing terminals A and B combined
 - Relocated/Expanded International Customs/Immigrations Processing (FIS - Federal Inspection Service) supporting up to 1,000 passenger per hour, doubling the existing capacity
 - Modern Ticketing supporting self-check-in, one-stop bag drop and customer interface positions
 - New Security Checkpoint with nine (9) lanes incorporating the needs of the business traveler (such as Transportation and Security Administration (“TSA”) Pre-check) as well as a dedicated lane for families traveling with children
 - Automated TSA Inline Baggage System to efficiently security screen checked bags for efficient delivery to aircraft
 - Baggage Claim
 - Industry standard holdroom sizes with mixed seating for both individual travelers and groups
 - Approximately 42,000 square feet of expanded concessions, including offerings from local restaurants and national chains
 - Accessibility-focused restrooms with individual stall occupancy sensors
- Terminal A and Terminal B Security Checkpoint reconfiguration
- Commercial Apron and Apron Hydrant Fueling System
- Central Utility Plant (“CUP”)
- Curbside/Roadway Expansion/Improvements, with extend curbside to new Terminal C location and an increase in vehicle capacity with additional lanes
- Airport Entrance Roadway alignment/simplification to increase vehicle ingress and egress in the Central Terminal Area

The Airport has been awarded a \$10 million federal grant to support the next phase of Terminal C, through the fifth and final rounds of Airport Terminal Program awards under the 2021 Bipartisan Infrastructure Law. The funding supports phase six (6) of Terminal C, which will add 18 gates to meet growing passenger demand. Stinson also received a \$51,500 FAA grant to upgrade its Air Traffic Control Tower systems.

Enabling projects are required to implement the main program components and include the relocation of the Airport Operations, Public Safety, and Airport Badging/ID offices into renovated spaces to make-ready existing site conditions. A Construction Manager at Risk (“CMAR”) is being leveraged for the main Terminal projects (Terminal, Concourse, Apron, CUP, associated curbside and roadway improvements) with other project deliveries, such as the enabling projects, using the Design/Bid/Build approach.

Terminal A & B Reconfiguration and Rehabilitation

- Terminal A and B Reconfiguration and Rehabilitation: Improvements to existing Terminals A and B to extend useful life. The scope addresses all building systems and infrastructure; gate and hold room reconfiguration. Fiscal Year 2026 begins design with construction in terminal areas starting after the new terminal opens.
- Terminal A Modernization: Terminal A was commissioned in 1984 and is now nearly 40 years old, with the facility designed for a prior era of aviation with smaller airplanes and fewer flights. The modernization includes reducing gate counts and leveraging the space to expand holdrooms, “right size” concessions, remodel restrooms, and upgrading existing infrastructure.

- **Terminal B Modernization:** The reduction of two (2) gates (10 gates to eight (8) gates) needed for a post-security connection to the new Terminal C provides a reconfiguration opportunity to upgrade Terminal B holdrooms, restrooms and expand concessions as well as an expanded airline VIP lounge.

Other Terminal Facilities Improvements

- **Terminal A Expansion - Ground Load Facility:** This project of a new ground load facility gate off the south concourse of Terminal A increases gate capacity and connects to the Federal Inspection Station (Customs) to support both domestic and international carriers. This project also constructs a South Remain Overnight (“RON”) Parking, originally targeted in the TDP Project Definition Manual.
- **Terminal A+B Connector:** Design phase for a connector corridor between Terminals A and B, which would allow travelers to walk between gate areas without having to pass through a security checkpoint; originally targeted in the TDP Project Definition Manual.
- **Terminal A Electrical System Expansion:** This project will add capacity to the maximized electrical system, designed and installed more than 30 years ago, allowing room to expand for future projects.
- **Baggage Handling System Expansion:** This project develops an area to accommodate up to three (3) in-line security processing lanes, Checked Baggage Inspection System room, mechanical support space, equipment (conveyors) electrical motor apparatus, distribution systems, and other critical devices and systems. The scope includes modifying of existing line and systems to meet the demand for a comprehensive complex passing all system test. The scope will include surveillance, access control, electrical notification, mechanical (HVAC), and IT infrastructure.

Airfield Improvements

- **Airfield Safety Enhancement & Improvement Program:** This program will address airfield pavement and other infrastructure required to support the reconstruction of SAT’s primary runway to meet current and future aircraft demand, airspace management and safety, and efficiency throughout the National Airspace System (“NAS”). Projects identified within this program include the rehabilitation of runway 13R-31L, the construction of Storm Line S, and improvements to airfield drainage. As the program progresses, an airfield Environmental Impact Statement will inform the scope of additional projects to be accomplished within this program.
- **Remote Transmitter Receiver (“RTR”) F Relocation:** This project will include relocation of the existing RTR-F Facility to accommodate future development opportunities on the northside of the Airport.
- **De-Icing Facility for B/C Gates:** this project creates a new de-icing location along Taxiway H to service flights departing on Runway 13R.

Technology, Transit and Other Projects

- **Terminal C Parking Garage:** Phase 1 of a new parking and ground transportation facility to support current passenger activity and future growth; originally targeted in the TDP Project Definition Manual.
- **Consolidated Rental Car (“ConRAC”) Facility Upgrades (Phase II):** Project scopes include enclosure of the atrium, installation of fans in the Quick Turn-Around Area (“QTA”), drainage and irrigation improvements, and replacement of expansion joints.
- **Network End of Life Replacement:** This project will replace end of life technology such as data networks, storage, and server IT infrastructure for the Airport and Stinson.
- **Other Capital Projects:** Miscellaneous projects at the Airport and at Stinson.

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

<u>Funding Sources</u>	<u>Projected Funding</u>
Grants	
Federal Entitlement & Discretionary Grants	\$ 257,239,842
TxDOT Grant	640,000
Other Funding	
Airport Improvement & Contingency Fund	234,549,928
Stinson Revolving Fund	4,307,547
CFC Funds	18,800,285
PFC Funds	170,992,168
Interim Airport Financing	591,330,551
General Airport Revenue Bonds	1,313,486,699
Total	\$ 2,591,347,020

The FAA issued a “Record of Decision” on August 29, 2001 approving the City’s initial Passenger Facility Charge (“PFC”) application. The City, as the owner and operator of the Airport, received authority to impose a \$3.00 PFC and to collect, in the aggregate, approximately \$102,500,000 in PFC Revenues. On June 26, 2007, the FAA approved the increased collection rate from \$3.00 to \$4.50, effective October 1, 2007. On October 1, 2007, the City began collecting a \$4.50 PFC (less a \$0.11 air carrier collection charge) per qualifying enplaned passenger. The City has received PFC “impose and use” authority, meaning that it may impose the PFC and use the resultant PFC Revenues for all projects, contemplated to be completed using proceeds of the Parity PFC Bonds. By June 2023, after several FAA amendment approvals, the City’s impose and use authority was at \$431,280,175.

On January 28, 2025, the FAA approved PFC Application Number: 25-07-C-00-SAT, which approves the intent to impose a PFC charge at SAT and to use PFC revenue at SAT. The FAA acknowledges that SAT will begin collecting a PFC at a \$4.50 PFC level on February 1, 2029, and complete the collections on March 1, 2030. Furthermore, the FAA acknowledges that SAT will collect a total of \$19,521,000 in PFC revenue for Aviation capital projects and the Terminal A Expansion Ground Load Facility. The total PFC impose and use authority for the City’s PFC Program has increased by \$19,521,000, from its prior impose and use authority of \$431,280,175 to \$450,801,175.

PFC Collection and Use Authority

<u>Date</u>	<u>Application</u>	<u>Current Collection Authority</u>	<u>Current Use Authority</u>
August 29, 2021	Application 1	\$291,245,208	\$32,639,345
July 23, 2003	Application 2	\$0	\$224,153,828
December 1, 2004	Application 3	\$0	\$34,452,035
February 22, 2005	Application 4	\$93,564,909	\$93,564,909
October 4, 2007	Application 5	\$46,470,058	\$46,470,058
January 28, 2025	Application 7	\$19,521,000	\$19,521,000
Total PFC Program		\$450,801,175	\$450,801,175

Note: Applications 2 and 3 are use-only applications, with no associated PFC collection authority. There is no application 6; it is reserved for future applications.

As of September 30, 2025, the City has collected \$357,634,940 (unaudited) in PFC Revenues since authority to impose and collect the PFC was received. The estimated PFC collection expiration date is March 1, 2030. Prior to the estimated PFC collection expiration date, the City expects to apply to the FAA for an additional amendment to its PFC collection authority to enable the City to continue collecting PFC Revenues to pay for debt service relating to the City’s Outstanding Parity PFC Bonds and to fund additional PFC eligible capital improvement projects at the Airport. An “impose and use” application is being drafted in support of the TDP.

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

- Replace Remain Overnight Apron
- Implement Terminal Modifications
- Reconstruct Perimeter Road
- Construct New Terminal B
- Acoustical Treatment Program
- Construct Elevated Terminal Roadway
- Upgrade Central Utility Plant
- Construct Apron – Terminal Expansion
- Install Utilities – Terminal Expansion
- Replace Two (2) Aircraft Rescue and Fire Fighting Vehicles
- Conduct Environmental Impact Statement
- Reconstruct Terminal Area Roadway
- Install Noise Monitoring Equipment
- Install Terminal and Airfield Security Improvements
- Install Airfield Electrical Improvements
- PFC Development and Administration Costs
- Runway Safety Action Team Airfield Improvement
- Extension of Runway 21

- Extension to Taxiway R
- Terminal A Expansion - Ground Load Facility

CFC Projects. The City Council, by ordinance adopted on March 8, 2012, authorized the Airport to impose the collection of a \$4.50 per transaction day CFC for rental car customers to pay for all costs and expenses associated with the planning, financing, and construction and certain other costs for a ConRAC to open in three (3) to five (5) years. The rental car companies began collecting the CFC on all car rentals at the Airport on April 1, 2012. The CFC was reapproved at a collection rate of \$5.00 per transaction day, effective July 1, 2015, pursuant to the ordinance adopted by the City Council on June 18, 2015. The CFC rate was further increased to \$5.50 per transaction day, effective October 1, 2018 and on November 1, 2023 the CFC rate was increased again to \$6.50 per transaction day. The ConRAC project (described herein, see “ConRAC Opening”) cost was \$167.8 million. As of September 30, 2025, the City has received \$154,492,732 (unaudited) in CFC Revenues since the April 1, 2012 inception of the CFC.

ConRAC Opening. ConRAC opened for business on January 17, 2018. This 1.8 million square foot facility houses up to 11 rental car brands, a quick turnaround area for fueling, vacuuming, washing and light maintenance and approximately 2,600 ready/return parking spaces. ConRAC is within walking distance to the Airport terminals, eliminating the need for shuttles to take passengers to their rental car locations, thus enabling the Airport to initiate significant improvements to traffic flow in the arrivals area. A first phase of ConRAC facility improvements was completed in fall of 2025 with a new phase of improvements, funded entirely with CFCs, included in the CIP.

Airport Operations

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

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

Jesus H. Saenz Jr., Director of Airports, has overall responsibility for the management, administration and planning of the Airport System. Mr. Saenz has an experienced staff to aid him in carrying out the responsibilities of his position. The principal members of the Department’s staff include the Director, two (2) Deputy Aviation Directors, the Assistant Aviation Director of Operations, the Interim Assistant Aviation Director of Finance & Administration and the Assistant Aviation Director of Parking.

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

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

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

As of October 1, 2025, the Airport System has approximately 487 authorized positions as follows:

Administration	125	Facilities Maintenance	127
Police/Security	94	Airport Operations	96
Fire Rescue	37	Stinson Airport	8

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

The historical financial performance of the Airport System is shown below for the last five (5) fiscal years:

	2021	2022	2023	2024	2025
Gross Revenues ¹	\$101,945,437	\$153,084,998	\$149,556,541	\$164,715,891	\$170,371,347
Expenses	<u>(66,137,262)</u>	<u>(80,929,662)</u>	<u>(86,111,216)</u>	<u>(98,805,362)</u>	<u>(106,624,582)</u>
Net Revenues	<u>\$35,808,175</u>	<u>\$72,155,336</u>	<u>\$63,445,325</u>	<u>\$65,910,529</u>	<u>\$63,746,765</u>

¹ As reported in the City's audited financial statements.

Source: City of San Antonio, Department of Finance.

Total Domestic and International Enplaned Passengers - San Antonio Airport

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

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2016	4,309,761	52,073	1.22
2017	4,521,611	211,850	4.92
2018	5,028,658	507,047	11.21
2019	5,192,990	164,332	3.27
2020 ¹	1,999,488	(3,193,502)	(61.50)
2021	3,747,110	1,747,622	87.40
2022	4,837,238	1,090,128	29.09
2023	5,425,065	587,827	12.15
2024	5,566,706	141,641	2.61
2025	5,360,412	(206,294)	(3.71)

¹ In 2020, the enplaned passengers decreased due to a result of the COVID-19 Pandemic.

Source: City of San Antonio, Department of Aviation.

Total Enplaned and Deplaned International Passengers - San Antonio Airport

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

Calendar Year	Total	Increase/ (Decrease)	Percent (%) Change
2016 ¹	400,061	(111,015)	(21.72)
2017	368,381	(31,680)	(7.92)
2018	415,018	46,637	12.66
2019	467,475	52,457	12.64
2020 ²	207,684	(259,791)	(55.57)
2021	741,572	533,888	257.10
2022	555,808	(185,764)	(25.05)
2023	621,321	65,513	11.79
2024	738,853	117,532	18.92
2025	721,119	(17,734)	(2.40)

¹ The decline in international passengers is in large part a result of capacity reductions by Southwest to Mexico City and Interjet to Toluca. In addition to capacity adjustments, the continuing devaluation of the Peso to the U.S. Dollar may be contributing to decreased leisure travel between the two (2) countries. In December 2016, the Peso had 13.7% less value than the same time in 2015, and 47.0% less value than two (2) years prior to that.

² In 2020, the enplaned and deplaned passengers decreased due to a result of the COVID-19 Pandemic.

Source: City of San Antonio, Department of Aviation.

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Air Carrier Landed Weight - San Antonio Airport

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

<u>Calendar Year</u>	<u>Total</u>	<u>Increase/ (Decrease)</u>	<u>Percent (%) Change</u>
2015	5,719,952	58,398	1.03
2016	5,729,257	9,305	0.16
2017	6,024,433	295,176	5.15
2018	6,594,764	570,331	9.47
2019	6,754,689	159,925	2.42
2020 ¹	3,944,499	(2,810,190)	(41.60)
2021	5,189,666	1,245,167	31.57
2022	6,085,890	896,224	17.27
2023	6,871,882	785,992	12.91
2024	7,257,776	385,894	5.62
2025	7,260,616	2,840	0.04

¹ In 2020, the air carrier landed weight decreased due to a result of the COVID-19 Pandemic.
Source: City of San Antonio, Department of Aviation.

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APPENDIX B

EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2025

The information contained in this Appendix consists of excerpts selected by the Co-Financial Advisors from the San Antonio Water System Annual Comprehensive Financial Report for the Year Ended December 31, 2025 but is not intended to be a complete statement of the System's financial condition. Reference is made to the complete report for further information.

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Independent Auditors' Report

To the Board of Trustees of
San Antonio Water System

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, and the fiduciary activities of San Antonio Water System (the SAWS), a component unit of the City of San Antonio, Texas as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise SAWS's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary activities of SAWS, as of December 31, 2025 and 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SAWS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SAWS' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2026 on our consideration of SAWS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SAWS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SAWS' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Austin, Texas
April 1, 2026

Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and provides a narrative overview and analysis of financial activities and performance as detailed in the Annual Comprehensive Financial Report for fiscal years ending December 31, 2025 and 2024. Please read it in conjunction with SAWS' financial statements including the notes to the financial statements and required supplemental information, which follow this section.

FINANCIAL HIGHLIGHTS

- SAWS' net position increased by \$315.3 million during 2025.
- Total assets and deferred outflows of resources increased \$617.5 million from 2024 to 2025.
- SAWS experienced growth of 1.6% and 1.8% in average water and wastewater connections, respectively, reflecting the continued strong population growth in the San Antonio region. Capital recovery fees totaled \$102.6 million.
- Total debt coverage was 1.90x for 2025 compared to 1.96x for 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- *Statements of Net Position* – present information on all of SAWS' assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the end of each calendar year, with the net amount reported as SAWS' net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SAWS is improving or deteriorating.
- *Statements of Revenues, Expenses and Changes in Net Position* – present information showing how SAWS' net position changed during the years presented on an accrual basis. This statement measures the success of SAWS' activities and can be used to determine whether SAWS has successfully recovered all its costs through its rates and other charges.
- *Statements of Cash Flows* – present information showing cash receipts and payments for operating, non-capital financing, capital and related financing, and investing activities for the years presented.
- *San Antonio Water System Fiduciary Funds Statements of Fiduciary Net Position* – present information on SAWS single-employer postretirement benefit plans' assets and liabilities, with the difference between the two reported as net position held in trust for pension and other postemployment benefits.
- *San Antonio Water System Fiduciary Funds Statements of Changes in Fiduciary Net Position* – present information showing how the fiduciary funds' net position changed during the years presented on an accrual basis.
- *Notes to Financial Statements* – provide additional information that is essential to a full understanding of the data provided in the financial statements, such as SAWS' accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

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

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

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

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

- *Statistical Section* – provide detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information as it relates to SAWS’ overall financial health.
- *Bonded Debt Schedules and Analyses* – provide detailed schedules relative to SAWS’ various bond obligations.

FINANCIAL ANALYSIS – FINANCIAL POSITION

CONDENSED NET POSITION INFORMATION				2025-2024		2024-2023	
	As of December 31,			Increase	%	Increase	%
(amounts in thousands)	2025	2024	2023	(Decrease)	Change	(Decrease)	Change
Current assets	\$ 1,057,264	\$ 1,079,366	\$ 1,050,822	\$ (22,102)	(2%)	\$ 28,544	3%
Capital assets, net	9,002,363	8,483,589	8,000,711	518,774	6%	482,878	6%
Other non-current assets	671,198	539,987	575,109	131,211	24%	(35,122)	(6%)
Total Assets	10,730,825	10,102,942	9,626,642	627,883	6%	476,300	5%
Deferred outflows of resources	102,539	112,839	142,507	(10,300)	(9%)	(29,668)	(21%)
Total Assets and Deferred Outflows of Resources	10,833,364	10,215,781	9,769,149	617,583	6.0%	446,632	5%
Current liabilities	331,872	327,172	289,500	4,700	1%	37,672	13%
Non-current liabilities	4,906,288	4,618,505	4,517,958	287,783	6%	100,547	2%
Total Liabilities	5,238,160	4,945,677	4,807,458	292,483	6%	138,219	3%
Deferred inflows of resources	38,591	28,844	43,280	9,747	34%	(14,436)	(33%)
Total Liabilities and Deferred Inflows of Resources	5,276,751	4,974,521	4,850,738	302,230	6%	123,783	3%
Net Position:							
Net investment in capital assets	4,496,266	4,199,734	3,915,779	296,532	7%	283,955	7%
Restricted	422,044	384,949	347,874	37,095	10%	37,075	11%
Unrestricted	638,303	656,577	654,758	(18,274)	(3%)	1,819	0%
Total Net Position	\$ 5,556,613	\$ 5,241,260	\$ 4,918,411	\$ 315,353	6%	\$ 322,849	7%

Net Position

SAWS’ net position increased \$315.3 million from 2024 to 2025 and increased \$322.8 million from 2023 to 2024. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SAWS is improving or deteriorating. Other considerations, both financial and non-financial, should also be evaluated such as economic conditions, population growth, availability of water supplies and credit ratings. These considerations are addressed in MD&A or other sections of this financial report.

The largest portion of SAWS' net position reflects its net investment in capital assets. SAWS' net investment in capital assets represents the carrying value of capital assets and capital related deferred outflows of resources, less capital related borrowings. The primary reasons for an increase in the net investment in capital assets are capital assets acquired with non-debt resources, including assets contributed by developers, and repayments of debt. Depreciation expense serves to decrease the net investment in capital assets. SAWS' net investment in capital assets increased by \$296.5 between 2024 and 2025 and \$284.0 million between 2023 and 2024.

Funds that have been restricted for a specific purpose by legally enforceable legislation and bond covenants are classified as restricted net position. Amounts included in restricted net position include the following:

- An operating reserve equal to two months of the annual operations and maintenance (O&M) budget.
- A debt service fund with amounts sufficient to make SAWS semi-annual debt service payments on outstanding bonds.
- Cash and investments legally restricted for construction purposes.
- Any net pension assets as well as any net postemployment benefit other than pension (OPEB) assets.
- A debt service reserve equal to the sum of 100% of the maximum annual debt service requirement for senior lien debt obligations plus the average annual debt service requirement on all junior lien debt obligations secured by the debt service reserve. SAWS may provide surety policies equal to all of part of the required debt service reserve.

Restricted net position increased \$37.1 million from 2024 to 2025 due primarily to a \$23.4 million increase in funds restricted for construction resulting from capital recovery fees collections of \$102.6 million, more than offsetting capital fees expended for construction of \$79.2 million. During 2025, the balance restricted for debt service also increased by \$10.2 million reflecting the yearend growth relative to 2024 levels in both accrued interest payable and revenue bonds payable within one year. Restricted net position increased \$37.1 million from 2023 to 2024 due to capital recovery fees collections of \$126.0 million, more than offsetting capital fees expended for construction of \$87.7 million.

The remaining balance of SAWS' net position is unrestricted and may be used for any allowable purpose as outlined in Ordinance No. 75686. Unrestricted net position decreased by \$18.3 million from 2024. This reduction in unrestricted net position reflects primarily increased uses of unrestricted cash to fund capital improvements. Unrestricted net position held relatively constant from yearend 2023 to yearend 2024.

FINANCIAL ANALYSIS – REVENUES, EXPENSES AND CHANGES IN NET POSITION

During 2025, SAWS recorded a change in net position of \$315.3 million, which consisted of income before capital contributions of \$48.0 million and capital contributions of \$267.4 million. In 2024, SAWS recorded a change in net position of \$322.8 million, which consisted of income before capital contributions of \$67.5 million and capital contributions of \$255.4 million.

CONDENSED REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION							
(amounts in thousands)	As of December 31,			2025-2024		2024-2023	
	2025	2024	2023	Variance	% Change	Variance	% Change
Operating revenues							
Water delivery system	\$ 257,734	\$ 239,837	\$ 229,736	\$ 17,897	7%	\$ 10,101	4%
Water supply system	312,192	311,659	321,506	533	0%	(9,847)	(3%)
Wastewater system	313,632	301,527	299,438	12,105	4%	2,089	1%
Chilled water	14,992	13,930	12,090	1,062	8%	1,840	15%
Total operating revenues	898,550	866,953	862,770	31,597	4%	4,183	0%
Operating expenses							
Salaries and fringe benefits	239,226	212,039	198,818	(27,187)	(12.8%)	(13,221)	(7%)
Contractual services	236,172	235,306	223,188	(866)	0%	(12,118)	(5%)
Materials and supplies	45,228	45,121	43,446	(107)	0%	(1,675)	(4%)
Other charges	(1,241)	333	(3,496)	1,574	473%	(3,829)	110%
Less costs capitalized to construction in progress	(48,486)	(45,894)	(39,118)	2,592	(6%)	6,776	(17%)
Depreciation and amortization expense	239,733	230,829	222,464	(8,904)	(4%)	(8,365)	(4%)
Total operating expenses	710,632	677,734	645,302	(32,898)	(5%)	(32,432)	(5.0%)
Non-operating revenues/(expenses)							
Interest earned and miscellaneous	50,705	48,979	45,624	1,726	4%	3,355	7%
Gain/(Loss) on investments - mark to market	9,449	15,508	26,431	(6,059)	(39%)	(10,923)	(41%)
Interest expense on revenue bonds & commercial paper	(114,177)	(111,591)	(107,112)	(2,586)	2%	(4,479)	4%
Interest expense on contract payable	(42,466)	(43,754)	(44,496)	1,288	(3%)	742	(2%)
Debt issuance and bond defeasance costs	(4,755)	(2,551)	(1,876)	(2,204)	86%	(675)	36%
Other finance charges	(2,818)	(2,336)	(2,280)	(482)	21%	(56)	2%
Gain on defeased debt and bond retirement	-	1,861	3,367	(1,861)	(100%)	(1,506)	(45%)
Gain on sale of capital assets	311	7,015	1,001	(6,704)	(96%)	6,014	601%
Payments to City of San Antonio	(36,185)	(34,884)	(34,460)	(1,301)	4%	(424)	1%
Total non-operating revenues/(expenses)	(139,936)	(121,753)	(113,801)	(18,183)	15%	(7,952)	7%
Increase in net position before capital contributions	47,982	67,466	103,667	(19,484)	(29%)	(36,201)	(35%)
Capital Contributions	267,371	255,383	344,933	11,988	5%	(89,550)	(26%)
Change in Net Position	315,353	322,849	448,600	(7,496)	(2%)	(125,751)	(28%)
Net Position, beginning of year	5,241,260	4,918,411	4,469,811	322,849	7%	448,600	10%
Net Position, end of year	\$ 5,556,613	\$ 5,241,260	\$ 4,918,411	\$ 315,353	6%	\$ 322,849	7%

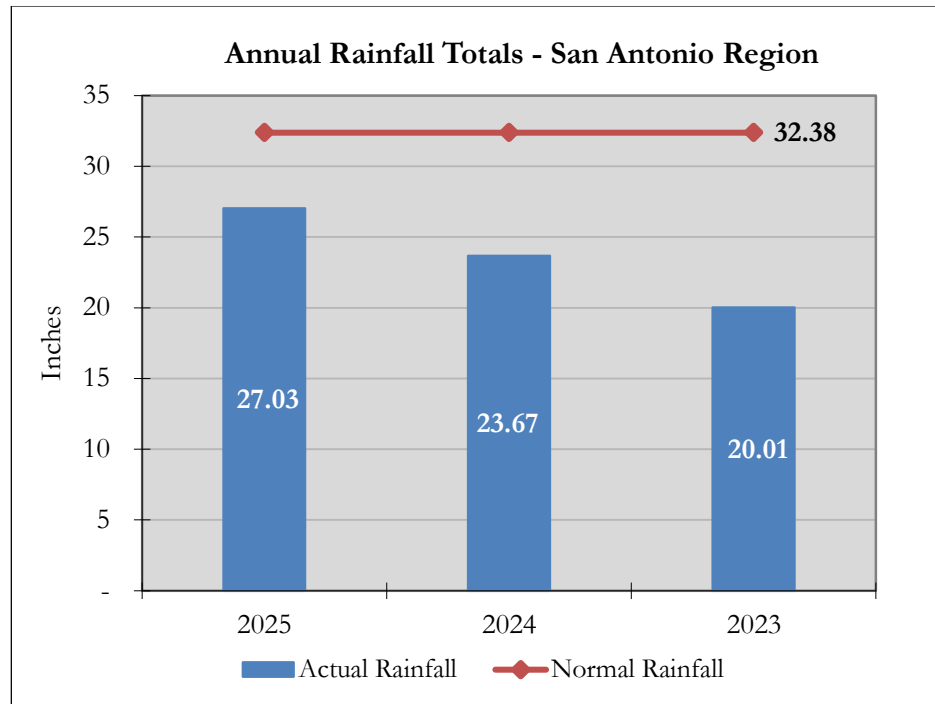
Operating Revenues

SAWS' operating revenues are provided by its four core businesses: Water Delivery, Water Supply, Wastewater, and Chilled Water. Changes in operating revenues from year to year generally reflect weather conditions, customer growth and changes in rates for service. SAWS' operating revenues increased from \$866.9 million in 2024 to \$898.5 million in 2025. This increase is due to a full year of collections in 2025 of the Drought Surcharge which was initiated in July 2024, and increased billed usage for both water and wastewater. Total metered usage for water increased from 68.7 billion to 70.2 billion gallons, and for wastewater increased from 55.5 billion to 56.8 billion gallons from 2024 to 2025.

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

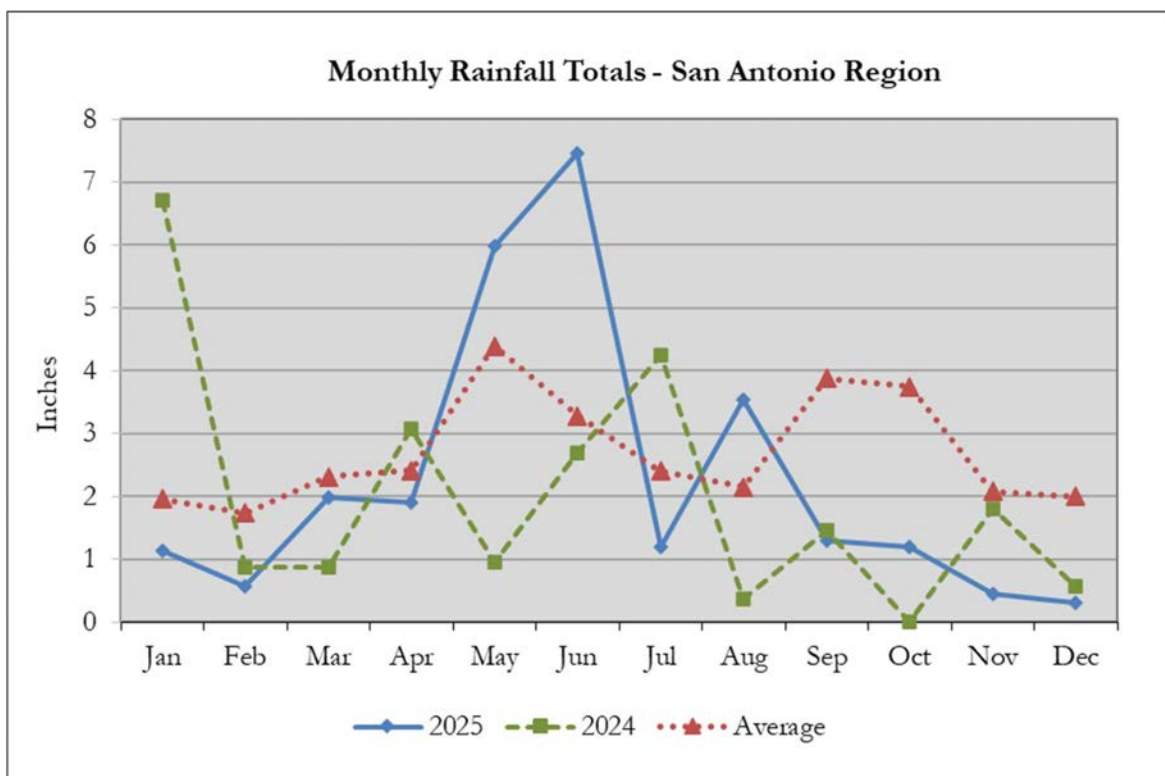
2025 Water Delivery operating revenues of \$257.7 million increased by \$17.9 million or 7.5% as compared to 2024. As previously mentioned, this increase was partly due to the recognition of a full year of the Drought Surcharge which resulted in an additional \$7.0 million in revenue compared to 2024. Increases in billed usage and miscellaneous fees and charges of \$6.1 million and \$1.2 million, respectively also contributed to the increase from 2024. In 2024, an operating transfer of \$5.3 million was made from Water Delivery to Water Supply which was not done in 2025, further adding to the increase. The increases were partially offset by \$1.2 million

in increased uncollectible accounts. 2024 Water Delivery operating revenues of \$239.8 million were \$10.1 million or 4.4% higher than the previous year due to the implementation of the Drought Surcharge in July of that year, which generated \$15.0 million in additional revenue. This was partially offset by a slight overall reduction in the volume of billed water.



Total rainfall for 2025 of 27.03 inches was 16.5% below average but exceeded the 2024 and 2023 recorded levels of 23.67 and 20.01 inches, respectively. The below average precipitation in 2025 is the sixth year in the last seven in which San Antonio has experienced very dry conditions resulting in a cumulative rainfall deficit since 2020 of 56.75 inches. Aside from the continued dry conditions, 2025 tied 2023 as the second hottest year on record, with average temperatures of 72.2 degrees. 2024 was the hottest year on record in San Antonio, with an average temperature of 73.2 degrees.

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

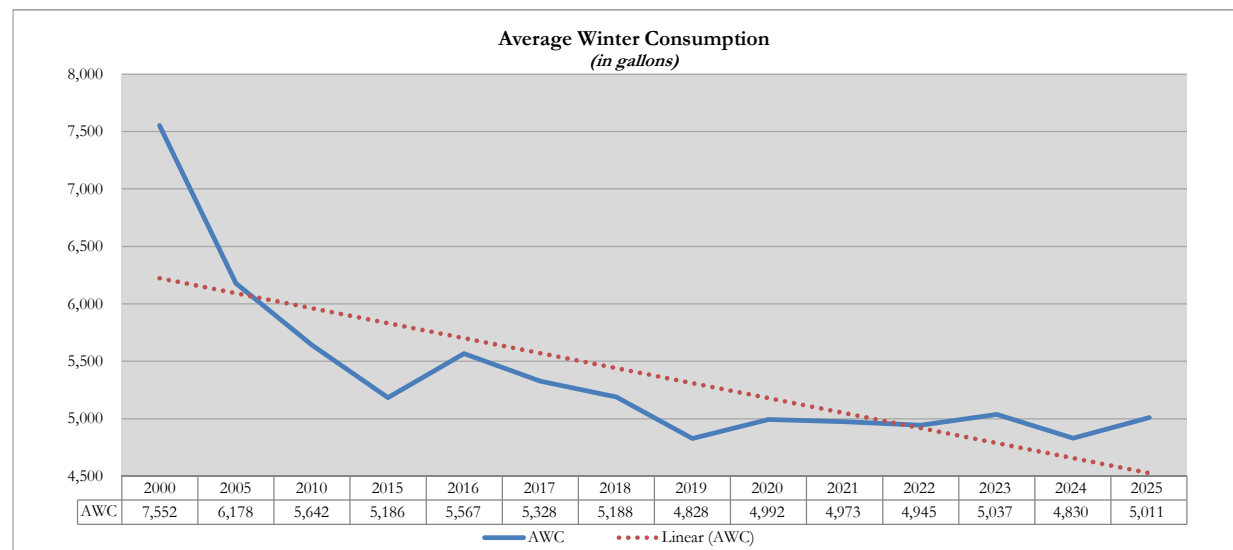
Certain other charges are also included in Water Supply operating revenues including the following:

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

Water Supply operating revenues remained relatively stable with a small increase of \$533 thousand or 0.2% from 2024 to 2025. Water Supply operating revenues decreased \$9.8 million or 3.1% from 2023 to 2024 due to the small reduction in the overall level of metered water usage discussed previously as well as the fact that this decline in usage came from the higher priced blocks in SAWS' tiered water rate structure.

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

The following chart depicts SAWS' AWC since 2000. While periods of extremely dry weather led to spikes in the AWC, water conservation efforts have resulted in an overall downward trend in the AWC. The AWC reached its all-time low of 4,828 gallons in 2019, experienced a 3.4% increase to 4,992 gallons in 2020 and has hovered right around 5,000 gallons since that time with the average AWC totaling 4,959 gallons per month over the last five years. In 2025, AWC increased to 5,011 gallons after a near all-time low of 4,830 gallons in 2024.



The increase of 3.7% in AWC from 2024, along with average wastewater customer growth of 1.8% contributed to a 2.3% increase in wastewater gallons billed. This increase in billed usage resulted in a \$12.1 million increase in 2025 Wastewater operating revenues as compared to the prior year. This increase was partially offset by an increase in uncollectible accounts of \$1.6 million in 2025 as compared to 2024. Strong growth in average Wastewater customers of 2.0% contributed to the slight increase in 2024 wastewater gallons billed despite the decline in the AWC and resulted in a \$2.1 million increase in Wastewater operating revenues during the year.

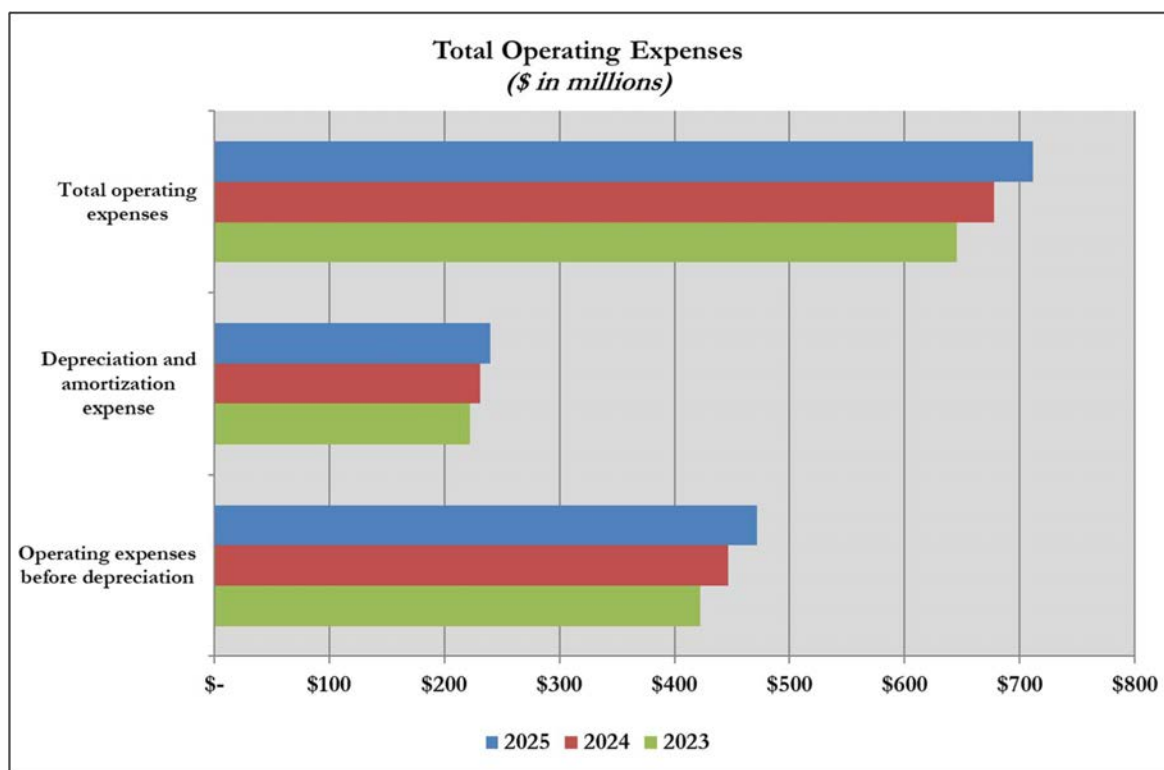
The Chilled Water core business is responsible for providing cooling services to customers, including various downtown hotels, City of San Antonio facilities, the Alamodome, Port Authority of San Antonio tenants and Hemisfair Plaza tenants. Operating revenues for this core business consist of a fixed base load demand charge for each customer, efficiency charges based on the difference in water temperature between the water delivered to a customer and the water returned to SAWS (Delta T), and a pass-through charge to recover utility costs. Chilled water revenues increased \$1.1 million or 7.6% compared to 2024 levels reflecting a 10% increase in the demand charge as well as a full year's worth of the Delta T surcharge. 2024 Chilled Water revenues increased \$1.8 million or 15.2% from 2023 to 2024. This increase is attributable to the 10% increase in the demand charge for the year and the Delta T surcharge that was implemented in May 2024.

Operating Expenses

Total 2025 operating expenses of \$710.6 million reflect an increase of \$32.9 million or 4.8% from 2024 due primarily to increases in salaries and fringe benefits of \$27.2 million or 12.8% from 2024 due to an increase in the number of employees, wage increases granted to existing employees, and increased overtime pay. Contractual Services and Materials and Supplies remained relatively stable with minimal increases of \$866 thousand and \$107 thousand, respectively as compared to 2024. Depreciation and amortization expense increased \$8.9 million or 3.9% in 2025 because of capital additions during the year.

Total 2024 operating expenses of \$677.7 million reflect an increase of \$32.4 million or 5.0% from 2023 due to increases in salaries and fringe benefits, contractual services, and depreciation expense. Salaries and fringe

benefits increased \$13.2 million or 6.6% from 2023 due to an increase in the number of employees, wage increases granted to existing employees, and increased overtime pay. Contractual Services increased by \$12.1 million or 5.4% in 2024 mainly due to increases in maintenance expenses and implementation costs for information technology services. SAWS continued to see increased maintenance costs due to inflationary pressures and drought related system repairs. Depreciation and amortization expense increased \$8.4 million or 3.8% in 2024 as a result of capital additions during the year.



Non-operating Revenues/Expenses

Non-operating revenues consist of interest income earned on investments, the mark to market adjustments recorded on SAWS' investment portfolio, and any gains resulting from sales of capital assets. In 2025, SAWS recognized \$50.7 million in interest income and miscellaneous revenue which represents a \$1.7 million or 3.5% gain from 2024 levels. SAWS also recorded \$9.4 million in mark to market gains in 2025 as compared to the \$15.5 million of such gains recorded in 2024. During 2024, rising short-term interest rates contributed to a \$3.4 million increase in interest income from 2023 levels and the recognition of \$15.5 million in mark to market gains. Gains from the sale of capital assets in 2025 declined by \$6.7 million from 2024 levels primarily as a result of two abnormally large property sales recorded in 2024.

Non-operating expenses consist of interest expense recognized on SAWS' outstanding debt obligations, payments to the City of San Antonio (COSA), and other debt related and finance charges. During 2025, SAWS recognized \$200.4 million in non-operating expenses which represented an increase of \$7.1 million or 3.7% compared to 2024 levels. This increase stems primarily from an increase in the level of debt outstanding, the number of financings completed in 2025, and higher Gross Revenues which led to an increase in the payment to COSA. Non-operating expenses increased \$6.4 million or 3.4% in 2024 due primarily to an increase in interest expense incurred on outstanding bonds and commercial paper. Outstanding bonds increased by \$201.0 million during the year, while commercial paper decreased by \$53.6 million. The \$147.4 million net increase in the level of outstanding bonds and commercial paper drove the increase in interest expense.

Capital Contributions

Capital contributions for 2025 totaled \$267.4 million which represents an increase of \$12.0 million from 2024 totals of \$255.4 million that were \$89.5 million less than 2023 levels. Development activity within San Antonio in 2025 continued to stay strong with growth in average water customers of 1.6% and wastewater customers of 1.8%. During 2025, SAWS experienced an increase of \$35.4 million in combined plant contributions and contributions in aid of construction but saw a decrease of \$23.4 million in capital recovery fees. Drivers for growth in plant contributions were an increase in the use of trilateral oversizing projects by developers, and a concerted effort by SAWS' staff to more timely process and close out these transactions during the year.

The \$89.6 million decrease in capital contributions in 2024 was due to a decrease in combined plant contributions and contributions in aid of construction of \$99.8 million offset by an increase of \$10.3 in capital recovery fees. The increase in capital recovery fees from 2023 to 2024 at least partially reflects an updating of these fees which took effect in July 2024 while the reduction in plant contributions reflects a return to more recent levels after the record setting amount recorded in 2023.

CAPITAL CONTRIBUTIONS				2025-2024		2024-2023	
	As of December 31,			Increase	%	Increase	%
(\$ in thousands)	2025	2024	2023	(Decrease)	Change	(Decrease)	Change
Plant Contributions	\$ 145,062	\$ 122,994	\$ 217,694	\$ 22,068	18%	\$ (94,700)	(44%)
Capital Recovery Fees	102,606	126,008	115,747	(23,402)	(19%)	10,261	9%
Grants and Contributions in Aid of Construction	19,703	6,381	11,492	13,322	209%	(5,111)	(44%)
Total Capital Contributions	\$ 267,371	\$ 255,383	\$ 344,933	\$ 11,988	5%	\$ (89,550)	(26%)

CAPITAL ASSET ACTIVITY

During 2025, SAWS' total capital assets (net of accumulated depreciation) grew from \$8.5 billion to \$9.0 billion, while during 2024, net capital assets increased from \$8.0 billion to \$8.5 billion. The increase for both 2024 and 2025 is primarily due to SAWS' spending on CIP projects combined with developer contributions of infrastructure.

The overall investment in capital assets includes water and wastewater mains and other related infrastructure, buildings and improvements, land, machinery and equipment, water rights, other intangible assets and construction in progress. Capital asset additions were \$758.8 million in 2025 and \$721.1 million in 2024.

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

CAPITAL ASSETS				2025-2024		2024-2023	
	As of December 31,			Increase	%	Increase	%
(\$ in thousands)	2025	2024	2023	(Decrease)	Change	(Decrease)	Change
Infrastructure	\$ 8,504,832	\$ 8,111,553	\$ 7,576,228	\$ 393,279	5%	\$ 535,325	7%
Buildings and improvements	1,262,918	1,144,537	1,102,925	118,381	10%	41,612	4%
Machinery and equipment	943,737	873,198	856,970	70,539	8%	16,228	2%
Water rights	248,316	248,316	248,881	-	0%	(565)	0%
Land	185,234	183,170	181,075	2,064	1%	2,095	1%
Intangibles	77,569	75,331	75,299	2,238	3%	32	0%
Construction in progress	1,005,073	897,650	830,450	107,423	12%	67,200	8%
Less Accumulated depreciation	(3,225,316)	(3,050,166)	(2,871,117)	175,150	6%	179,049	6%
Total Capital Assets	\$ 9,002,363	\$ 8,483,589	\$ 8,000,711	\$ 518,774	6%	\$ 482,878	6%

Major capital asset spending for the year ended December 31, 2025, included the following projects:

- Advanced Metering Infrastructure – SAWS ConnectH2O Program (AMI) – This project consisted of the full system-wide deployment of more than 604,000 AMI water meters. Customers now have access to their hourly water usage online and can receive continuous water usage alerts. The project was completed in December, about one year ahead of schedule. The total cost of the project was more than \$160 million.
- Emergency Preparedness Plan (EPP) - This plan will address the requirements of Texas Senate Bill 3, which requires utility providers within the state to submit an EPP to the Texas Commission on Environmental Quality on how minimum water pressure will be maintained for more than 24 hours in the event of a power outage. In order to execute the EPP, emergency generators are needed at critical supply sites. Spending during the year totaled \$100.4 million which brought the total spent to date for the project to \$153.1 million. This project remained in progress at year end with a capital investment over the term of the project currently estimated at \$350 million.
- Upper Leon Creek Sewer – This project was implemented to reduce sanitary sewer overflows in northwest San Antonio and addresses undersized sewer mains, poor condition pipeline segments, and relocates alignment as part of the work required under the EPA Consent Decree. Work commenced in 2024. Spending was \$37.1 million during 2025 with total expenditures on the project of \$54.4 million at December 31, 2025.
- 2025 Valves, Services and Meters - Water Delivery – This is the annual project to replace various water mains, hydrants, valves, services and meters. Spending during the year totaled \$21.1 million.

Construction in progress was \$1.0 billion at December 31, 2025, and \$897.7 million at December 31, 2024. The increase in construction in progress was partially due to the projects listed above in addition to other water supply projects, Consent Decree projects, water main and distribution projects, and chilled water projects. Overall, SAWS is committed under various contracts for completion of construction or acquisition of capital assets totaling \$720.3 million as of December 31, 2025. For further information on capital assets, refer to Note E.

LONG-TERM DEBT ACTIVITY

In 2025, SAWS issued \$89.2 million in senior lien bonds. The proceeds of the bonds, including premiums, were used to refund \$101.8 million in revenue bonds and pay the cost of issuance. SAWS also issued \$501.4 million in junior lien bonds. The proceeds of the bonds, including premium, were used to fund capital improvement projects, refund \$304.4 million in revenue bonds, and pay the cost of issuance. Finally, SAWS issued \$150.9 million in subordinate lien bonds. The proceeds of the bonds were used to fund capital improvement projects and pay the cost of issuance.

In 2024, SAWS issued \$165.3 million in subordinate lien refunding bonds. The proceeds were used to refund \$165.2 of Tax-Exempt Commercial Paper and pay for costs of issuance. SAWS also issued \$265.1 million in junior lien bonds. The proceeds from the sale of the bonds were used to finance capital improvement projects and pay for costs of issuance.

SAWS classifies outstanding commercial paper notes as long-term debt.

In September 2025, the three major rating agencies reviewed SAWS' credit ratings, with Moody's Rating, S&P Global and Fitch Ratings affirming SAWS' credit ratings. SAWS' high quality credit ratings are based on its large and diverse service area, sound financial management, long-term planning for water supply and infrastructure needs, and competitive water and wastewater rates.

BOND AND COMMERCIAL PAPER RATINGS					
	Senior Lien Debt	Junior Lien Debt	Subordinate Lien Debt		
			Variable Rate Demand Obligations	Tex-Exempt Commercial Paper	
				Series A	Series B
Fitch Ratings	AA+	AA	AA	F1+	F1
Moody's Ratings	Aa1	Aa1	Aa2	P-1	P-1
S&P Global Ratings	AA+	AA+	AA	A-1+	A-1+

SAWS' bond ordinances require the maintenance of a debt coverage ratio of at least 1.25x the current annual debt service on outstanding senior lien debt and at least 1.00x the current year annual debt service on outstanding junior lien debt. As of December 31, 2025, and 2024, SAWS was in material compliance with the terms and provisions of the ordinances and documents related to its outstanding bonds and commercial paper. Consistent with the requirement of its funding ordinance, SAWS excludes non-cash revenues and expenses from the pledged revenue calculation, including mark-to-market investment adjustments, certain pension & OPEB related expenses and the write-off of impaired construction in progress projects. With the commencement of the operational phase in April 2020, SAWS began recording the Vista Ridge infrastructure payment portion of the Capital and Raw Groundwater unit price payment as a financed purchase and the water agreement portion of this amount as an operating expense. However, in calculating the debt coverage ratios for 2023, 2024 and 2025 in a manner consistent with the provisions of its bond ordinances, SAWS has recorded the entirety of the Vista Ridge capital and raw groundwater unit price payment as an operating expense. With the adoption in 2023 of GASB 96 (Subscription-Based-Information Technology Arrangements), SAWS also treats payments made under subscription agreements as operating expense to be consistent with SAWS bond ordinances. For further information on long-term debt, please see Note H.

FINANCIAL RATIOS			
	2025	2024	2023
Current Year Debt Coverage‡:			
Senior Lien Debt	54.82x	99.74x	102.20x
All Debt	1.90x	1.96x	1.99x
Maximum Annual Debt Coverage‡:			
Senior Lien Debt	34.66x	32.86x	33.67x
All Debt	1.54x	1.57x	1.70x
Net Position Ratio			
(net position/total liabilities + net position)	51.3%	51.3%	50.3%
Days Cash on Hand			
(unrestricted cash & investments/O&M expense before depreciation * 365)	459	489	523
‡ Debt service is net of federal interest subsidy.			

ECONOMIC OUTLOOK FOR THE FUTURE

SAWS last general rate increase took effect in January 2020. Financial challenges that have arisen since that time have been numerous. These include a prolonged drought in SAWS' service area combined with more extreme weather patterns, significant inflationary pressures, and new regulatory requirements. These challenges compound some of the already existing challenges such as the need for significant capital investment to sustain, restore and modernize the facilities and infrastructure that support SAWS' mission to provide *Sustainable, Affordable Water Services*. SAWS has also increased its efforts to reduce the amount of water loss within its water distribution network. Taking these factors into consideration, SAWS had originally planned to seek a rate adjustment that would take effect in early 2026. However, due to a multitude of factors, the timing of this rate request was delayed and in November 2025 SAWS Board approved its 2026 Annual Operating Budget and Capital Improvement Program. This budget, while not requiring an immediate potable water or wastewater rate adjustment, did not fully fund needed operating cost increases and critical capital expenditures in order to support SAWS' strong credit metrics. The adopted budget does include rate adjustments for users of SAWS' Recycled and Chilled Water services of 8% and 10%, respectively. Combined, these rate adjustments are projected to increase operating revenues by approximately \$2.2 million.

As of the date of this report, SAWS is working to bring forward a proposal for current as well as future rate adjustments that will increase funding for both operating costs and capital improvements while maintaining SAWS' strong credit position. If approved, SAWS will undertake to amend the 2026 Annual Operating Budget and Capital Improvement Program to reflect both increased expenditure levels as well as the anticipated revenue increases. Looking beyond 2026, SAWS is currently forecasting required capital improvements averaging approximately \$658 million for each of the years 2027-2030. Although the organization remains in excellent financial condition, the continued growth in operating costs and the need to consistently invest in mission critical capital improvements will require the need for rate adjustments.

CONTACTING SAWS' FINANCIAL MANAGEMENT

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

Anthony E. Turrietta
Senior Director – Financial Services/Controller

Douglas P. Evanson
Executive Vice President/Chief Financial Officer

San Antonio Water System
PO Box 2449
San Antonio, TX 78298

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

BASIC FINANCIAL STATEMENTS

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

	December 31,	
	2025	2024
CURRENT ASSETS		
Unrestricted Current Assets		
Cash and cash equivalents	\$ 411,265	\$ 271,297
Investments	263,227	415,476
Accounts receivable, net of allowances for uncollectible accounts	90,959	89,383
Other current assets	24,990	27,132
Total unrestricted current assets	790,441	803,288
Restricted Current Assets:		
Cash and cash equivalents	176,245	75,586
Investments	90,578	200,492
Total restricted current assets	266,823	276,078
Total Current Assets	1,057,264	1,079,366
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Accounts receivable	2,928	3,292
Restricted Noncurrent Assets:		
Cash and cash equivalents	137,063	71,631
Investments	488,608	421,969
Net pension asset	967	1,077
Net OPEB asset	41,632	42,018
Capital Assets:		
Utility plant in service	10,788,685	10,204,249
Less allowance for depreciation	3,225,316	3,050,166
	7,563,369	7,154,083
Land, water rights and other intangible assets	433,921	431,856
Construction in progress	1,005,073	897,650
Total capital assets (net of accumulated depreciation)	9,002,363	8,483,589
Total Noncurrent Assets	9,673,561	9,023,576
TOTAL ASSETS	10,730,825	10,102,942
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on bond refunding	12,336	15,588
Deferred outflows - asset retirement obligations	42,246	43,252
Deferred outflows - pension	30,968	39,008
Deferred outflows - OPEB	15,172	13,998
Accumulated decrease in fair value of hedging derivative instrument	1,817	993
Total Deferred Outflows of Resources	102,539	112,839
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 10,833,364	\$ 10,215,781

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

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

	December 31,	
	2025	2024
CURRENT LIABILITIES		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	\$ 60,656	\$ 49,963
Customers' deposits	16,049	15,950
Contract payable	19,218	18,381
Accrued compensated absences	12,899	12,107
Accrued payroll and benefits	5,429	4,643
Accrued claims payable	9,796	8,022
Sundry payables and accruals	4,562	3,749
Total unrestricted current liabilities	128,609	112,815
Current Liabilities To Be Paid From Restricted Assets		
Accrued interest payable	20,631	18,863
Payables under construction contracts	91,552	115,654
Commercial paper notes	5,305	5,070
Revenue bonds payable within one year	85,775	74,770
Total restricted current liabilities	203,263	214,357
Total Current Liabilities	331,872	327,172
NONCURRENT LIABILITIES		
Contract payable	814,313	833,217
Subscriptions payable	1,697	2,942
Accrued compensated absences	17,986	16,598
Net pension liability	45,365	49,585
Asset retirement obligation	50,969	50,969
Derivative instrument	2,880	2,310
Commercial paper notes	211,000	166,305
Revenue bonds payable after one year, net of unamortized premiums and discounts	3,762,078	3,496,579
Total Noncurrent Liabilities	4,906,288	4,618,505
TOTAL LIABILITIES	5,238,160	4,945,677
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	4,248	2,430
Deferred inflows - OPEB	10,467	14,873
Deferred inflows - gain on bond refunding	20,584	7,906
Deferred inflows - leases	3,292	3,635
Total Deferred Inflows of Resources	38,591	28,844
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,276,751	4,974,521
NET POSITION		
Net investment in capital assets	4,496,266	4,199,734
Restricted for operating reserve	90,578	87,710
Restricted for debt service	64,063	53,852
Restricted for debt service reserve	13,787	12,669
Restricted for construction	211,017	187,623
Restricted for pension and OPEB benefits	42,599	43,095
Unrestricted	638,303	656,577
TOTAL NET POSITION	\$ 5,556,613	\$ 5,241,260

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

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

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Water delivery system	\$ 257,734	\$ 239,837
Water supply system	312,192	311,659
Wastewater system	313,632	301,527
Chilled water system	14,992	13,930
Total operating revenues	<u>898,550</u>	<u>866,953</u>
OPERATING EXPENSES		
Salaries and fringe benefits	239,226	212,039
Contractual services	236,172	235,306
Material and supplies	45,228	45,121
Other charges	(1,241)	333
Less costs capitalized to construction in progress	(48,486)	(45,894)
Total operating expenses before depreciation	<u>470,899</u>	<u>446,905</u>
Depreciation and amortization expense	239,733	230,829
Total operating expenses	<u>710,632</u>	<u>677,734</u>
Operating income	187,918	189,219
NON-OPERATING REVENUES/(EXPENSES)		
Interest earned and miscellaneous	60,154	64,487
Interest expense on revenue bonds and commercial paper	(114,177)	(111,591)
Interest expense on contract and subscriptions payable	(42,466)	(43,754)
Debt issuance and bond defeasance costs	(4,755)	(2,551)
Other finance charges	(2,818)	(2,336)
Gain on defeased debt and bond retirement	-	1,861
Gain on sale of capital assets	311	7,015
Payments to the City of San Antonio	(36,185)	(34,884)
Total non-operating revenues/(expenses)	<u>(139,936)</u>	<u>(121,753)</u>
Increase in net position, before capital contributions	47,982	67,466
Capital contributions	<u>267,371</u>	<u>255,383</u>
CHANGE IN NET POSITION	315,353	322,849
NET POSITION, BEGINNING OF YEAR	<u>5,241,260</u>	<u>4,918,411</u>
NET POSITION, END OF YEAR	<u><u>\$ 5,556,613</u></u>	<u><u>\$ 5,241,260</u></u>

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

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

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 888,860	\$ 856,959
Cash received from stormwater and other third party billings	73,781	74,264
Cash paid to vendors for operations	(274,274)	(298,961)
Cash paid to employees for services	(180,940)	(165,439)
Cash paid to third parties for stormwater and other third party billings	(74,433)	(73,956)
Net cash provided by operating activities	432,994	392,867
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to the City of San Antonio	(27,490)	(25,321)
Net cash used for noncapital financing activities	(27,490)	(25,321)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	677	10,895
Proceeds from capital recovery fees	102,606	126,008
Proceeds from contributions in aid of construction	19,703	6,381
Payments for the acquisition and construction of plant and equipment	(634,357)	(557,000)
Payment for principal on contract payable	(18,067)	(17,343)
Payment for principal on subscriptions payable	(2,926)	(515)
Payment of interest on contract and subscriptions payable	(42,455)	(43,721)
Proceeds from commercial paper	50,000	-
Payments for retirement of commercial paper	(5,070)	(4,850)
Proceeds from revenue bonds	396,907	301,712
Payments for retirement/refunding of revenue bonds	(74,189)	(70,220)
Payment for cash defeasance of bonds	-	(50,000)
Payments of interest on commercial paper	(6,326)	(9,685)
Payments of interest on revenue bonds	(138,793)	(128,279)
Payments for bond related expenses	(2,582)	(1,376)
Payments for bank charges	(2,632)	(1,806)
Net cash used for capital and related financing activities	(357,504)	(439,799)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(536,155)	(678,966)
Maturity of investments	741,181	507,925
Interest income and other	53,033	45,292
Net cash used for investing activities	258,059	(125,749)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	306,059	(198,002)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	418,514	616,516
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 724,573</u>	<u>\$ 418,514</u>

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

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

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO STATEMENTS OF NET POSITION		
Cash and Cash Equivalents		
Unrestricted	\$ 411,265	\$ 271,297
Restricted		
Current	176,245	75,586
Non-Current	137,063	71,631
	<u>\$ 724,573</u>	<u>\$ 418,514</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 187,918	\$ 189,219
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash revenues from City of San Antonio	(8,694)	(9,564)
Provision for uncollectible accounts	8,875	3,950
Charge-off of prior year construction expenditures to operating expense	969	4,945
Depreciation and amortization expense	239,733	230,829
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Increase in accounts receivable	(10,087)	(4,556)
Increase in other current assets	(2,142)	(1,887)
Decrease in deferred outflows - Pension	8,040	20,084
(Increase)/Decrease in deferred outflows - OPEB	(1,174)	4,821
(Increase)/Decrease in accounts payable	10,693	(13,351)
Increase/(Decrease) in customers' deposits	99	(44)
Increase in compensated absences	2,180	1,994
Increase in accrued payroll and benefits	786	1,408
Increase/(Decrease) in claims payables	1,774	(102)
Increase/(Decrease) in sundry payables and accruals	679	655
Decrease in net pension liability/(asset)	(4,110)	(24,296)
Decrease in net OPEB asset	386	2,381
Increase in deferred inflows - Pension	1,818	599
Decrease in deferred inflows - OPEB	(4,406)	(13,894)
Decrease in deferred inflows - Leases	(343)	(324)
Total adjustments	<u>245,076</u>	<u>203,648</u>
Net cash provided by operating activities	<u>\$ 432,994</u>	<u>\$ 392,867</u>

NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES

Plant contributions received from developers	\$ 145,062	\$ 122,994
Accrued but unpaid liabilities related to capital acquisitions	91,552	115,654
Unrealized gain on investments	(9,448)	(15,508)
Commercial Paper deposited into escrow for purposes of bond refunding	-	116,480
Bond proceeds deposited into an escrow account for purposes of refunding Commercial Paper	-	165,310
Bond proceeds deposited into an escrow account for purposes of refunding Revenue Bonds	403,666	-
Bond proceeds deposited into an escrow account for payment of underwriter's discount and other issuance costs	2,173	940
Noncash payments for the acquisition of SBITAs	2,632	-
Noncash payments to City of San Antonio	8,694	9,564
Total noncash capital and financing activities	<u>\$ 644,331</u>	<u>\$ 515,434</u>

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

	December 31,	
	2025	2024
ASSETS		
Cash and cash equivalents	\$ 222	\$ 278
Investments, at fair value		
Mutual funds - stock	253,420	229,364
Mutual funds - bonds	226,170	200,909
Other Investments	62,111	51,131
Total Investments	<u>541,701</u>	<u>481,404</u>
TOTAL ASSETS	541,923	481,682
LIABILITIES	<u>-</u>	<u>-</u>
Net position restricted for pensions	394,651	347,418
Net position restricted for OPEB	<u>147,272</u>	<u>134,264</u>
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	<u><u>\$ 541,923</u></u>	<u><u>\$ 481,682</u></u>

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

	2025	2024
ADDITIONS		
Employer contributions	\$ 11,451	\$ 9,698
Participant contributions	5,191	5,141
Investment income/(loss)	64,135	39,225
Total additions	80,777	54,064
DEDUCTIONS		
Benefit payments	20,122	17,522
Administrative expenses	414	436
Total deductions	<u>20,536</u>	<u>17,958</u>
NET INCREASE/(DECREASE) IN NET POSITION	60,241	36,106
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - BEGINNING	<u>481,682</u>	<u>445,576</u>
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - ENDING	<u><u>\$ 541,923</u></u>	<u><u>\$ 481,682</u></u>

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

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: On April 30, 1992, the San Antonio City Council approved Ordinance No. 75686, which provided for the consolidation of all City owned utilities related to water including the water, wastewater, and water reuse systems as SAWS. Management and control of SAWS is vested in the SAWS Board consisting of the Mayor of San Antonio and six members who are appointed by the San Antonio City Council. In addition to appointing members of the Board, the City Council must approve all changes in SAWS rates, disposition of real property and any debt issued by SAWS.

SAWS has been defined in City Ordinance No. 75686 as all properties, facilities, and plants currently owned, operated and maintained by the City of San Antonio, Texas and/or the Board, relating to the supply, storage, treatment, transmission and distribution of treated potable water, and chilled water and the collection, treatment and reuse of wastewater, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, and any other projects and programs of SAWS.

The City currently manages a stormwater system. The City has not incorporated the stormwater system within SAWS; however, SAWS administers certain aspects of the stormwater program on behalf of the City, including billing and providing certain technical services, for a fee. SAWS has agreements with the City (for stormwater billings) and other entities to provide third party billings.

The fiduciary financial statements include three fiduciary funds related to SAWS employee benefit plans: the San Antonio Water System Retirement Plan (SAWSRP), the District Special Project Retirement Income Plan (DSPRP) and the San Antonio Water System Retiree Health Trust (SAWS OPEB Plan). All three plans are governed by the Board which may amend plan provisions, and which is responsible for the management of plan assets. SAWSRP and DSPRP are single-employer pension plans and are tax-qualified plans under Section 401(a) of the Internal Revenue Code. SAWS OPEB Plan assets are held in a trust established under the provisions of the Internal Revenue Code of 1986 Section 115.

SAWS has no component units, however, the operations of SAWS as reported herewith are included as a discretely presented component unit of the City.

Basis of Accounting: The financial statements of SAWS are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by the Governmental Accounting Standards Board (GASB). SAWS operates as a proprietary fund and applies all applicable GASB pronouncements and presents its financial statements in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under this approach, all assets, deferred outflows of resources, liabilities and deferred inflows of resources of SAWS are reported in the statement of net position, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The fiduciary fund financial statements are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by GASB. Employer contributions to the plan are recognized when due

NOTES TO FINANCIAL STATEMENTS

and the employer has made a formal commitment to provide the contributions. Benefit payments and plan expenses are recognized when due and payable in accordance with the terms of the plan.

During the year, SAWS implemented the following GASB Statement.

- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. There are no financial impacts to current or prior year financial statements due to the implementation of this standard.

The following additional GASB pronouncements will be implemented in the future. Once implemented, application of these standards may restate portions of these financial statements.

- GASB Statement No. 103, *Financial Model Reporting Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements for this Statement are effective for fiscal years beginning after June 15, 2025. Management has evaluated the requirements of GASB Statement No. 103 and does not expect it to have a material impact on the financial statements upon implementation. SAWS will implement this Statement in 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements for this Statement are effective for fiscal years beginning after June 15, 2025. Management has evaluated the requirements of GASB Statement No. 104 and does not expect it to have a material impact on the financial statements upon implementation. SAWS will implement this Statement in 2026.
- GASB Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements for this Statement are effective for fiscal years beginning after June 15, 2026. Management has evaluated the requirements of GASB Statement No. 105 and does not expect it to have a material impact on the financial statements upon implementation. SAWS will implement this statement in 2027.

Recognition of Revenues: Revenues are recognized as goods or services are provided. Customers' meters are read, and bills are prepared monthly based on billing cycles. SAWS uses historical information to estimate, and record earned revenue not yet billed.

Revenue and Expense Classification: Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SAWS are charges to customers

NOTES TO FINANCIAL STATEMENTS

for water supply, water delivery, wastewater, and chilled water services. Operating expenses include costs of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pensions: For purposes of measuring Net Pension Liability/(Asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SAWSRP, Texas Municipal Retirement System (TMRS) and DSPRP plans and additions to/from the SAWSRP, TMRS and DSPRP fiduciary net position have been determined using the same basis as they are reported by SAWSRP, TMRS and DSPRP. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the Net OPEB Liability/(Asset), deferred outflows of resources and deferred inflows of resources related to SAWS OPEB, and SAWS OPEB expense, information about the fiduciary net position of the SAWS OPEB plan and additions to/from the SAWS OPEB fiduciary net position have been determined using the same basis as they are reported by the SAWS OPEB plan. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Annual Budget: Approximately sixty days prior to the beginning of each fiscal year, an annual budget is presented to the Board for consideration. This budget is prepared on an accrual basis and serves as a tool in controlling and administering the management and operation of the organization. The annual budget reflects an estimate of gross revenues and disposition of these revenues in accordance with the flow of funds required by City Ordinance No. 75686 (See Note B). Once the annual budget has been approved by the Board, the budget is submitted to City Council for review and consultation.

Restricted Resources: When an expenditure is made for purposes for which both restricted and unrestricted resources are available, it is SAWS policy to choose the appropriate resource based on the availability of resources and funding goals established by management for those expenditures.

Cash Equivalents: SAWS considers investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Investments: City Ordinance No. 75686, SAWS' Investment Policy and Texas state law allow SAWS to invest in direct obligations of the United States or its agencies and instrumentalities. Other allowable investments include direct obligations of the State of Texas or its agencies and instrumentalities; secured certificates of deposit issued by depository institutions that have their main office or a branch office in the State of Texas; defined bankers acceptances and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; municipal bonds; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk which may affect the value at which these investments are recorded. Under the provisions of GASB Statement No. 31, money market

NOTES TO FINANCIAL STATEMENTS

investments, including U.S. Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

Accounts Receivable: Accounts receivable includes receivables from customers for services provided and the current and long-term portion of lease receivables associated with property rentals. Customer receivables are recorded at the billed amounts plus an estimate of unbilled revenue receivable. The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses based on account delinquencies and historical write-off experience. Account balances are written off against the allowance when it is probable the receivable will not be recovered. SAWS wrote off account balances totaling \$14.2 million in 2025 and \$12.6 million in 2024. A provision to increase the allowance for uncollectible accounts is recorded as an offset to operating revenue. The provision recorded to offset revenues was \$8.9 million in 2025 and \$4.0 million in 2024. In addition, SAWS recorded customer adjustments totaling \$0.8 million in 2025 and \$0.2 million in 2024.

Other Current Assets: Other current assets include inventory, prepaid expenses, and interest receivable. Inventories are valued at lower of cost or market using the weighted average cost method. Inventories (net) totaled \$8.7 million at December 31, 2025 and \$9.0 million at December 31, 2024. Prepaid expenses totaled \$10.2 million at December 31, 2025 and \$9.6 million at December 31, 2024. Interest receivable totaled \$6.1 million at December 31, 2025 and \$8.5 million at December 31, 2024.

Restricted Assets: Assets restricted by City Ordinance No. 75686, which incorporates the bond indentures, to pay current liabilities are reported as current assets in the Statement of Net Position, regardless of their relative liquidity. Assets restricted for the acquisition of capital assets or to pay noncurrent liabilities are reported as noncurrent assets in the Statement of Net Position. A net pension asset and net OPEB asset are also reported as restricted noncurrent assets in the Statement of Net Position.

Capital Assets: Assets in service are capitalized when the unit cost is greater than or equal to \$5,000. Utility plant additions are recorded at cost, which includes materials, labor and direct internal costs during construction. Included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas, development costs for internally generated computer software and subscription-based information technology arrangements. Assets acquired through financed purchase agreements are recorded as assets in Utility Plant in Service and the financed purchase agreements recorded as liabilities in Contract Payable using the present value of contract payments and any other non-executory costs. Assets acquired through contributions, such as those from developers, are recorded at estimated acquisition value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense, while major plant replacements are capitalized.

Capital assets are depreciated on the straight-line method. This method is applied to all individual assets except distribution and collection mains and intangible assets. Groups of mains are depreciated on the straight-line method over an estimated average useful life of 50 years. Mains are included in the Distribution and transmission system asset category and the Collection system category. Intangible assets not considered to have indefinite useful lives

NOTES TO FINANCIAL STATEMENTS

are amortized over their estimated useful life. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs.

The following table shows an estimated range of useful lives used in providing for depreciation of capital assets:

Structures and improvements	25 - 50	years
Pumping and purification equipment	10 - 50	years
Distribution and transmission system	17.5 - 50	years
Collection system	50	years
Treatment facilities	25	years
Equipment and machinery	5 - 20	years
Furniture and fixtures	3 - 10	years
Computer equipment	5	years
Software	3 - 10	years
Intangible assets (definite useful life)	2 - 20	years

Capital Contributions: Capital Contributions consist of plant contributions from developers, capital recovery fees, and contributions in aid of construction and/or grant proceeds received from governmental agencies for facility expansion. Capital Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position, after non-operating revenues (expenses), when eligibility requirements are met.

Capital recovery fees are charged to customers to connect to the water or wastewater system. By Texas law, these fees are to be used for capital expenditures that expand infrastructure capacity or to reimburse SAWS for the cost associated with existing excess infrastructure capacity. In certain instances, infrastructure that facilitates expansion of SAWS' service capacity is contributed by developers. In these instances, SAWS records the donated infrastructure as plant contributions and may abate future capital recovery fees due from the developer equal to a portion of the acquisition value of the infrastructure contributed. SAWS abated future capital recovery fees of \$12.8 million in 2025 and \$13.2 million in 2024. These abatements are conditional based on the type of development and in certain instances, time requirements and geographic restrictions.

Deferred Outflows and Inflows of Resources: In addition to assets, liabilities, and net position, the Statement of Net Position includes separate sections for deferred outflows and inflows of resources. A deferred outflow of resources represents a consumption of net assets that applies to a future period(s) and therefore, will not be recognized as an outflow of resources until the applicable future period. A deferred inflow of resources is an acquisition of net assets that is applicable to future reporting period(s) and therefore, will not be recognized as an inflow of resources until the applicable future period.

NOTES TO FINANCIAL STATEMENTS

Deferred charge on bond refunding and *Deferred inflows – gain on bond refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or refunding debt using the interest method.

Deferred outflows – unamortized asset retirement obligations (ARO) result from unamortized asset retirement obligation costs. This amount is deferred and amortized to depreciation and amortization expense based on the ARO's remaining useful life.

Deferred outflows – pension and *Deferred inflows – pension* result from contributions made by SAWS to its defined benefit pension plans after the measurement date of Net Pension Liability as well as changes in the Net Pension Liability not yet reflected in pension expense. Changes in the Net Pension Liability not yet reflected in pension expense include differences between projected and actual earnings on pension plan investments, expected and actual experience with regard to economic or demographic factors and changes in assumptions about future economic or demographic factors. Differences between projected and actual earnings are recognized in pension expense over a closed five-year period. Other changes are recognized in pension expense using a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees participating in the plans.

Deferred outflows – OPEB and *Deferred inflows – OPEB* result from contributions made by SAWS to its OPEB plan after the measurement date of Net OPEB Liability as well as changes in the Net OPEB Liability not yet reflected in OPEB expense. Changes in the Net OPEB Liability not yet reflected in OPEB expense include differences between projected and actual earnings on OPEB plan investments, expected and actual experience with regard to economic or demographic factors and changes in assumptions about future economic or demographic factors. Differences between projected and actual earnings are recognized in OPEB expense over a closed five-year period. Other changes are recognized in OPEB expense using a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees participating in the plans.

SAWS is a party to an interest rate swap agreement which serves to hedge interest rates on a portion of SAWS' variable rate debt. The agreement qualifies as a derivative instrument and meets the requirements of an effective hedge in accordance with GASB Statements No. 53 and 64. As a result, hedge accounting is used to account for the changes in the fair value of the swap agreement. *Accumulated decrease in fair value of hedging derivative instrument* represents the change in the fair value of the interest rate swap that has not been recognized in the Statement of Revenues, Expenses and Changes in Net Position due to the use of hedge accounting. For more information about this derivative instrument see Note G.

Deferred inflows – leases – As a part of the implementation of GASB Statement No. 87, *Leases*, SAWS is required to record an offset to any lease receivable to Deferred inflows – leases. SAWS measures the lease receivable and the corresponding Deferred inflows – leases at the net present value of all payments. SAWS recognizes lease revenue and interest revenue in a rational and systematic manner over the life of the lease. For more information about leases see Note M.

NOTES TO FINANCIAL STATEMENTS

Customer Deposits: SAWS collects an advance deposit from new customers to secure payment of the customer's final bill. The deposit is refundable once the customer has demonstrated an acceptable payment history of no more than two late payments within the first twelve-month period. SAWS may collect an additional deposit for customers whose service has been turned off for non-payment and need to restore service.

Compensated Absences: As a part of the implementation of GASB Statement No. 101, *Compensated Absences*, SAWS is required to accrue earned, but unused employee vacation and a portion of personal leave pay as well as the employer portion of Social Security taxes and required employer pension contributions related to the accrued vacation and personal leave pay. Per SAWS' policy, unused vacation hours are payable upon termination; therefore, employees are expected to either use or receive a payout for all of their vacation accrued as of the Measurement Date. Personal leave is not paid out upon termination, but employees have the option of receiving a payout annually for up to 40 hours accrued. Employees can carry up to a maximum of 880 hours of personal leave. At the end of each year, SAWS pays one hour's pay for every two hours to employees with an excess of 880 hours. Personal leave liability is measured related to these payouts as well as leave expected to be used during active employment.

Revenue Bonds & Commercial Paper: SAWS issues revenue bonds to finance capital improvement projects, refund outstanding bonds to reduce future debt service payments, and pay the cost of issuance. All SAWS' revenue bonds are secured by a lien on and pledge of net revenues of the system. Additionally, certain SAWS' bonds are further secured by the maintenance of a reserve fund established for the benefit of the bondholders. SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements.

Contract Payable: Contract Payables result from financed purchase agreements that transfer ownership of an underlying asset at the end of the term, do not have a termination option and do not meet the definition of a lease according to GASB Statement No. 87. SAWS has recorded a contract payable associated with its agreement with Vista Ridge, LLC to purchase water. For more information on this agreement and the related contract payable, see Note I to the financial statements.

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

Self-Insurance: SAWS is self-insured for a portion of workers' compensation, employee's health, employer's liability, public officials' liability, property damage and certain elements of general liability. A liability has been recorded for the estimated amount of eventual loss, which will be incurred on claims arising prior to the end of the period including incurred but not reported claims.

Derivative Instrument: As noted above, SAWS is a party to an interest rate swap agreement that qualifies as a derivative instrument. Additionally, mutual fund investments held by SAWS fiduciary funds may use derivative

NOTES TO FINANCIAL STATEMENTS

instruments as part of their investment strategy. These mutual funds are comingled pools, rather than individual securities.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CITY ORDINANCE NO. 75686

Funds Flow: City Ordinance No. 75686 requires that SAWS' gross revenues be applied in sequence to: (1) System Fund for payment of current maintenance and operating expenses including a reserve equal to two months of budgeted maintenance and operating expenses for the current fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) Payment of amounts required on Inferior Lien Obligations, and (7) Transfers to the City's General Fund and to the Renewal and Replacement Fund.

Payments to the City's General Fund: City Ordinance No. 75686 requires SAWS to make payments to the City each month after making all other payments required by the City Ordinance. The amount of the payment is determined by City Council from time to time and cannot exceed 5.0% of Gross Revenues. Gross Revenues consist of all revenue with respect to the operation and ownership of SAWS with the exception of capital contributions, payments received under the CPS Energy contract for recycled water, discussed below, the federal subsidy of interest on Build America Bonds and earnings on funds deposited in the Project Fund and Reserve Fund until the Reserve Fund contains the required reserve amount. SAWS payment to the City is currently set at 4.0% of Gross Revenues. Payments to the City are reported as non-operating expense in the Statement of Revenues, Expenses and Changes in Net Position.

Reuse Contract: SAWS has a contract with CPS Energy, the city owned electricity and gas utility, for the provision of reuse water. According to the City Ordinance, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any payments to the City's General Fund.

Pledged Revenues: Net Revenues of SAWS have been pledged to the payment and security of its debt obligations. Net Revenues are defined by the City Ordinance as SAWS' Gross Revenues after deducting operating expenses before depreciation.

No Free Service: The City Ordinance also provides for no free services except for municipal fire-fighting purposes.

NOTES TO FINANCIAL STATEMENTS

NOTE C – CASH AND INVESTMENTS

San Antonio Water System

The following is a reconciliation of cash and investments reported in the Statements of Net Position to deposits and investments disclosed in this note for December 31, 2025, and 2024.

(amounts in thousands)	December 31,	
	2025	2024
Reported in Statements of Net Position:		
Cash and Cash Equivalents:		
Unrestricted	\$ 411,265	\$ 271,297
Restricted - current	176,245	75,586
Restricted - noncurrent	137,063	71,631
Total cash and cash equivalents	<u>724,573</u>	<u>418,514</u>
Investments:		
Unrestricted	263,227	415,476
Restricted - current	90,578	200,492
Restricted - noncurrent	488,608	421,969
Total investments	<u>842,413</u>	<u>1,037,937</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 1,566,986</u>	<u>\$ 1,456,451</u>
Reported amounts in note for:		
Deposits	\$ 20,383	\$ 7,912
Investments	1,546,603	1,448,539
Total Deposits and Investments	<u>\$ 1,566,986</u>	<u>\$ 1,456,451</u>

Deposits: As of December 31, 2025, SAWS' general depository bank is JP Morgan Chase. As required by state law, all SAWS' deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2025, the collateral pledged was held by the Federal Home Loan Bank of Cincinnati and Federal Reserve Bank of New York, under SAWS' name so SAWS incurred no custodial credit risk. At December 31, 2024, the collateral pledged was held by the Federal Home Loan Bank of Cincinnati, under SAWS' name so SAWS incurred no custodial credit. At December 31, 2025, the bank balance of SAWS' demand accounts was \$17,551,000 and the reported amount was \$20,426,000, which included \$18,000 of cash on hand. At December 31, 2024, the bank balance of SAWS' demand accounts was \$4,034,000 and the reported amount was \$7,912,000, which included \$18,000 cash on hand.

Investments: As of December 31, 2025, and 2024, investments include securities issued by the United States government and its agencies and instrumentalities, municipal securities, money market funds and investment pools. As of December 31, 2025, securities purchased are held in custody by Bank of New York Mellon and registered as securities of SAWS. Money Market Funds are managed by Fidelity and Morgan Stanley and are invested in securities issued by the U.S. government or by U.S. agencies. Funds in investment pools are invested in TexPool

NOTES TO FINANCIAL STATEMENTS

Prime, Texas Class, Texas Fixed Income Trust, Texas Daily and Texas TERM. Investment pools may invest in commercial paper and certificates of deposit, as well as obligations of the U.S. government or its agencies and instrumentalities, and repurchase agreements as allowed under the Public Funds Investment Act (PFIA). All investments in money market funds and investment pools are reported at amortized cost. Amortized cost approximates fair value for these investments.

The following tables provide information related to SAWS investments at December 31, 2025, and 2024.

December 31, 2025 (dollars in thousands)					
Investment Type	Reported Value	Fair Value	Allocation Based on Fair Value	Credit Rating	Weighted Average Maturity (in days)
U.S. Treasury Securities	\$ 173,679	\$ 173,679	11.2%	AA+	231
U.S. Agency Notes	256,986	256,986	16.6%	AA+	415
Municipal Bonds	101,792	101,792	6.6%	AAA to AA-	335
Money Market Funds					
Fidelity Institutional MMF	29,111	29,111	1.9%	AAAm	1
Morgan Stanley	9,430	9,430	0.6%	AAAm	1
Texas Class Investment Pool	191,919	191,919	12.4%	AAAm	1
Texpool Prime Local Government Pool	181,282	181,282	11.7%	AAAm	1
Texas FIT Cash Pool	272,404	272,404	17.6%	AAAf	1
Texas Term Investment Pool	330,000	330,000	21.4%	AAAf	154
Total Investments	<u>\$ 1,546,603</u>	<u>\$ 1,546,603</u>	<u>100.0%</u>		<u>149</u>

December 31, 2024 (dollars in thousands)					
Investment Type	Reported Value	Fair Value	Allocation Based on Fair Value	Credit Rating	Weighted Average Maturity (in days)
U.S. Treasury Securities	\$ 314,498	\$ 314,498	21.7%	AAA	276
U.S. Agency Notes	373,327	373,327	25.8%	AA+	432
Municipal Bonds	128,112	128,112	8.8%	AAA to AA-	508
Money Market Funds			0.0%		
Fidelity Institutional MMF	3,504	3,504	0.2%	AAAm	1
Morgan Stanley	15,490	15,490	1.1%	AAAm	1
Texas Class Investment Pool	175,192	175,192	12.1%	AAAm	1
Texpool Prime Local Government Pool	88,304	88,304	6.1%	AAAm	1
Texas FIT Cash Pool	128,112	128,112	8.8%	AAAf	1
Texas Term Investment Pool	222,000	222,000	15.4%	AAAf	136
Total Investments	<u>\$ 1,448,539</u>	<u>\$ 1,448,539</u>	<u>100.0%</u>		<u>254</u>

NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk: Interest rate risk is the risk that a change in market interest rates of fixed income securities will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses due to rising interest rates, SAWS' investment policy limits its investments maturities to no more than five years. At December 31, 2025, the longest remaining maturity for any investment was approximately two years with approximately 85% of the investment portfolio maturing in less than one year. At December 31, 2024, the longest remaining maturity for any investment was approximately three years with 75% of the investment portfolio maturing in less than one year.

Credit Risk: Credit risk is the risk that an issuer of financial securities will not fulfill its obligations to the holder of the obligation. In accordance with its investment policies, SAWS manages exposure to credit risk by limiting its investments in long-term obligations of other states and cities to those with a credit rating of "A" or better. As of December 31, 2025, and 2024, the lowest rated municipal security held was "AA-". Additionally, any short-term investments require a rating of at least "A-1" or "P-1".

Concentration of Credit Risk: Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. SAWS' investment policy does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to concentration of credit risk, the investment policy does limit the amount that can be invested in any one government-sponsored issuer to no more than 50% of the total investment portfolio, and no more than 30% of the total investment portfolio in any non-government issuer unless it is fully collateralized, excluding investment pools and money market funds.

At December 31, 2025, and December 31, 2024, the percentage of the investment portfolio for government-sponsored issuers that represents 5% or more of the total investments were as follows:

	December 31,	
	2025	2024
Federal National Mortgage Association	6%	-
Federal Home Loan Bank	-	14%

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a financial institution failure, SAWS' deposits or collateral securities may not be returned to it. For SAWS, this risk is completely mitigated by (1) insurance coverage provided by the custodian that protects against loss of cash or securities held in custody and (2) collateral in the form of letters of credit issued by the Federal Home Loan Bank of Cincinnati over the Federal Deposit Insurance Corporation limit. Texas public fund accounts are collateralized at 100%.

Fair Value Measurement: SAWS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair

NOTES TO FINANCIAL STATEMENTS

value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables summarize SAWS investments by the fair value hierarchy as of December 31, 2025, and 2024.

(amounts in thousands)	December 31,	Fair Value Measurements Using		
	2025	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury Securities	\$ 173,679	\$ 173,679	\$ -	\$ -
U.S. Agency Notes	256,986	-	256,986	-
Municipal Bonds	101,792	-	101,792	-
Texas Term Investment Pool	330,000	-	330,000	-
Total investments measured at fair value	<u>\$ 862,457</u>	<u>\$ 173,679</u>	<u>\$ 688,778</u>	<u>\$ -</u>

(amounts in thousands)	December 31,	Fair Value Measurements Using		
	2024	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury Securities	\$ 314,498	\$ 314,498	\$ -	\$ -
U.S. Agency Notes	373,327	-	373,327	-
Municipal Bonds	128,112	-	128,112	-
Texas Term Investment Pool	222,000	-	222,000	-
Total investments measured at fair value	<u>\$ 1,037,937</u>	<u>\$ 314,498</u>	<u>\$ 723,439</u>	<u>\$ -</u>

Pricing for Level 1 inputs is provided by a pricing service as of the measurement date using pricing from exchanges. Securities classified in Level 2 of the fair value hierarchy are valued using interest rate curves and credit spreads applied to the terms of the debt instruments (maturity and coupon interest) and consider the counterparty rating.

Restricted Cash and Investments: Cash and investments are restricted for a variety of purposes based on the requirements set forth in City Ordinance No. 75686, state law or SAWS policy. The following table summarizes both current and noncurrent restricted cash and investments by purpose at December 31, 2025, and 2024.

(amounts in thousands)	December 31,	
	2025	2024
Restricted for:		
Operations	\$ 90,578	\$ 87,710
Debt Service	84,694	72,715
Debt Service Reserve	13,787	12,669
Construction - accrued liabilities	91,552	115,654
Construction - capital recovery fees	211,017	187,623
Construction - bond proceeds	400,866	293,307
Total Restricted Cash & Investments	<u>\$ 892,494</u>	<u>\$ 769,678</u>

The requirements of City Ordinance No. 75686 stipulate that SAWS must accumulate and maintain a reserve equal to 100% of the maximum annual debt service requirements for senior lien obligations. Additional City ordinances

NOTES TO FINANCIAL STATEMENTS

require SAWS to maintain a debt service reserve equal to the average annual debt service on all junior lien obligations secured by a reserve fund. Not all SAWS junior lien obligations require the security of a debt service reserve. Increases in the required reserve amount may be deposited into a reserve account over a five-year period. Ordinance No. 75686 allows SAWS to provide surety policies equal to all or part of the required reserve. SAWS may use bond proceeds to make the required deposits related to new debt issued. Debt service reserve deposits are required to be maintained until a) the revenue bonds mature, b) the surety policy provider's credit ratings improve to the minimum ratings required under SAWS bond ordinance, or c) new surety policies are provided that meet the requirements of the bond ordinance.

The following table summarizes the cash and investments restricted for Debt Service Reserve at December 31, 2025, and 2024 based on the allocation of the funds for junior lien bond requirements.

<i>(amounts in thousands)</i>	December 31,	
	2025	2024
Restricted for Junior Lien Bonds	\$ 13,787	\$ 12,669

Funds restricted for construction include amounts needed to pay accrued construction liabilities, collected but unspent capital recovery fees and unspent bond proceeds. Funds restricted for accrued construction liabilities and unspent bond proceeds are completely offset by related liabilities.

By state law, capital recovery fees are restricted for the construction of capital improvements related to growth. However, these funds may also be used to repay the costs incurred by rate payers to fund capital improvements related to growth.

San Antonio Water System Fiduciary Funds

The fiduciary financial statements include three fiduciary funds related to SAWS employee benefit plans: the San Antonio Water System Retirement Plan (SAWSRP), the District Special Project Retirement Income Plan (DSPRP) and the San Antonio Water System Retiree Health Trust (SAWS OPEB Trust).

SAWS maintains an investment policy for the SAWSRP and DSPRP fiduciary funds. It is the policy of the SAWSRP and DSPRP to invest 20% to 55% of their assets in fixed income securities, 40% to 70% of their assets in equity securities and 0% to 15% of their assets in real assets. The SAWSRP and DSPRP utilize an investment manager to make recommendations as to the appropriate target portfolio weightings among major asset classes. Additionally, the investment manager has full discretionary authority to buy, hold, and sell investments subject to the guidelines as defined in the SAWSRP and DSPRP investment policies.

In 2012, SAWS established the SAWS OPEB Plan for the exclusive purpose of funding health and life benefits provided to eligible retirees and their dependents. It is SAWS' current policy to invest 30% to 70% of its assets in fixed income securities, 10% to 50% in equity securities, and 1% to 5% in real assets. SAWS OPEB Plan utilizes an

NOTES TO FINANCIAL STATEMENTS

investment manager to make recommendations as to the appropriate target portfolio weightings among major asset classes. Additionally, the investment manager has full discretionary authority to buy, hold, and sell investments subject to the guidelines as defined in SAWS OPEB Plan's investment policy.

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NOTES TO FINANCIAL STATEMENTS

The following tables summarize fiduciary fund investments by plan and in total at December 31, 2025, and 2024:

December 31, 2025 (dollars in thousands)					
Investment Type	SAWSRP	DSPRP	SAWS OPEB Plan	Total All Plans	Allocation Based on Fair Value
Collective, Pooled & Mutual Funds:					
Domestic Equity	\$ 128,297	\$ 4,018	\$ 43,721	\$ 176,036	32.5%
International Equity	60,514	1,797	15,073	77,384	14.3%
Domestic Debt	137,185	729	88,256	226,170	41.7%
Real Estate	19,410	-	-	19,410	3.6%
Balanced/ Asset Allocation	39,867	-	-	39,867	7.4%
Money Market Mutual Funds	-	-	222	222	0.0%
Principal Guaranteed Fund	112	-	-	112	0.0%
Standard Insurance Company:					
Guaranteed Long-term Fund	-	2,722	-	2,722	0.5%
Total Investments	<u>\$ 385,385</u>	<u>\$ 9,266</u>	<u>\$ 147,272</u>	<u>\$ 541,923</u>	<u>100.0%</u>

December 31, 2024 (dollars in thousands)					
Investment Type	SAWSRP	DSPRP	SAWS OPEB Plan	Total All Plans	Allocation Based on Fair Value
Collective, Pooled & Mutual Funds:					
Domestic Equity	\$ 112,432	\$ 3,603	\$ 44,893	\$ 160,928	33.4%
International Equity	53,034	1,621	13,781	68,436	14.2%
Domestic Debt	124,912	685	75,312	200,909	41.7%
Real Estate	18,604	-	-	18,604	3.9%
Balanced/ Asset Allocation	29,810	-	-	29,810	6.2%
Money Market Mutual Funds	-	-	278	278	0.1%
Principal Guaranteed Fund	124	-	-	124	0.0%
Standard Insurance Company:					
Guaranteed Long-term Fund	-	2,593	-	2,593	0.5%
Total Investments	<u>\$ 338,916</u>	<u>\$ 8,502</u>	<u>\$ 134,264</u>	<u>\$ 481,682</u>	<u>100.0%</u>

The Standard Insurance Company Guaranteed Long-term Fund and the SAWSRP Guaranteed Fund contracts are reported at contract value as of December 31, 2025, and 2024, and money market mutual funds are reported at amortized cost, which approximates fair value. Money market funds are reported as Cash and Cash Equivalents in the Statements of Fiduciary Net Position.

Fair Value: SAWS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Pricing for Level 1 inputs is provided by a pricing service as of the measurement date using pricing from exchanges. Pricing for Level 2 inputs is provided by various sources such as issuer, investment managers or fund accountants.

NOTES TO FINANCIAL STATEMENTS

The following tables summarize fiduciary fund investments by the fair value hierarchy as of December 31, 2025, and 2024:

<i>(dollars in thousands)</i>	December 31,	Fair Value Measurement Using		
Investment Type	2025	Level 1	Level 2	Level 3
Collective and Pooled Funds				
Domestic Equity	\$ 176,036	\$ 131,161	\$ 44,875	\$ -
International Equity	77,384	64,308	13,076	-
Domestic Debt	226,170	137,185	88,985	-
Real Estate	19,410	19,410	-	-
Balanced/Asset Allocation	39,867	39,867	-	-
Total Investments	<u>\$ 538,867</u>	<u>\$ 391,931</u>	<u>\$ 146,936</u>	<u>\$ -</u>

<i>(dollars in thousands)</i>	December 31,	Fair Value Measurement Using		
Investment Type	2024	Level 1	Level 2	Level 3
Collective and Pooled Funds				
Domestic Equity	\$ 160,928	\$ 115,710	\$ 45,218	\$ -
International Equity	68,436	56,264	12,172	-
Domestic Debt	200,909	124,914	75,995	-
Real Estate	18,604	18,604	-	-
Balanced/Asset Allocation	29,810	29,810	-	-
Total Investments	<u>\$ 478,687</u>	<u>\$ 345,302</u>	<u>\$ 133,385</u>	<u>\$ -</u>

Fiduciary Fund investments are not subject to the Public Funds Investment Act. The investments are subject to the following risks:

Credit Risk: The individual investments held by the Collective, Pooled and Mutual funds at December 31, 2025 and December 31, 2024, were not rated. The Standard Insurance Company Guaranteed Long-term Fund had a rating of A+ by Standard and Poor's at December 31, 2025, and December 31, 2024.

Concentration of Credit Risk: As of December 31, 2025, and 2024, more than 99% of fiduciary fund investments were in collective, pooled and mutual funds.

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NOTES TO FINANCIAL STATEMENTS

The following funds exceeded 5% of fiduciary net position:

	<u>December 31, 2025</u>
Principal Core Plus Bond Separate Account	21.5%
Principal Large Cap S&P 500 Index Separate Account	12.1%
Principal Diversified International Separate Account	11.1%
Vanguard Short Term Investment Grade Fund #858	10.1%
Principal Mid Cap S&P 400 Index Separate Account	6.4%

	<u>December 31, 2024</u>
Principal Core Plus Bond Separate Account	23.4%
Principal Large Cap S&P 500 Index Separate Account	13.1%
Vanguard Short Term Investment Grade	10.4%
Principal Diversified International Separate Account	6.9%
Principal Mid Cap S&P 400 Index Separate Account	6.6%

Interest Rate Risk: The effective duration of the Domestic Debt funds was 4.86 years at December 31, 2025 and 5.0 years at December 31, 2024. The Standard Insurance Company Guaranteed Long-term Fund had an effective duration of 5.6 years at December 31, 2025, and 5.4 years at December 31, 2024.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2025, and 2024:

<i>(amounts in thousands)</i>	<u>2025</u>	<u>2024</u>
Current:		
Receivable from customers	\$ 63,003	\$ 81,656
Unbilled revenue	44,600	28,962
Receivable from leases & governmental agencies	363	341
Less: Allowance for doubtful accounts	<u>(17,007)</u>	<u>(21,576)</u>
	90,959	89,383
Noncurrent:		
Receivable from leases	<u>2,928</u>	<u>3,292</u>
Total accounts receivable	<u>\$ 93,887</u>	<u>\$ 92,675</u>

NOTES TO FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2025, is as follows:

<i>(amounts in thousands)</i>					
	December 31, 2024	Increases	Transfers	Decreases	December 31, 2025
Capital assets, not being depreciated:					
Land	\$ 183,170	\$ -	\$ 2,065	\$ -	\$ 185,235
Water rights purchased	248,316	-	-	-	248,316
Other intangible assets	370	-	-	-	370
Construction in progress	897,650	736,512	(628,120)	969	1,005,073
Total capital assets, not being depreciated/amortized	1,329,506	736,512	(626,055)	969	1,438,994
Capital assets, being depreciated					
Structures and improvements	1,137,946	19	120,674	1,591	1,257,048
Pumping and purification equipment	290,105	312	9,142	117	299,442
Distribution and transmission system	4,289,078	-	188,392	37,345	4,440,125
Treatment facilities	3,822,475	-	257,376	15,145	4,064,706
Equipment and machinery	548,996	18,352	50,383	6,699	611,032
Furniture and fixtures	6,591	-	-	720	5,871
Computer equipment	34,097	1,490	-	2,325	33,262
Software	66,715	160	88	-	66,963
Intangible subscription assets	6,892	1,990	-	-	8,882
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	10,204,249	22,323	626,055	63,942	10,788,685
Less accumulated depreciation					
Structures and improvements	(386,235)	(32,014)	-	(1,273)	(416,976)
Pumping and purification equipment	(132,623)	(10,195)	-	(117)	(142,701)
Distribution and transmission system	(1,112,154)	(84,022)	-	(37,345)	(1,158,831)
Treatment facilities	(1,050,560)	(71,796)	-	(15,145)	(1,107,211)
Equipment and machinery	(272,303)	(35,113)	-	(6,685)	(300,731)
Furniture and fixtures	(6,522)	(47)	-	(720)	(5,849)
Computer equipment	(28,366)	(2,082)	-	(2,291)	(28,157)
Software	(56,785)	(2,004)	-	-	(58,789)
Intangible subscription assets	(3,627)	(1,385)	-	-	(5,012)
Other intangible assets	(991)	(68)	-	-	(1,059)
Total accumulated depreciation	(3,050,166)	(238,726)	-	(63,576)	(3,225,316)
Total capital assets, being depreciated/amortized	7,154,083	(216,403)	626,055	366	7,563,369
Capital assets, net	\$ 8,483,589	\$ 520,109	\$ -	\$ 1,335	\$ 9,002,363

In addition to the 2025 depreciation expense of \$238,726,000, SAWS recorded \$1,007,000 in amortization expense for the Asset Retirement Obligation. See Note L to the financial statements for more information.

NOTES TO FINANCIAL STATEMENTS

A summary of capital asset activity for the year ended December 31, 2024, is as follows:

<i>(amounts in thousands)</i>					
	December 31, 2023	Increases	Transfers	Decreases	December 31, 2024
Capital assets, not being depreciated:					
Land	\$ 181,075	\$ 18	\$ 4,590	\$ 2,513	\$ 183,170
Water rights purchased	248,881	-	-	565	248,316
Other intangible assets	370	-	-	-	370
Construction in progress	830,450	703,222	(631,077)	4,945	897,650
Total capital assets, not being depreciated/amortized	1,260,776	703,240	(626,487)	8,023	1,329,506
Capital assets, being depreciated					
Structures and improvements	1,096,334	-	42,005	393	1,137,946
Pumping and purification equipment	289,056	1,112	-	63	290,105
Distribution and transmission system	4,003,977	-	316,011	30,910	4,289,078
Treatment facilities	3,572,251	-	267,042	16,818	3,822,475
Equipment and machinery	533,878	16,076	1,429	2,387	548,996
Furniture and fixtures	6,591	-	-	-	6,591
Computer equipment	34,036	665	-	604	34,097
Software	66,683	32	-	-	66,715
Intangible subscription assets	6,892	-	-	-	6,892
Other intangible assets	1,354	-	-	-	1,354
Total capital assets being depreciated/amortized	9,611,052	17,885	626,487	51,175	10,204,249
Less accumulated depreciation					
Structures and improvements	(357,475)	(28,938)	-	(178)	(386,235)
Pumping and purification equipment	(122,979)	(9,681)	-	(37)	(132,623)
Distribution and transmission system	(1,060,262)	(82,654)	-	(30,762)	(1,112,154)
Treatment facilities	(996,588)	(70,430)	-	(16,458)	(1,050,560)
Equipment and machinery	(243,873)	(30,809)	-	(2,379)	(272,303)
Furniture and fixtures	(6,475)	(47)	-	-	(6,522)
Computer equipment	(26,631)	(2,294)	-	(559)	(28,366)
Software	(54,220)	(2,565)	-	-	(56,785)
Intangible subscription assets	(1,691)	(1,936)	-	-	(3,627)
Other intangible assets	(923)	(68)	-	-	(991)
Total accumulated depreciation	(2,871,117)	(229,422)	-	(50,373)	(3,050,166)
Total capital assets, being depreciated/amortized	6,739,935	(211,537)	626,487	802	7,154,083
Capital assets, net	\$ 8,000,711	\$ 491,703	\$ -	\$ 8,825	\$ 8,483,589

In addition to the 2024 depreciation expense of \$229,422,000, SAWS recorded \$1,407,000 in amortization expense for the Asset Retirement Obligation. See Note L to the financial statements for more information.

Asset Impairment: SAWS periodically reviews its capital assets for possible impairment. As part of SAWS' capital improvement program, SAWS incurs costs to design capital improvement projects. These costs are included in capital assets as Construction in Progress. Periodically the actual construction of these projects may not occur due to changes in plans. Once it has been determined that construction will not proceed, any capitalized costs are charged off to operating expenses. Design and project costs written off totaled \$1.0 million in 2025 and \$4.9 million in 2024.

NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER LIABILITIES

Accrued Compensated Absences: SAWS accrues earned but unused employee vacation and a portion of personal leave pay as well as the employer portion of Social Security taxes and required employer pension contributions related to the accrued vacation and personal leave pay. Per SAWS' policy, unused vacation hours are payable upon termination; therefore, employees are expected to either use or receive a payout for all vacation accrued as of the Measurement Date. Personal leave is not paid out upon termination, but employees have the option of receiving a payout annually for up to 40 hours accrued. Personal Leave accumulates from year to year up to a maximum of 880 hours. For employees hired prior to January 1, 2024, SAWS will pay one hour's pay for each two hours accumulated leave accrued in excess of 880 hours at the end of the calendar year. Employees hired or rehired after that date will not be eligible to receive these payments and will forfeit any personal leave hours accumulated in excess of 880 hours at the end of the calendar year. Any unused personal leave available at the end of an employee's employment will not be paid. Personal leave liability is measured related to these payouts as well as leave expected to be used during active employment.

<i>(amounts in thousands)</i>						
Year Ended	Balance at Beginning of Year	Current-Year Accruals	Payments	Balance at End of Year	Estimated Due Within One Year	
December 31, 2025	\$ 28,705	\$ 19,409	\$ (17,229)	\$ 30,885	\$ 12,899	
Year Ended						
December 31, 2024	\$ 26,677	\$ 17,294	\$ (15,266)	\$ 28,705	\$ 12,107	

Risk Management

Health Care Benefits: SAWS provides health care benefits to eligible employees and retirees through a self-insured plan that includes medical, prescription drug and dental benefits. The payment of claims associated with these benefits is handled by third party administrators. Plan participants contribute a portion of the cost of providing these benefits through payroll deductions or monthly premiums, annual deductibles and other co-payments. SAWS was self-insured for all medical claims during 2025 and the first \$800,000 per person during 2024.

Other Risks: SAWS is exposed to various risks of financial loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAWS is self-administered and self-insured for the first \$2,000,000 of each workers' compensation and general liability claim and is fully self-insured for automobile liability. Claims that exceed the self-insured retention limit for workers' compensation and general liability are covered through SAWS' comprehensive commercial insurance program (CCIP). Additionally, under the CCIP, SAWS maintains deductible programs for public officials and employment practices liability, fiduciary liability, pollution legal liability, drone liability, cyber liability and crime with varying deductibles. Property coverage is on a

NOTES TO FINANCIAL STATEMENTS

replacement cost basis with a deductible of \$250,000 per occurrence. Settled claims during the last three years have not exceeded the insurance coverage in any year.

The claims liability for health care benefits and other risks, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. Changes in the liability amount for the last three fiscal years were as follows:

<i>(amounts in thousands)</i>						
	Balance at Beginning of Year	Current-Year Accruals	Payments	Balance at End of Year	Estimated Due Within One Year	
Year Ended						
December 31, 2025	\$ 8,022	\$ 23,380	\$ (21,606)	\$ 9,796	\$ 9,796	
Year Ended						
December 31, 2024	\$ 8,938	\$ 22,059	\$ (22,975)	\$ 8,022	\$ 8,022	
Year Ended						
December 31, 2023	\$ 8,513	\$ 21,709	\$ (21,284)	\$ 8,938	\$ 8,938	

NOTE G – DERIVATIVE INSTRUMENT

In 2003, SAWS entered into an interest rate swap agreement in connection with its City of San Antonio, Texas, Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the “Series 2003 Bonds”) issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for SAWS’ capital improvements program and to refund certain outstanding commercial paper notes.

Objective of the Interest Rate Swap: The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower interest rate than a traditional long-term fixed rate bond issued at that time. In August 2008, SAWS used commercial paper notes to redeem \$110,615,000 of the \$111,615,000 outstanding principal of the Series 2003 Bonds due to unfavorable market conditions relating to the ratings downgrade of the 2003 Bond insurer, MBIA Insurance Corporation (MBIA). In 2009, SAWS redeemed the remaining \$1 million of the Series 2003 Bonds through the issuance of additional commercial paper. The interest rate swap agreement was not terminated upon the redemption of the Series 2003 Bonds and instead serves as an off-market hedge for that portion of the commercial paper notes outstanding, which pertain to the redemption of the Series 2003 Bonds. SAWS currently intends to maintain a portion of its outstanding commercial paper in amounts matching the notional amounts of the swap. SAWS did not recognize any economic gain or loss as a result of this refunding since the debt service requirements of the commercial paper notes are expected to closely match the debt service requirements of the refunded debt. Commercial paper notes totaling \$49,825,000 at December 31, 2025 and \$54,895,000 at December 31, 2024 were hedged by the interest rate swap agreement.

NOTES TO FINANCIAL STATEMENTS

Terms: The swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow the original scheduled reductions of the Series 2003 Bonds. The Series 2003 Bonds were issued on March 27, 2003, with a principal amount of \$122,500,000. The swap agreement matures on May 1, 2033. At the time the swap was entered into, the counterparty was Bear Stearns Financial Products, Inc. (Bear Stearns FPI), with the index for the variable rate leg of the swap being the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

In 2008, JPMorgan Chase & Co. announced its acquisition of The Bear Stearns Companies Inc., the parent of Bear Stearns FPI. JPMorgan Chase & Co. guaranteed the trading obligations of the Bear Stearns Companies Inc. and its subsidiaries. Effective June 16, 2009, the swap agreement was amended between SAWS, JPMorgan Chase & Co, and MBIA to provide for JPMorgan Chase Bank N.A. (JP Morgan Chase) to become the swap counterparty and allow for the remainder of outstanding Series 2003 Bonds to be redeemed, while maintaining the swap agreement as an obligation to all parties. The amendment provides for the conditional release of MBIA's swap insurance policy upon the occurrence of certain future events.

The combination of commercial paper notes and a floating-to-fixed swap creates a synthetic fixed-rate of 4.18%. The synthetic fixed rate protects against the potential of rising interest rates.

Fair Value: The swap had an approximate fair value of negative \$2,880,000 at December 31, 2025 and \$2,310,000 at December 31, 2024. This value is based on Level 2 inputs in the fair value hierarchy using the zero-coupon valuation method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap agreement meets the criteria of an effective hedge under GASB Statement No. 53 and therefore qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a non-current liability. Changes in the swap's fair value are recorded as a deferred outflow of resources and included on the Statement of Net Position. At the time the Series 2003 Bonds were redeemed in 2008, the fair value of the swap was negative \$6.2 million. The deferred outflow at the time of redemption was included in the carrying value of the Series 2003 Bonds and resulted in a loss on redemption of \$6.2 million. This loss is included in the deferred charge on bond refunding on the Statement of Net Position and is being amortized over the remaining life of the Series 2003 Bonds. The unamortized deferred charge on bond refunding related to the swap was \$1,064,000 at December 31, 2025, and \$1,318,000 at December 31, 2024.

Credit Risk: SAWS was not exposed to credit risk on its outstanding swap at December 31, 2025, and 2024 because the swap had a negative fair value. However, should interest rates change, and the fair value of the swap become positive, SAWS would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, JPMorgan Chase was rated Aa2 by Moody's Ratings, AA- by S&P Global Ratings, and AA by Fitch Ratings as of

NOTES TO FINANCIAL STATEMENTS

December 31, 2025, and December 31, 2024. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair value of the swap reach applicable thresholds as stated in the amended swap agreement.

Basis Risk: SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by (a) matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

Termination Risk: SAWS may terminate the swap at any time for any reason. JPMorgan Chase may terminate the swap if SAWS fails to perform under the terms of the agreement. SAWS' ongoing payment obligations under the swap are insured as provided for in the swap amendment and JPMorgan Chase cannot terminate as long as the insurer does not fail to perform. Also, if at the time of the termination the swap has a negative fair value, SAWS would be liable to the counterparty for a payment equal to the swap's fair value.

Market-access Risk: SAWS is subject to market-access risk as the variable-rate debt hedged by the swap consists of commercial paper notes. At December 31, 2025, \$49,825,000 of outstanding commercial paper with current maturities of approximately 33 days was hedged by the interest rate swap. At December 31, 2024, \$54,895,000 of outstanding commercial paper with current maturities of approximately 35 days was hedged by the interest rate swap. As previously noted, SAWS intends to reissue the commercial paper notes in amounts matching the notional amounts of the swap.

Swap Payments and Associated Debt: As of December 31, 2025, debt service requirements of the hedged commercial paper notes and net swap payments, assuming current interest rates remain the same, are as detailed below. As rates vary, variable-rate interest payments and net swap payments will vary. Principal payments assume that commercial paper notes will be repaid in accordance with the amortization schedule of the swap.

Pay-Fixed, Receive-Variable Interest Rate Swap Estimated Debt Service Requirements of Variable-Rate Debt Outstanding and Net Swap Payments <i>(amounts in thousands)</i>				
Year	Principal	Interest Paid on Debt	Interest Rate Swap, Net	Total
2026	\$ 5,305	\$ 1,268	\$ 843	\$ 7,416
2027	5,540	1,119	743	7,402
2028	5,795	962	639	7,396
2029	6,060	799	530	7,389
2030	6,335	628	417	7,380
2031 - 2033	20,790	777	516	22,083
Total	<u>\$ 49,825</u>	<u>\$ 5,553</u>	<u>\$ 3,688</u>	<u>\$ 59,066</u>

NOTES TO FINANCIAL STATEMENTS

NOTE H – LONG TERM DEBT

Revenue Bonds

On February 18, 2025, SAWS issued \$181,225,000 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2025A (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) refund \$204,830,000 of City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund) (Series 2015B Bonds), and (ii) pay for costs of issuance. The refunding of the Series 2015B bonds reduced future debt service by approximately \$25.1 million and resulted in an economic gain of approximately \$19.7 million. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On February 25, 2025, SAWS issued \$89,160,000 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2025B. The proceeds from the sale of the bonds were used to (i) refund \$72,085,000 of City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy – Build America Bonds) (Series 2009B Bonds), (ii) refund \$29,750,000 of City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds) (Series 2010B Bonds), and (iii) pay for costs of issuance. The refunding of the Series 2009B Bonds and Series 2010B Bonds reduced future debt service by approximately \$2.0 million and resulted in an economic gain of approximately \$1.6 million. The bonds are secured solely by a lien on a pledge of net revenues.

On October 28, 2025, SAWS issued \$293,260,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2025C (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) refund \$99,590,000 of City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund) (Series 2014B Bonds), (ii) finance capital improvement projects, and (iii) pay for costs of issuance. The Series 2014B Bonds were issued as multi-modal variable rate bonds. Due to the variable nature of the Series 2014B Bonds, savings from the refunding is not calculated. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On October 22, 2025, SAWS issued \$150,895,000 City of San Antonio, Texas Water System Subordinate Lien Revenue Bonds, Series 2025D. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, and (iii) pay for costs of issuance. The bonds are secured solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations and Junior Lien Obligations.

On December 8, 2025, SAWS issued \$26,865,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2025E through the Texas Water Development Board. The bonds were sold under the State Water Implementation Fund of Texas (SWIFT). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects that qualify under the Texas Water Development Board Program, and (iii) pay for costs of

NOTES TO FINANCIAL STATEMENTS

issuance. The bonds are secured solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

Senior lien water system revenue bonds outstanding consist of the Series 2025B, outstanding in the amount of \$88,940,000 at December 31, 2025. Senior lien revenue bonds are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operations and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates on outstanding senior lien bonds are 5.00%.

The junior lien water system revenue bonds are composed of two categories of debt: fixed rate debt and variable rate debt. The junior lien fixed rate debt is similar to the senior lien bonds, as they have fixed interest rates for the life of the bonds. The junior lien variable rate bonds have interest rates that are periodically reset throughout the life of the bonds. An additional component of a portion of the fixed rate junior lien debt is direct placement debt with the Texas Water Development Board (TWDB). Direct placement debt with TWDB is offered at subsidized interest rates for qualified water, wastewater and water supply projects. All the junior lien water system revenue bonds are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operations and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien obligations.

As of December 31, 2025, direct placement bonds with TWDB consist of junior lien Series 2012, Series 2013A, Series 2013C, Series 2013D, Series 2014C, Series 2014D, Series 2015A, Series 2016D, Series 2016E, Series 2018B, Series 2019B, Series 2020B, Series 2020D, and Series 2025E in an outstanding amount of \$287,300,000. Interest rates on the TWDB junior lien fixed rate bonds outstanding as of December 31, 2025, range from 0.00% to 3.40%.

As of December 31, 2025, the remaining junior lien fixed rate revenue bonds consisting of Series 2015B (No Reserve Fund), Series 2016A (No Reserve Fund), Taxable Series 2016B, Series 2016C (No Reserve Fund), Series 2017A (No Reserve Fund), Series 2018A (No Reserve Fund), Series 2019C (No Reserve Fund), Series 2020A (No Reserve Fund), Series 2020C (No Reserve Fund), Series 2021A (No Reserve Fund), Series 2022A (No Reserve Fund), Series 2022B (No Reserve Fund), Series 2023A (No Reserve Fund), Series 2024B (No Reserve Fund), Series 2025A (No Reserve Fund), and Series 2025C (No Reserve Fund), are outstanding in the amount of \$2,744,230,000. Interest rates on these junior lien fixed rate bonds range from 2.125% to 5.250%.

The junior lien variable rate bonds, comprised of the Series 2013F (No Reserve Fund) (Series 2013F Bonds), are outstanding in the amount of \$98,420,000 at December 31, 2025. The Series 2013F Bonds are tax-exempt variable rate notes currently in a Term Mode through October 31, 2026, at an interest rate of 1.00%.

Upon conclusion of an interest period, SAWS is permitted to change the mode for all or any portion of the junior lien variable rate bonds (the Bonds) to a different mode. The Bonds are subject to a mandatory tender without right of retention at the conclusion of the interest period. The Bonds are not subject to the benefit of a liquidity facility

NOTES TO FINANCIAL STATEMENTS

provided by a third party. Accordingly, a failure to remarket the Bonds at the end of an interest period will result in the rescission of the notice of mandatory tender with respect to the Bonds and SAWS has no obligation to purchase the Bonds at such time. The occurrence of a failed remarketing will not result in an event of default under the ordinance. Until SAWS redeems or remarkets the Bonds that had a failed remarketing, the Bonds shall bear interest at the stepped rate of 7.0% for the Series 2013F Bonds.

The direct placement revenue bonds of \$287,300,000 contain events of default and/or termination provisions with possible finance-related consequences. SAWS management has evaluated the events of default and/or termination provisions with possible finance-related consequences and in the opinion of SAWS management, the likelihood is remote that these provisions will have a significant effect on SAWS' financial position or results of operations.

Subordinate lien water system revenue bonds consist of the Series 2024A Bonds and Series 2025D bonds, outstanding in the amount of \$316,205,000 at December 31, 2025. Subordinate lien revenue bonds are collateralized by a subordinate lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operations and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien and junior lien debt.

The 2024A Bonds are tax-exempt variable rate bonds issued in a Daily Mode. Upon the occurrence of a failed remarketing, the bonds will be purchased under the liquidity facility being a Standby Bond Purchase Agreement with Truist Bank that expires on September 11, 2029. The 2025D Bonds are tax-exempt variable rate bonds issued in a Daily Mode. Upon the occurrence of a failed remarketing, the bonds will be purchased under the liquidity facility being a Standby Bond Purchase Agreement with TD Bank that expires on October 22, 2030. The 2024A and 2025D Bonds are subject to a mandatory tender on the substitution of the liquidity facility, change in interest rate mode, on any rate adjustment date, and termination of the liquidity facility.

On April 1, 2024, SAWS issued \$116,480,000 in Tax-Exempt Commercial Paper Notes to partially fund an escrow account for the redemption of the City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue Bonds, Series 2019A (No Reserve Fund) (Series 2019A Bonds). Additionally, SAWS deposited \$50,000,000 from available cash on hand to the escrow account to effectuate the redemption of \$166,480,000 in Series 2019A Bonds on the bonds mandatory tender date of May 1, 2024.

On September 11, 2024, SAWS issued \$165,310,000 City of San Antonio, Texas Water System Subordinate Lien Revenue Refunding Bonds, Series 2024A. The proceeds from the sale of the bonds were used to (i) refund \$165,200,000 of City of San Antonio, Texas Water System Tax-Exempt Commercial Paper, and (ii) pay for costs of issuance. The bonds are secured solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations and Junior Lien Obligations.

On October 29, 2024, SAWS issued \$265,075,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2024B (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) finance capital

NOTES TO FINANCIAL STATEMENTS

improvement projects, and (ii) pay for costs of issuance. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

Senior lien water system revenue bonds outstanding at December 31, 2024, consist of the Series 2009B and Series 2010B in the amount of \$101,835,000. Senior lien revenue bonds are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operations and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates on senior lien bonds outstanding at December 31, 2024 range from 5.502% to 5.920%, exclusive of any federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

The junior lien water system revenue bonds outstanding at December 31, 2024, are composed of two categories of debt: fixed rate debt and variable rate debt. The junior lien fixed rate debt is similar to the senior lien bonds, as they have fixed interest rates for the life of the bonds. The junior lien variable rate bonds have interest rates that are periodically reset throughout the life of the bonds. An additional component of a portion of the fixed rate junior lien debt is direct placement debt with the Texas Water Development Board (TWDB). Direct placement debt with TWDB is offered at subsidized interest rates for qualified water, wastewater and water supply projects. All the junior lien water system revenue bonds are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operations and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien obligations.

As of December 31, 2024, direct placement bonds with TWDB consist of junior lien Series 2012, Series 2013A, Series 2013C, Series 2013D, Series 2014C, Series 2014D, Series 2015A, Series 2016D, Series 2016E, Series 2018B, Series 2019B, Series 2020B, and Series 2020D in an outstanding amount of \$274,415,000 at December 31, 2024. Interest rates on the TWDB junior lien fixed rate bonds outstanding as of December 31, 2024 range from 0.00% to 3.39%.

As of December 31, 2024, the remaining junior lien fixed rate revenue bonds consisting of Series 2015B (No Reserve Fund), Series 2016A (No Reserve Fund), Taxable Series 2016B, Series 2016C (No Reserve Fund), Series 2017A (No Reserve Fund), Series 2018A (No Reserve Fund), Series 2019C (No Reserve Fund), Series 2020A (No Reserve Fund), Series 2020C (No Reserve Fund), Series 2021A (No Reserve Fund), Series 2022A (No Reserve Fund), Series 2022B (No Reserve Fund), Series 2024A (No Reserve Fund), and Series 2024B (No Reserve Fund) are outstanding in the amount of \$2,531,715,000. Interest rates on these junior lien fixed rate bonds range from 2.00% to 5.25%.

The junior lien variable rate bonds outstanding at December 31, 2024, comprised of the Series 2013F (No Reserve Fund) (Series 2013F Bonds), and the Series 2014B (No Reserve Fund) (Series 2014B Bonds), are in the amount of \$198,010,000 at December 31, 2024. The Series 2013F Bonds are tax-exempt variable rate notes currently in a Term Mode through October 31, 2026 at an interest rate of 1.00%. The Series 2014B Bonds are tax-exempt variable rate

NOTES TO FINANCIAL STATEMENTS

notes currently in a SIFMA Index Mode with interest reset weekly at a spread of 0.65% over the SIFMA Swap Index through October 31, 2025.

Upon conclusion of an interest period, SAWS is permitted to change the mode for all or any portion of the junior lien variable rate bonds (the Bonds) to a different mode. The Bonds are subject to a mandatory tender without right of retention at the conclusion of the interest period. The Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure to remarket the Bonds at the end of an interest period will result in the rescission of the notice of mandatory tender with respect to the Bonds and SAWS has no obligation to purchase the Bonds at such time. The occurrence of a failed remarketing will not result in an event of default under the ordinance. Until SAWS redeems or remarkets the Bonds that had a failed remarketing, the Bonds shall bear interest at the stepped rate of 7.0% for the Series 2013F Bonds and 8.0% for the Series 2014B Bonds.

The direct placement revenue bonds of \$274,415,000 contain events of default and/or termination provisions with possible finance-related consequences. SAWS management has evaluated the events of default and/or termination provisions with possible finance-related consequences and in the opinion of SAWS management, the likelihood is remote that these provisions will have a significant effect on SAWS' financial position or results of operations.

Subordinate lien water system revenue bonds at December 31, 2024, consist of the Series 2024A Bonds, outstanding in the amount of \$165,310,000. Subordinate lien revenue bonds are collateralized by a subordinate lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operations and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien and junior lien debt.

The 2024A Bonds are tax-exempt variable rate bonds issued in a Daily Mode. Upon the occurrence of a failed remarketing, the bonds will be purchased under the liquidity facility being a Standby Bond Purchase Agreement with Truist Bank that expires on September 11, 2029. The 2024A Bonds are subject to a mandatory tender on the substitution of the liquidity facility, change in interest rate mode, on any rate adjustment date, and termination of the liquidity facility.

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time as payment of the calculated liability is due. A liability is recorded once payment appears to be probable. As of December 31, 2025, SAWS had a recorded arbitrage liability of \$10,497,000 related to the 2018B, 2019B, 2020B, 2020D, 2022B, 2023A and 2024B junior lien bonds. As of December 31, 2024, SAWS had a recorded arbitrage liability of \$7,597,000 related to the 2015A, 2018B, 2020B, 2020D, 2022B and 2023A junior lien bonds.

NOTES TO FINANCIAL STATEMENTS

The following tables summarize revenue bond transactions for the years ended December 31, 2025, and 2024.

	Balance January 1, 2025	Additions	Reductions/ Amortization	Balance December 31, 2025	Due Within One Year
Revenue Bonds	\$ 2,996,870	\$ 714,540	\$ 463,615	\$ 3,247,795	\$ 70,515
Direct Placement Bonds	274,415	26,865	13,980	287,300	15,260
Unamortized premium	300,250	61,341	48,662	312,929	-
Unamortized discount	(186)	-	(15)	(171)	-
Total Bonds Payable, Net	<u>\$ 3,571,349</u>	<u>\$ 802,746</u>	<u>\$ 526,242</u>	<u>\$ 3,847,853</u>	<u>\$ 85,775</u>

	Balance January 1, 2024	Additions	Reductions/ Amortization	Balance December 31, 2024	Due Within One Year
Revenue Bonds	\$ 2,789,350	\$ 430,385	\$ 222,865	\$ 2,996,870	\$ 60,790
Direct Placement Bonds	288,250	-	13,835	274,415	13,980
Unamortized premium	292,994	36,976	29,720	300,250	-
Unamortized discount	(202)	-	(16)	(186)	-
Total Bonds Payable, Net	<u>\$ 3,370,392</u>	<u>\$ 467,361</u>	<u>\$ 266,404</u>	<u>\$ 3,571,349</u>	<u>\$ 74,770</u>

The following table shows the annual debt service requirements on SAWS' debt obligations for each of the next five years and then in five-year increments after that.

Annual Debt Service Requirements Revenue and Refunding Bonds (amounts in thousands)						
Year Ended December 31,	Fixed Rate Bonds				Variable Rate Bonds	
	Revenue Bonds		Direct Placement Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest*
2026	\$ 70,515	\$ 136,932	\$ 15,260	\$ 4,889	\$ -	\$ 11,263
2027	72,835	132,654	15,390	4,735	-	13,231
2028	79,405	128,879	15,605	4,524	-	13,231
2029	104,480	124,355	15,840	4,296	-	13,225
2030	109,125	119,138	16,085	4,053	650	13,222
2031 - 2035	596,580	511,496	74,500	16,144	32,605	63,675
2036 - 2040	740,615	347,090	62,405	9,965	38,690	58,339
2041 - 2045	533,845	194,427	59,030	3,279	26,475	52,592
2046 - 2050	430,830	68,506	13,185	205	105,920	46,910
2051 - 2055	94,940	5,436	-	-	210,285	15,820
	<u>\$ 2,833,170</u>	<u>\$ 1,768,913</u>	<u>\$ 287,300</u>	<u>\$ 52,090</u>	<u>\$ 414,625</u>	<u>\$ 301,508</u>

*The variable rate bonds are currently in a Term Mode and Daily Mode. Interest listed above is based on the fixed rate through the interest period for the Term Mode and a budgeted rate of 3.00% thereafter, and a budgeted rate of 3.25% for the Daily Mode.

Commercial Paper Program

SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements. The City has authorized the commercial paper program in an amount of \$500 million. Notes payable under the program cannot exceed maturities of 270 days.

The City has covenanted in the ordinance authorizing the commercial paper program (Note Ordinance) the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series A (Series A Notes), the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series B (Series B Notes), and City of San Antonio, Texas Water System Commercial Paper Notes, Series C (Series C Notes) and the maintenance at all times of credit facilities with banks or other financial institutions which would provide available borrowing capacity sufficient to pay the principal of the commercial paper program. The credit facility is maintained under the terms of a revolving credit agreement. The Note Ordinance also authorizes the ability to designate and issue subseries of notes. The Series A Notes are currently authorized as City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-1 (Subseries A-1 Notes) and City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-2 (Subseries A-2 Notes). The Subseries A-2 Notes are directly placed with JPMorgan Chase Bank, N.A. under a Note Purchase Agreement.

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement. The capacity of the combined revolving credit and note purchase agreements is \$500 million with the Revolving Credit Agreement with JPMorgan Chase Bank, N.A. in the amount of \$400 million, supporting the Series A Notes expiring October 4, 2026; and the Revolving Credit Agreement with Truist Bank in the amount of \$100 million, supporting the Series B Notes expiring October 31, 2028.

The issuance of commercial paper is further supported by the following agreements and related participants:

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities, LLC., and Ramirez & Co., Inc.
- Issuing and Paying Agency Agreement with The Bank of New York Mellon Trust Company, N.A.

Commercial paper notes of \$216,305,000 were outstanding as of December 31, 2025, with all notes issued under the Subseries A-1 Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2025 range from 2.60% to 2.74% and maturities range from 33 to 112 days. All outstanding notes combined had an average rate of 2.64% and averaged 88 days to maturity. Commercial paper notes of \$171,375,000 are outstanding as of December 31, 2024, with all notes issued under the Subseries A-1 Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2024, range from 3.12% to 3.40% and maturities range from 35 to 107 days. All outstanding notes combined had an average rate of 3.26% and averaged 78 days to maturity.

NOTES TO FINANCIAL STATEMENTS

The following tables summarize the outstanding and available balance of the commercial paper program for the years ended December 31, 2025, and December 31, 2024.

Year Ended December 31, 2025 (amounts in thousands)			
Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Subseries A-1 Notes	\$ 400,000	\$ 216,305	\$ 183,695
Series B Notes	100,000	-	100,000
Total	<u>\$ 500,000</u>	<u>\$ 216,305</u>	<u>\$ 283,695</u>

Year Ended December 31, 2024 (amounts in thousands)			
Issue Description	Authorized Amount	Amount Outstanding	Unissued Portion
Subseries A-1 Notes	\$ 400,000	\$ 171,375	\$ 228,625
Series B Notes	100,000	-	100,000
Total	<u>\$ 500,000</u>	<u>\$ 171,375</u>	<u>\$ 328,625</u>

SAWS intends to reissue maturing commercial paper, in accordance with the refinancing terms of the revolving credit agreement and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, and since SAWS has the available \$500 million revolving credit agreement described above, SAWS has classified nearly all outstanding commercial paper notes as long-term debt. In accordance with the amortization schedule of the interest rate swap agreement discussed in Note G, SAWS intends to redeem \$5,305,000 of commercial paper in 2026. Therefore, this portion of the commercial paper is classified as a current liability.

The following tables summarize transactions of the commercial paper program for the years ended December 31, 2025, and December 31, 2024.

Year Ended December 31, 2025 (amounts in thousands)		Outstanding Notes at Beginning of Year		Outstanding Notes at End of Year		Payable Within One Year
Issue Description		Notes Issued	Notes Retired			
Subseries A-1 Notes	\$ 171,375	\$ 50,000	\$ 5,070	\$ 216,305	\$ 5,305	
Series B Notes	-	-	-	-	-	
Total	<u>\$ 171,375</u>	<u>\$ 50,000</u>	<u>\$ 5,070</u>	<u>\$ 216,305</u>	<u>\$ 5,305</u>	

Year Ended December 31, 2024 (amounts in thousands)		Outstanding Notes at Beginning of Year		Outstanding Notes at End of Year		Payable Within One Year
Issue Description		Notes Issued	Notes Retired			
Subseries A-1 Notes	\$ 224,945	\$ 116,480	\$ 170,050	\$ 171,375	\$ 5,070	
Series B Notes	-	-	-	-	-	
Total	<u>\$ 224,945</u>	<u>\$ 116,480</u>	<u>\$ 170,050</u>	<u>\$ 171,375</u>	<u>\$ 5,070</u>	

NOTES TO FINANCIAL STATEMENTS

Other Debt Matters

Debt Covenants: SAWS is required to comply with various provisions included in the ordinances which authorized the bond issuances. SAWS' management believes it is in compliance with all significant provisions of the bond ordinances.

Under these bond ordinances, SAWS is required to establish and maintain rates and charges for services sufficient to produce Net Revenues 1.25x the annual debt service requirements on Senior Lien obligations (Senior Lien debt coverage ratio) and at least 1.00x the current year annual debt service on outstanding Junior Lien obligations. SAWS Senior Lien debt coverage ratio was 54.82x at December 31, 2025 and 99.74x at December 31, 2024. The current annual combined debt coverage ratio was 1.90x at December 31, 2025 and 1.96x at December 31, 2024.

In prior years, SAWS legally defeased revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in SAWS' financial statements. At December 31, 2025, there were \$2.2 million of the former Bexar Metropolitan Water Districts bonds outstanding considered legally defeased.

NOTE I - CONTINGENCIES AND COMMITMENTS

Water Agreements

As of December 31, 2025, SAWS has entered into various agreements to obtain rights to pump water from the Edwards Aquifer. The terms of these agreements vary, with some expiring as early as 2026 and others continuing until 2029. The annual cost per acre foot ranges from \$100 to \$140. Under these various agreements, SAWS paid \$2.2 million in 2025 and \$1.8 million in 2024.

The future commitments under these agreements are as follows:

<i>(dollars in thousands)</i>							
	2026	2027	2028	2029	2030	Thereafter	
Edwards Aquifer - lease payments	\$ 1,385	\$ 777	\$ 459	\$ 8	\$ -	\$ -	
Edwards Aquifer - acre feet leased	10,838	6,070	3,599	58	-	-	

SAWS also has commitments to purchase water supplies under various contracts. All water provided under these contracts is subject to availability.

Under a contract with Guadalupe-Blanco River Authority (GBRA), SAWS will receive 4,000-acre feet of water annually through the end of the contract in 2037. Additionally, SAWS must purchase water not sold by GBRA to other third parties. The additional amount of water available in 2026 is estimated to be 2,500-acre feet and is projected to decline over the remaining term of the contract as the demand increases for other GBRA customers. The cost of the water escalates over time with projected prices ranging from \$1,501 per acre foot in 2026 to approximately \$2,156 per acre foot by 2037.

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Under a contract with the Massah Development Corporation, SAWS has a minimum take or pay commitment to purchase 100 acre-feet per month or 1,200 acre-feet per year of raw water from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County at a projected 2026 price of \$826 per acre foot.

The initial term of this agreement expired July 2025, which was subsequently renewed for one-year through June 30, 2026, with the option to renew for an additional nine years.

In 2012, SAWS entered into an agreement with Water Exploration Company Ltd., (WECO) to purchase groundwater produced by WECO from the Trinity Aquifer. In connection with this agreement, two prior water purchase agreements between DSP and WECO were terminated. In 2018, Texas Water Supply Company assumed the assets of WECO, including this agreement between SAWS and WECO. The 2012 agreement has a term of 15 years, with two optional 5-year extensions. SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet if the water is available to be produced. SAWS only pays for delivered water meeting all state and federal drinking water standards. Pumping under this contract may not reduce the Trinity Aquifer below 600 feet Mean Sea Level at test wells on the tracts. The projected price to be paid per acre-foot of raw water ranges from \$1,353 in 2026 to \$1,381 in 2027. Due to ongoing drought conditions in the area, Texas Water Supply Company has not been able to deliver near the maximum amount of water SAWS is contractually obligated to purchase.

In 2010, SAWS was granted a permit by the Gonzales County Underground Water Conservation District (District) to produce 11,688-acre feet of water from the Carrizo Aquifer in Gonzales County. SAWS has entered into 23 separate agreements with landowners to produce water under that permit. These agreements remain in force indefinitely as long as SAWS continues to make payments in accordance with the terms of the agreements. SAWS makes payments to the landowners based on actual water produced. SAWS expects to produce the maximum water available under its permit in 2026 and projects payments to landowners will be \$1,696,114. These payments escalate annually based on the average of the increase in the Consumer Price Index and Producers Price Index.

In 2011, SAWS entered into an agreement with the Schertz Seguin Local Government Corporation (SSLGC) to 1) treat water produced by SAWS under its permit with the District at SSLGC's treatment plant in Gonzales County and transport that water through SSLGC's existing transportation pipeline to a SAWS facility in Schertz, Texas and 2) purchase up to 5,000-acre feet of wholesale water annually from SSLGC. As part of this agreement, SSLGC agreed to expand its treatment facilities to handle the volume of water supplied by SAWS. SSLGC issued contract revenue bonds in 2012 to finance the expansion. SAWS is unconditionally obligated to make monthly payments to SSLGC beginning in December 2014 equal to 1/12th the annual debt service payment owed by SSLGC on the contract revenue bonds regardless of the amount of water actually provided by SAWS to SSLGC for treatment and transportation. In addition to the payment made to SSLGC for the expansion of the treatment plant, SAWS makes payments to SSLGC for treating and transporting the SAWS produced water.

The initial term of the agreement with SSLGC expires in 2050 and is automatically renewed for successive terms of 5 years unless SAWS chooses to cancel the contract upon the expiration of any term. The price paid to SSLGC to

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treat and transport water provided by SAWS is projected to be \$547 per acre foot in 2026 peaks at \$665 per acre foot in 2041 and ends at \$630 per acre foot in 2050. The projected price through 2041 includes the debt service associated with the expansion of SSLGC's treatment plant. Payments for any wholesale water purchased from SSLGC are based on SSLGC's operating water rates. The 2026 price also includes the cost of surplus water from SSLGC, which contractually continues to be made available in subsequent years.

Under a contract with Bexar-Medina-Atascosa Counties W.C.I.D. No. 1 (BMA), SAWS has a take or pay commitment to purchase 19,974-acre feet annually of untreated water from Medina Lake. Due to low lake levels and poor water quality, SAWS has ceased taking water from Medina Lake since 2015 and has subsequently decommissioned the treatment plant. SAWS has paid almost \$4.0 million per year pursuant to the contract which was originally entered into by the former Bexar Metropolitan Water District. The price of the water is based on the rate charged by GBRA for raw water. GBRA's rate for raw water as of December 31, 2025, was \$193 per acre foot. The agreement has been amended several times with the current expiration of the agreement in 2049. During 2024, SAWS invoked the facilitated mediation process outlined within the agreement. These mediation efforts were not successful, and SAWS is now seeking a judicial declaration that the agreement is void on various grounds.

Under a contract with Canyon Regional Water Authority (CRWA), SAWS is required to make certain contractually required minimum payments each year to fund capital and operating expenses of CRWA. Additionally, SAWS makes payments based on the number of acre feet of water SAWS commits to take in a given year. SAWS currently has access to 6,300-acre feet annually from 2026 through 2028 and 6,800-acre feet annually from 2029 to 2047. The average cost ranges from \$1,206 to \$1,882 per acre foot.

Total payments under these water purchase agreements were \$32.4 million in 2025 and \$29.2 million in 2024. A summary of all estimated future payments under all these agreements is provided in the following table. The estimated fixed water payments consist of the take or pay commitments under the agreements. The estimated variable water payments will be made only if water is made available to SAWS. The estimates assume price escalations but do not assume the extension of any water purchase agreement. As with any estimate, the actual amounts paid could differ materially.

<i>(dollars in thousands)</i>												
		2026		2027		2028		2029		2030		Thereafter
Purchased water payments - fixed	\$	29,352	\$	29,408	\$	29,936	\$	29,097	\$	27,902	\$	495,195
Acre feet purchased - fixed		42,507		41,307		41,307		41,807		41,807		743,775
Purchased water payments - variable	\$	13,661	\$	7,764	\$	4,132	\$	4,123	\$	4,118	\$	29,021
Acre feet purchased - variable		10,236		4,991		2,243		2,118		1,995		10,741

In October 2014, the City Council adopted an ordinance, approving the execution of a Water Transmission and Purchase Agreement (Agreement) between the City, acting by and through SAWS, and Vista Ridge, LLC (Project Company), pursuant to which the Project Company has committed to make available to SAWS, and SAWS has

NOTES TO FINANCIAL STATEMENTS

agreed to pay for, up to 50,000 acre-feet of potable water (Project Water) per year for an initial period of 30 years plus a limited extension period (up to 20 years) under certain circumstances (hereinafter referred to as the operational phase). The execution of the Agreement represents a significant diversification of the City's water sources.

Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as a maintenance and operating expense of SAWS from a flow of funds perspective (see Note B), only for Project Water made available at the connection point (which payment will also include the costs of operating and maintaining the Vista Ridge Pipeline Project as described below. SAWS will have no obligation to pay for any debt issued by the Project Company, and any such debt will be non-recourse to SAWS.

On May 17, 2016, SAWS exercised its contractual right to fix the Capital and Raw Groundwater Unit Price, locking in the price of the Project Water component of SAWS annual payment requirement at \$1,606 per acre foot for the entire 30-year term (and any extension of that term) of the Agreement.

In addition to the Capital and Raw Groundwater Unit Price, SAWS will pay operations and maintenance costs deemed to be compensable by an independent budget panel as a direct pass through under the Agreement as well as electricity costs. Finally, SAWS is responsible for compensating the Project Company for any major repairs and replacement costs, which may arise and are deemed to be compensable by the budget panel.

Delivery of Project Water commenced April 15, 2020. The start of water delivery initiated the 30-year operational phase, during which period SAWS is obligated to pay for Project Water (up to 50,000 acre-feet annually) made available by the Project Company. A total of \$108 million in 2025 and \$106 million in 2024 was spent to make contractually required payments for water made available, provide for the operations and maintenance of the pipeline, support the operation of the treatment plant which receives the water made available, and provide for the utility expenses associated with the pipeline and the treatment process.

Since the start of the contract in 2020, SAWS has paid for approximately 10,006 acre-feet of water that it was not able to receive. Consistent with the terms of the Agreement, SAWS recorded a prepaid asset at December 31, 2025, of \$3.8 million and December 31, 2024, of \$4.1 million. Given the priority of water deliveries and payments, it is currently estimated it will take several years to fully amortize the prepaid Project Water.

At the end of the operational phase, ownership of the well fields, pumping and related treatment facilities and the pipeline, collectively known as the Project, will be transferred to SAWS at no cost. SAWS has also entered into a separate agreement with Blue Water Vista Ridge, LLC, the lessee of the Project Water, to continue to acquire up to 50,000 acre-feet annually of untreated groundwater, for an additional 30-year period upon the termination of the Agreement and transfer of the Project to SAWS. The cost of such water at the end of the Agreement will be tied to prevailing Edwards Aquifer agreements.

NOTES TO FINANCIAL STATEMENTS

Because all Project assets will transfer to SAWS at the end of the Agreement, SAWS recorded capital assets and a contract payable equal to the acquisition value of the Project Company infrastructure of approximately \$929.3 million in 2020. During 2025, SAWS recorded depreciation of \$24.0 million associated with these assets, while reducing the contract payable through the debt service portion of payments to be made under the contract to \$833.5 million as of December 31, 2025. The following table is a schedule of interest and principal payments for each of the next five years and then in five-year increments thereafter.

<i>Amounts in Thousands</i>				
Year Ended				
December 31,	Principal	Interest	Total	
2026	\$ 19,218	\$ 42,241	\$ 61,459	
2027	20,026	41,433	61,459	
2028	20,931	40,696	61,627	
2029	21,763	39,696	61,459	
2030	22,695	38,764	61,459	
2031-2035	129,345	178,119	307,464	
2036-2040	161,970	145,662	307,632	
2041-2045	207,142	100,322	307,464	
2046-2050	230,441	33,076	263,517	
	<u>\$ 833,531</u>	<u>\$ 660,009</u>	<u>\$ 1,493,540</u>	

SAWS has the right to terminate the Agreement at any time by purchasing the Project for the aggregate amount of the outstanding Project Company debt, contract breakage costs and return of and return on equity contributions. SAWS also has the obligation to purchase the Project assets in similar fashion in the event of a SAWS default under the Agreement. The termination payment as of December 31, 2025, was estimated to be approximately \$1.0 billion. SAWS also maintains the option to assume rather than pay off the outstanding Project Company debt. Under either scenario, SAWS purchasing of the Project would result in the recording of additional liabilities totaling approximately \$170.0 million.

Other Contingencies and Commitments

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately \$720.3 million as of December 31, 2025. Funding this amount will come from excess revenues, contributions from developers, restricted assets, and available commercial paper capacity.

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (EPA) of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows (SSOs). The EPA subsequently referred the matter to the United States Department of Justice (DOJ) for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. In June 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas to resolve this enforcement action. During the 10 to 12-year term of the Consent Decree, SAWS estimated the cost to

NOTES TO FINANCIAL STATEMENTS

perform the operating and maintenance requirements of the Consent Decree to be approximately \$250 million. SAWS estimates that capital expenditures associated with the requirements of the Consent Decree are estimated to be approximately \$1.3 billion. As with any estimate, the actual amounts incurred could differ materially.

Through December 31, 2025, capital expenditures related to the Consent Decree totaled approximately \$1.3 billion, which includes certain work which was previously planned prior to entry into the Consent Decree. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and management believes SAWS is in material compliance with such terms, conditions and requirements. Since 2010, SAWS has seen a significant reduction in annual SSOs, from 538 in 2010 to 179 in 2025.

Mitchell Lake and adjacent wetlands cover approximately 600 acres which are legacy remnants of 19th-century wastewater reuse and disposal practices. With the passage of time, Mitchell Lake has become a unique and environmentally sensitive natural facility that is a wildlife refuge and an active destination attraction for birdwatchers from around the world. The site provides essential habitat where more than 330 species of migratory birds can rest and feed and was declared to be a “Refuge for Shore Birds and Waterfowl” by the City of San Antonio in 1973. Since 2004, the site has been operated by the National Audubon Society as a Nature Center.

As a result of its past use as a waste management center for San Antonio, the EPA regulated discharges from Mitchell Lake, which can occur after significant rainfall events. In 2016, SAWS received an Administrative Order from the EPA that alleged SAWS violated its then existing Texas Pollutant Discharge Elimination System (wastewater) permit by failing to meet effluent limitations for discharges from the lake as required by the permit.

Upon receiving the Administrative Order, SAWS began working with consulting experts and conducted preliminary feasibility evaluations of a proposed solution that would entail the use of constructed treatment wetlands to meet water quality objectives while protecting and enhancing the existing natural resources and aquatic waterfowl habitats. The proposal has two major components: (a) modifications to the existing dam with the construction of a new spillway and (b) constructing treatment wetlands of approximately 83 acres below Mitchell Lake. SAWS was also successful in changing the wastewater permit to a Municipal Separate Storm Sewer System (stormwater) permit.

The EPA had accepted SAWS’ proposed solution and schedule for a constructed wetlands project to resolve the Administrative Order (AO). Subsequently, in early 2024, EPA withdrew the AO with acknowledgement that regulatory oversight for the Mitchell Lake constructed wetlands project was being managed by the Texas Commission on Environmental Quality (TCEQ) pursuant to its authority under a stormwater permit that was issued in December 2021. SAWS has advised TCEQ of the need for a revised schedule for completion of the project due to delays with federal and state regulatory requirements that are in addition to the stormwater permit. SAWS is working on meeting regulatory requirements outside of the stormwater permit and will continue to work with TCEQ to develop an appropriate schedule of activities for the project going forward. Projected costs for the wetlands project are estimated to be approximately \$76 million.

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NOTE J - PENSION AND RETIREMENT PLANS

SAWS' pension program includes benefits provided by the Texas Municipal Retirement System (TMRS), the San Antonio Water System Retirement Plan (SAWSRP) and the District Special Project Retirement Income Plan (DSPRP).

Texas Municipal Retirement System

SAWS participates as one of 944 active plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (TMRS Board). Although the Governor, with the advice and consent of the Senate, appoints the TMRS Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

TMRS provides retirement benefits to eligible SAWS employees. At retirement, the benefit is calculated as if the sum of the employee's contribution, with interest, and the SAWS financed monetary credits with interest were used to purchase an annuity. Members choose to receive their benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions that have been adopted by SAWS are within the options available in the governing state statutes of TMRS. Plan provisions for SAWS for the 2024 and 2023 plan years were as follows:

Member contribution rate	3%
Matching Ratio (City to Member) 1:1	(City to Member) 1:1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, any/20
Updated Service Credit	100% Repeating
Annuity increase (to retirees)	70% if CPI Repeating

Total number of SAWS participants in TMRS as of the last two actuarial valuation dates is summarized below:

	December 31,	
	2024	2023
Active employees	2,002	1,918
Retirees and beneficiaries currently receiving benefits	1,485	1,440
Inactive members	909	930
Total	4,396	4,288

NOTES TO FINANCIAL STATEMENTS

Under the state law governing TMRS, SAWS' contribution rate is determined annually by the actuary using the Entry Age Normal (EAN) cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Eligible SAWS employees are required to contribute 3% of their annual gross earnings. The employer required contribution rates for SAWS were 3.73% and 3.89% in calendar years 2025 and 2024, respectively. SAWS' contributions to TMRS totaled \$6,578,000 and \$6,312,000 for the years ended December 31, 2025, and 2024, respectively. These contributions equaled the required contributions.

SAWS Net Pension Liability for the TMRS plan as of December 31, 2025, and 2024 was measured as of December 31, 2024, and 2023, respectively. The Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of the measurement date.

The Total Pension Liability in the December 31, 2024, and 2023 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018, to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

For fiscal years 2025 and 2024, the long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is

NOTES TO FINANCIAL STATEMENTS

determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 and 2024 are summarized in the following table:

Asset Class	December 31, 2025		December 31, 2024	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.0%	7.10%	35.0%	6.70%
Private Equity	13.0%	8.50%	10.0%	11.60%
Private Debt	13.0%	8.20%	0.0%	0.00%
Real Estate	12.0%	6.70%	12.0%	7.60%
Non-Core Fixed Income	6.0%	6.80%	20.0%	8.00%
Infrastructure	6.0%	6.00%	0.0%	0.00%
Core Fixed Income	6.0%	5.00%	6.0%	4.70%
Hedge Funds	5.0%	6.40%	5.0%	6.40%
Other Public & Private Markets	4.0%	7.30%	12.0%	8.00%
Total	100.0%		100.0%	

The discount rate of 6.75% was used to measure the Total Pension Liability in the December 31, 2024, and 2023 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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NOTES TO FINANCIAL STATEMENTS

The following table summarizes the changes in the TMRS Net Pension Liability for the year ended December 31, 2025 and 2024 based on the measurement date of December 31, 2024, and 2023, respectively.

Changes in Net Pension Liability - TMRS (\$ in thousands)						
	2024			2023		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1,	\$ 282,983	\$ 255,367	\$ 27,616	\$ 269,472	\$ 231,030	\$ 38,442
Changes for the year:						
Service Cost	8,324	-	8,324	7,456	-	7,456
Interest	18,926	-	18,926	18,041	-	18,041
Differences between expected and actual experience	3,822	-	3,822	1,846	-	1,846
Changes in assumptions	-	-	-	(1,985)	-	(1,985)
Contributions - employer	-	6,312	(6,312)	-	5,267	(5,267)
Contributions - employee	-	4,867	(4,867)	-	4,377	(4,377)
Net investment income	-	26,496	(26,496)	-	26,711	(26,711)
Benefit payments	(13,529)	(13,529)	-	(11,847)	(11,847)	-
Administrative expense	-	(170)	170	-	(170)	170
Other charges	-	(4)	4	-	(1)	1
Net Changes	17,543	23,972	(6,429)	13,511	24,337	(10,826)
Balances at December 31, *	\$ 300,526	\$ 279,339	\$ 21,187	\$ 282,983	\$ 255,367	\$ 27,616

*Based on measurement date of December 31, 2024 and December 31, 2023 respectively

The following table presents the Net Pension Liability for the TMRS plan as of December 31, 2025, and December 31, 2024 calculated using the discount rate of 6.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	TMRS Net Pension Liability/(Asset) (\$ in thousands)		
	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
December 31, 2024*	\$ 58,264	\$ 21,187	\$ (9,749)
December 31, 2023*	\$ 62,410	\$ 27,616	\$ (1,432)

*The measurement date of the plan differs from SAWS' year-end.

San Antonio Water System Retirement Plan

The San Antonio Water System Retirement Plan (SAWSRP) is a single-employer pension plan, which serves as a supplement to SAWS' other retirement benefits. The plan has both a defined benefit and a defined contribution component. SAWS has delegated to Principal Financial Group the authority to manage plan assets and administer the payment of benefits under the plan.

The financial information for SAWSRP is reported in the SAWS Fiduciary Funds financial statements. SAWSRP does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2025, and 2024 is presented in the following tables.

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

	December 31, 2025			December 31, 2024		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Assets						
Investments	\$ 341,497	\$ 43,888	\$ 385,385	\$ 305,910	\$ 33,006	\$ 338,916
Total Assets	341,497	43,888	385,385	305,910	33,006	338,916
Liabilities	-	-	-	-	-	-
Net position restricted for pension benefits	<u>\$ 341,497</u>	<u>\$ 43,888</u>	<u>\$ 385,385</u>	<u>\$ 305,910</u>	<u>\$ 33,006</u>	<u>\$ 338,916</u>

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

For the years ended

	December 31, 2025			December 31, 2024		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Additions						
Employer Contributions	\$ 7,332	\$ 4,119	\$ 11,451	\$ 6,053	\$ 3,493	\$ 9,546
Employee Contributions	2,002	3,189	5,191	2,336	2,805	5,141
Investment Income	41,026	5,819	46,845	22,927	3,258	26,185
Total additions	50,360	13,127	63,487	31,316	9,556	40,872
Deductions						
Pension payments/distributions	14,488	2,132	16,620	13,398	1,115	14,513
Administrative Expenses	285	113	398	290	90	380
Total deductions	14,773	2,245	17,018	13,688	1,205	14,893
Increase in net position	35,587	10,882	46,469	17,628	8,351	25,979
Net position restricted for pension benefits - beginning	305,910	33,006	338,916	288,282	24,655	312,937
Net position restricted for pension benefits - ending	<u>\$ 341,497</u>	<u>\$ 43,888</u>	<u>\$ 385,385</u>	<u>\$ 305,910</u>	<u>\$ 33,006</u>	<u>\$ 338,916</u>

Defined Benefit Component: Eligible employees hired prior to June 1, 2014, participate in the defined benefit component of the plan. Eligible employees vest in this plan after the completion of five years of service.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of (i) 20 years of vesting service regardless of age or (ii) five years of vesting service and at least age 60. An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

NOTES TO FINANCIAL STATEMENTS

The normal retirement benefit is based upon two factors, average compensation and years of vesting service. Average Compensation is defined as the monthly average of total compensation received for the three consecutive years ending December 31, out of the last ten compensation years prior to normal retirement date, which gives the highest average. The normal retirement benefit under SAWSRP is equal to the following:

1. 1.20% of the Average Compensation, times years of credited service not in excess of 25 years, plus
2. 0.75% of the Average Compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
3. 0.375% of the Average Compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of eight alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides disability benefits. Participants in the defined benefit component of the SAWSRP as of the last two actuarial valuation dates is summarized below:

	January 1,	
	2025	2024
Active employees	716	780
Retirees and beneficiaries currently receiving benefits	1,320	1,275
Inactive members	546	565
Total	2,582	2,620

The funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when they are due. Contribution requirements are established and may be amended by SAWS Board of Trustees. The actuarially determined contributions for 2025 and 2024 were determined using the employer normal cost method. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by participating employees during the year, with an additional amount to finance any unfunded accrued liability. Prior to 2015, active members made no contributions to the plan and all obligations with respect to the defined benefit feature of the plan were paid solely by SAWS. On January 1, 2015, active members began sharing in the cost of providing benefits under the plan by contributing 3% of their compensation.

The Net Pension Asset/Liability for the defined benefit component of the SAWSRP as of December 31, 2025, and 2024 was measured as of January 1, 2025, and 2024, respectively. The Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date performed as of the measurement date.

NOTES TO FINANCIAL STATEMENTS

The January 1, 2025, and January 1, 2024, valuations included the following actuarial assumptions:

Annual Inflation	2.40%
Rate of Return on Investments	6.25%

Expected salary increases are composed of salary inflation, real wage growth, and merit increases reflecting SAWS' salary increase philosophies along with more recent experience of plan participants.

Mortality rates for the January 1, 2025, and January 1, 2024, valuation were based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates that were issued by the Society of Actuaries (SOA). PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The January 1, 2025, and January 1, 2024, valuations were based on MP-2021, the most recent MI scale published by the SOA in October 2021.

For the 2025 and 2024 valuations, the interest rate was developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of broad asset classes' arithmetic returns of the plan's target asset allocation and then converted to the geometric under lognormal distribution assumption. The 2025 and 2024 valuations used the assumptions updated in November 2023. Due to the long-term nature of pension obligations, the investment horizon for the Capital Market Assumptions (CMA) is 20 years.

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

The target investment allocations in effect at January 1, 2025, and January 1, 2024, were:

Asset Class	Long-term	
	Target Allocation	Expected Real Rate of Return
Total Return	34.0%	2.9%
US Equity - Large Cap	19.0%	5.1%
International Equity	10.0%	3.9%
US Mid Cap Equity	10.0%	7.4%
International Small/Mid Equity	7.0%	6.4%
US Small Cap Equity	7.0%	5.8%
Real Estate	7.0%	6.8%
High Yield Bond	6.0%	4.7%
Total	<u>100.0%</u>	

The discount rate used to measure the Total Pension Liability at December 31, 2025, and December 31, 2024, was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on actuarial determined amounts. Based on that assumption, the SAWSRP defined benefit

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component's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following table summarizes the changes in the SAWSRP Net Pension Liability/(Asset) for the year ended December 31, 2025, and 2024.

Changes in Net Pension Asset - SAWSRP						
(\$ in thousands)						
	2025			2024		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at January 1,	\$ 310,250	\$ 288,281	\$ 21,969	\$ 295,551	\$ 260,948	\$ 34,603
Changes for the year:						
Service Cost	4,696	-	4,696	4,689	-	4,689
Interest	19,305	-	19,305	18,414	-	18,414
Differences between expected and actual experience	9,234	-	9,234	3,994	-	3,994
Changes in assumptions	-	-	-	3	-	3
Contributions - employer	-	6,053	(6,053)	-	6,136	(6,136)
Contributions - employee	-	2,336	(2,336)	-	2,290	(2,290)
Net investment income	-	22,927	(22,927)	-	31,598	(31,598)
Benefit payments	(13,398)	(13,398)	-	(12,401)	(12,401)	-
Administrative expense	-	(290)	290	-	(290)	290
Net Changes	19,837	17,628	2,209	14,699	27,333	(12,634)
Balances at December 31,*	\$ 330,087	\$ 305,909	\$ 24,178	\$ 310,250	\$ 288,281	\$ 21,969

*Based on measurement date of January 1, 2025 and January 1, 2024 respectively

The following table presents the Net Pension Liability/(Asset) associated with the defined benefit component of the SAWSRP calculated at December 31, 2025 and December 31, 2024 using the discount rate of 6.25%, as well as what the Net Pension Liability/(Asset) would be if it were calculated using a discount rate of one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

SAWSRP Net Pension Liability/(Asset)				
(\$ in thousands)				
	1% Decrease	Current Discount Rate	1% Increase	
	5.25%	6.25%	7.25%	
December 31, 2025	\$ 64,448	\$ 24,178	\$ (9,467)	
December 31, 2024	\$ 60,196	\$ 21,969	\$ (9,941)	

Defined Contribution Component: Eligible employees hired on or after June 1, 2014, participate in the defined contribution component of the SAWSRP. SAWS contributes 4% of participant's compensation into an individual retirement account. Participants are required to contribute 3% of their compensation into their individual retirement account. Contributions under the defined contribution feature of the plan are made to participants' individual retirement accounts on a bi-weekly basis based on the participants' compensation during the period. An eligible employee totally vests in SAWS contributions to the individual retirement account after one year of service and

NOTES TO FINANCIAL STATEMENTS

immediately vests in the employee's contributions to the plan. The employee directs the investments in their individual retirement account. SAWS has no liability for losses under the defined contribution component of the SAWSRP but does have the usual fiduciary responsibilities of a plan sponsor.

During the year ended December 31, 2025, SAWS made contributions to participants' individual retirement accounts totaling \$4,119,000, net of forfeitures of \$60,000 and employees contributed \$3,189,000. During the year ended December 31, 2024, SAWS made contributions to participants' individual retirement accounts totaling \$3,493,000, net of forfeitures of \$21,000 and employees contributed \$2,805,000.

District Special Project Retirement Income Plan

District Special Project Retirement Income Plan (DSPRP) is a single employer defined benefit pension plan that covers all eligible employees. The plan was originally established by Bexar Metropolitan Water District (BexarMet) to provide pension benefits to its employees. In 2008, the BexarMet Board elected to freeze pension benefits and entry into the plan effective September 30, 2008. In 2012, BexarMet was dissolved, and all its assets and liabilities were transferred to the San Antonio Water System District Special Project (DSP). The plan was renamed District Special Project Retirement Income Plan. In 2016, DSP was merged into SAWS and DSPRP is now governed by SAWS, which is authorized to establish and amend all plan provisions. SAWS has delegated the authority to manage plan assets and administer the payment of benefits under the plan to Standard Insurance Company.

The financial information for DSPRP is reported in the SAWS Fiduciary Funds financial statements. DSPRP does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2025, and 2024 is presented in the following tables.

District Special Project Retirement Income Plan Net Position Restricted for Pension Benefits

(amounts in thousands)

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Assets		
Investments	<u>\$ 9,266</u>	<u>\$ 8,502</u>
Total Assets	<u>9,266</u>	<u>8,502</u>
Liabilities	<u>-</u>	<u>-</u>
Net position restricted for pension benefits	<u>\$ 9,266</u>	<u>\$ 8,502</u>

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Additions		
Employer Contributions	\$ -	\$ 2
Investment Income (Loss)	<u>992</u>	<u>721</u>
Total additions	992	723
Deductions		
Pension payments/distributions	228	119
Administrative Expenses	<u>-</u>	<u>1</u>
Total deductions	<u>228</u>	<u>120</u>
Increase in net position	764	603
Net position restricted for pension benefits - beginning	<u>8,502</u>	<u>7,899</u>
Net position restricted for pension benefits - ending	<u><u>\$ 9,266</u></u>	<u><u>\$ 8,502</u></u>

Prior to freezing entry into the plan, employees were eligible to enter on May 1st or November 1st following the completion of 12 months of employment and attaining age 21. Participating employees accrued benefits if they worked at least 1,000 hours per plan year. Eligible employees vested in this plan after the completion of five years of service. Employees are 100% vested in any benefits derived from employee contributions regardless of years of service. A terminating participant who has completed five years of service is entitled to receive a vested benefit starting on his/her normal retirement date.

The normal retirement benefit upon retirement is a percentage of average monthly earnings. Prior to March 1, 1996, the monthly benefit was 60% of average monthly earnings reduced proportionately for less than 15 years of service. Effective March 1, 1996, the monthly benefit was 40% of average monthly earnings reduced proportionately for less than 20 years of service. Prior to March 1, 1996, average monthly earnings were based on the monthly earnings during the five consecutive and complete calendar years that produced the highest average. After March 1, 1996, average monthly earnings are determined by the ten consecutive and complete calendar years after December 31, 1990, which produce the highest average. Upon retirement, retirees may choose from 3 different types of annuities or receive a single lump sum distribution.

NOTES TO FINANCIAL STATEMENTS

Participants in DSPRP as of the last two actuarial valuation dates are summarized below:

	January 1,	
	2025	2024
Active employees	80	80
Retirees and beneficiaries currently receiving benefits	13	13
Inactive members	38	38
Total	131	131

The plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits as they come due. Contribution requirements are established and may be amended by the Board. The unit credit method was used to calculate the actuarial determined contribution for 2025 and 2024. Under this method, the actual or expected accrued benefit of each participant is allocated to the year in which it accrues. The normal cost is the present value of benefits expected to accrue in the current year.

The Net Pension Asset for DSPRP as of December 31, 2025, and 2024 was measured as of January 1, 2025 and 2024, respectively. The Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date performed as of the measurement date.

The January 1, 2025, and January 1, 2024, valuations included the following actuarial assumptions:

Annual Inflation	3.00%
Rate of Return on Investments	5.75%

Mortality rates for both 2024 and 2025 are based on PUB-2010 General Table projected on a fully generational basis using mortality improvement scale MP-2021. Due to the limited size of this plan and the frozen nature of benefits under the plan, an experience study has not been done.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO FINANCIAL STATEMENTS

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the January 1, 2025, and January 1, 2024, valuations are summarized in the following table:

Asset Class	Target Allocation	Long-term
		Expected Real Rate of Return
Domestic Equity	36.0%	4.85%
Fixed Income	40.0%	1.40%
International Equity	17.0%	5.05%
Real Estate	7.0%	4.05%

The discount rate used to measure the total pension liability at December 31, 2025, and December 31, 2024, was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table summarizes the changes in the DSPRP Net Pension Asset for the year ended December 31, 2025, and December 31, 2024, based on the measurement date of January 1, 2025, and January 1, 2024, respectively.

Changes in Net Pension Asset - DSPRP						
(\$ in thousands)						
	2025			2024		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at January 1,	\$ 6,822	\$ 7,899	\$ (1,077)	\$ 6,962	\$ 7,203	\$ (241)
Changes for the year:						
Service Cost	259	-	259	124	-	124
Interest	404	-	404	397	-	397
Differences between expected and actual experience	169	-	169	(305)	-	(305)
Changes in assumptions	-	-	-	-	-	-
Contributions - employee	-	-	-	-	-	-
Contributions - employer	-	2	(2)	-	134	(134)
Net investment income	-	721	(721)	-	924	(924)
Benefit payments	(119)	(119)	-	(356)	(356)	-
Administrative expense	-	(1)	1	-	(6)	6
Other charges	-	-	-	-	-	-
Net Changes	713	603	110	(140)	696	(836)
Balances at December 31,*	\$ 7,535	\$ 8,502	\$ (967)	\$ 6,822	\$ 7,899	\$ (1,077)

*Based on measurement date of January 1, 2025, and January 1, 2024, respectively

NOTES TO FINANCIAL STATEMENTS

The following table presents the DSPRP Net Pension Asset assuming the discount rate used to measure the total pension liability calculated at December 31, 2025, and December 31, 2024, as well as a discount rate that is one percentage point lower or one percentage point higher than the rate used to measure the total pension liability.

DSPRP Net Pension Asset				
<i>(\$ in thousands)</i>				
	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%	
December 31, 2025	\$ (843)	\$ (967)	\$ (1,104)	
December 31, 2024	\$ (533)	\$ (1,077)	\$ (1,560)	

Other Pension Disclosures

For the years ended December 31, 2025, and December 31, 2024, SAWS recognized pension expense under the TMRS, SAWSRP and DSPRP plans as follows:

Pension Expense / (Credit)		
<i>(\$ in thousands)</i>		
Year ended December 31,		
	2025	2024
TMRS	\$ 6,849	\$ 4,937
SAWSRP - defined benefit	12,820	4,030
SAWSRP - defined contribution	4,119	3,493
DSPRP	(10)	(214)
	<u>\$ 23,778</u>	<u>\$ 12,246</u>

Amounts payable to the pension plans by SAWS for contributions totaled \$412,000 at December 31, 2025, and \$395,000 at December 31, 2024.

The following table summarizes the Deferred Outflows of Resources, Net Pension Liability/(Asset) and Deferred Inflows of Resources for each of the plans as reported in the Statement of Net Position for December 31, 2025, and December 31, 2024.

<i>(\$ in thousands)</i>						
Plan	December 31, 2025			December 31, 2024		
	Deferred Outflows of Resources	Net Pension Liability / (Asset)	Deferred Inflows of Resources	Deferred Outflows of Resources	Net Pension Liability / (Asset)	Deferred Inflows of Resources
TMRS	\$ 11,219	\$ 21,187	\$ 3,751	\$ 15,700	\$ 27,616	\$ 1,532
SAWSRP	19,460	24,178	-	22,842	21,969	103
DSPRP	289	(967)	497	466	(1,077)	795
Total - All Plans	<u>\$ 30,968</u>	<u>\$ 44,398</u>	<u>\$ 4,248</u>	<u>\$ 39,008</u>	<u>\$ 48,508</u>	<u>\$ 2,430</u>

NOTES TO FINANCIAL STATEMENTS

At December 31, 2025, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS pension plans related to the following sources:

December 31, 2025	TMRS		SAWSRP		DSPRP		All Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(\$ in thousands)							
Contributions made after the measurement date	\$ 6,578	\$ -	\$ 7,332	\$ -	\$ -	\$ -	\$ 13,910	\$ -
Differences between expected and actual experience	4,641	-	3,896	-	230	477	8,767	477
Effects of changes in assumption	-	1,033	-	-	59	-	59	1,033
Net Difference between projected and actual earnings on pension plan investments	-	2,718	8,232	-	-	20	8,232	2,738
	<u>\$ 11,219</u>	<u>\$ 3,751</u>	<u>\$ 19,460</u>	<u>\$ -</u>	<u>\$ 289</u>	<u>\$ 497</u>	<u>\$ 30,968</u>	<u>\$ 4,248</u>

At December 31, 2024, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS pension plans related to the following sources:

December 31, 2024	TMRS		SAWSRP		DSPRP		All Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(\$ in thousands)							
Contributions made after the measurement date	\$ 6,312	\$ -	\$ 6,053	\$ -	\$ 2	\$ -	\$ 12,367	\$ -
Differences between expected and actual experience	3,015	23	1,903	103	170	795	5,088	921
Effects of changes in assumption	-	1,509	2	-	122	-	124	1,509
Net Difference between projected and actual earnings on pension plan investments	6,373	-	14,884	-	172	-	21,429	-
	<u>\$ 15,700</u>	<u>\$ 1,532</u>	<u>\$ 22,842</u>	<u>\$ 103</u>	<u>\$ 466</u>	<u>\$ 795</u>	<u>\$ 39,008</u>	<u>\$ 2,430</u>

Contributions made after the measurement date of \$13,910,000 will be recognized as a reduction of the Net Pension Liability for the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	(\$ in thousands)			
	SAWSRP	TMRS	DSPRP	Combined
2026	\$ 8,790	\$ 1,797	\$ (96)	\$ 10,491
2027	8,428	4,128	88	12,644
2028	(4,083)	(3,184)	(152)	(7,419)
2029	(1,006)	(1,852)	(48)	(2,906)
2030	-	-	-	-
Thereafter	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

The following table summarizes the components of the Net Pension Liability/(Asset) at December 31, 2025, and 2024 for the pension plans included in SAWS Fiduciary Fund Statements in accordance with *GASB 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement 25*.

(\$ in thousands)	December 31, 2025 (a)		December 31, 2024	
	SAWSRP	DSPRP	SAWSRP	DSPRP
Total pension liability	\$ 341,510	\$ 7,468	\$ 330,087	\$ 7,535
Plan fiduciary net position	341,497	9,266	305,909	8,502
Net pension liability / (asset)	<u>\$ 13</u>	<u>\$ (1,798)</u>	<u>\$ 24,178</u>	<u>\$ (967)</u>
Plan fiduciary net position as a percentage of the total pension liability	100.0%	124.1%	92.7%	112.8%

• (a) Actuarial valuation performed at January 1, 2025, was rolled forward to December 31, 2025

Deferred Compensation Plans

In November 2019, SAWS consolidated its prior deferred compensation plans into one plan with Empower Retirement, who acts as an independent administrator of the plan. The plan complies with Section 457(b) of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments) and is classified as another employee benefit plan for accounting and financial reporting basis. Employee participation is voluntary, and SAWS makes no contributions to this plan. Empower Retirement issues a publicly available financial report that includes financial information relating to participating entities. The report may be obtained at: <https://www.empower.com/the-currency/work/empowering-americas-financial-journey-2025>

NOTE K – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to providing pension benefits described in Note J, SAWS provides certain health care and life insurance benefits for eligible retirees, their spouses, and their dependents through San Antonio Water System Retiree Health Trust (SAWS OPEB Plan), a single employer defined benefit plan administered by SAWS. The authority to establish and amend the SAWS OPEB Plan provisions is vested in the Board.

The financial information for SAWS OPEB Plan is reported in the fiduciary funds statements. SAWS OPEB Plan does not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2025, and December 31, 2024, is presented in the following tables:

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By state law, any employee that retires under a SAWS retirement plan is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Retirees may also purchase coverage for their spouse and qualifying dependents at group rates partially subsidized by SAWS. Any plan participant eligible for Medicare is required to enroll in a Medicare Advantage Plan. No supplemental health benefits are provided to those participants enrolled in Medicare Advantage Plans. Employees hired after December 31, 2013, will not be eligible for any subsidized medical benefits upon retirement from SAWS.

San Antonio Water System Retiree Health Plan Net Position Restricted for Post Employment Benefits

(amounts in thousands)

	December 31,	
	2025	2024
Assets		
Cash and cash equivalents	\$ 222	\$ 278
Investments	147,050	133,986
Total assets	147,272	134,264
Liabilities	-	-
Net position restricted for other post employment benefits	\$ 147,272	\$ 134,264

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

(amounts in thousands)

	2025	2024
Additions		
Employer contributions	\$ -	\$ 150
Investment income/(loss)	16,298	12,319
Total additions/(deductions)	16,298	12,469
Deductions		
Benefit payments	3,274	2,890
Administrative expenses	16	55
Total deductions	3,290	2,945
Increase in net position	13,008	9,524
Net position restricted for other post employment benefits - beginning	134,264	124,740
Net position restricted for other post employment benefits - ending	\$ 147,272	\$ 134,264

NOTES TO FINANCIAL STATEMENTS

Participants in the SAWS OPEB Plan as of January 1, 2025, and 2024 consisted of the following:

	January 1,	
	2025	2024
Active Employees	710	768
Retired Employees	1,004	1,055
Total	<u>1,714</u>	<u>1,823</u>

The number of participants was revised to include retirees that are eligible for the life insurance benefit but do not receive the medical or dental benefit. The OPEB liability has always included these retirees. The contribution requirements of plan participants are established and may be amended by the Board. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Plan participants made contributions toward plan benefits totaling \$1,050,000 in 2025 and \$1,072,000 in 2024.

SAWS contributions to the plan are also established by the Board. Prior to 2012, SAWS only funded the shortfall between annual benefit payments and retiree contributions (“current benefit payments”). In March 2012, SAWS established a trust for the purpose of prefunding future benefit payments for eligible retirees and their dependents. In addition to making contributions to the trust, SAWS continued to fund current benefit payments outside of the trust. Beginning in 2025, the OPEB Trust began reimbursing SAWS for current year retiree benefit payments. The OPEB Trust is expected to continue to fund future benefit payments for the foreseeable future. Future contributions to the trust, if any, will be based on the actuarially determined contribution for these benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between SAWS and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTES TO FINANCIAL STATEMENTS

The following table summarizes the actuarial methods and assumptions used in the most recent actuarial valuations for the SAWS OPEB Plan.

Actuarial Valuation Date	January 1, 2025	January 1, 2024
Actuarial Value of Assets	Market Value	Market Value
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Method	9 Years - Closed	10 Years - Closed
Actuarial Assumptions		
Investment Rate of Return	5.50%	5.50%
Inflation Rate	2.50%	2.50%
Healthcare Cost Trend:		
Initial	8.50%	6.75%
Ultimate	4.50%	4.04%

Mortality rates for the January 1, 2025, and January 1, 2024, valuations were based on Pub-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2021 published in October 2021.

The following table summarizes the changes in the Net OPEB Liability/(Asset) for the year ended December 31, 2025, and 2024 based on the measurement date of January 1, 2025, and 2024, respectively.

	Changes in Net OPEB Asset					
	(\$ in thousands)					
	2025			2024		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances at January 1,	\$ 82,722	\$ 124,740	\$ (42,018)	\$ 63,181	\$ 107,580	\$ (44,399)
Changes for the year:						
Service Cost	1,543	-	1,543	845	-	845
Interest	4,546	-	4,546	3,869	-	3,869
Differences between expected and actual experience	13,612	-	13,612	6,296	-	6,296
Changes in assumptions	(6,532)	-	(6,532)	5,898	-	5,898
Changes in terms	-	-	-	6,943	-	6,943
Contributions - employer	-	279	(279)	-	5,160	(5,160)
Net investment income	-	12,319	(12,319)	-	16,479	(16,479)
Benefit payments	(3,259)	(3,259)	-	(4,310)	(4,310)	-
Other disbursements	-	239	(239)	-	-	-
Administrative expense	-	(54)	54	-	(169)	169
Net Changes	9,910	9,524	386	19,541	17,160	2,381
Balances at December 31,*	\$ 92,632	\$ 134,264	\$ (41,632)	\$ 82,722	\$ 124,740	\$ (42,018)

*Based on measurement date of January 1, 2025, and January 1, 2024, respectively

NOTES TO FINANCIAL STATEMENTS

The following table presents the change in the SAWS OPEB Plan Net OPEB Asset calculated at December 31, 2025, and 2024 assuming healthcare cost trends decrease or increase by one percentage point from the assumptions used in Total OPEB liability.

<i>(\$ in thousands)</i>	<u>1% Decrease</u>	<u>Current Assumptions</u>	<u>1% Increase</u>
December 31, 2025	\$ (47,004)	\$ (41,632)	\$ (35,296)
December 31, 2024	\$ (44,753)	\$ (42,018)	\$ (38,922)

The target allocation and best estimates of arithmetic real rates of return for each major asset class for January 1, 2025, and January 1, 2024, are summarized in the following table. The Long-term Expected Real Rate of Return percentages do not include inflation.

Asset Class	<u>January 1, 2025</u>		<u>January 1, 2024</u>	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Short Term - Bond	37.0%	1.30%	37.0%	1.30%
Domestic Equity - Large Cap	20.0%	6.00%	20.0%	6.00%
Total Return - Bond	18.0%	1.60%	18.0%	1.60%
Foreign Equity - Large Cap	10.0%	5.00%	10.0%	5.00%
Domestic Equity - Small/Mid Cap	8.0%	6.00%	8.0%	6.00%
Fixed Income - High Yield	5.0%	3.20%	5.0%	3.20%
Real Estate	2.0%	4.20%	2.0%	4.20%
Total	<u>100.0%</u>		<u>100.0%</u>	

The discount rate used to measure the Total OPEB Liability at December 31, 2025, and December 31, 2024, was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

The following table presents the SAWS OPEB Plan Net OPEB Asset calculated at December 31, 2025, and December 31, 2024 using the respective discount rates, as well as what the Net OPEB Asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

<i>(\$ in thousands)</i>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>4.50%</u>	<u>5.50%</u>	<u>6.50%</u>
December 31, 2025	\$ (29,689)	\$ (41,632)	\$ (51,549)
December 31, 2024	\$ (31,484)	\$ (42,018)	\$ (50,739)

NOTES TO FINANCIAL STATEMENTS

SAWS recognized (\$5,193,000) in OPEB expense for the fiscal year ended December 31, 2025, based on a measurement date of December 31, 2024, and (\$6,542,000) in OPEB expense for the fiscal year ended December 31, 2024, based on a measurement date of December 31, 2023.

The following table summarizes Deferred Outflows of Resources and Deferred Inflows of Resources associated with the SAWS OPEB Plan at December 31, 2025, and December 31, 2024, from the following sources.

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>(\$ in thousands)</i>				
Contributions made after the measurement date	\$ -	\$ -	\$ 150	\$ -
Differences between expected and actual experience	12,223	3,549	4,722	10,336
Effects of changes in assumption	2,949	6,148	4,842	4,537
Net Difference between projected and actual earnings on OPEB plan investments	-	770	4,284	-
	<u>\$ 15,172</u>	<u>\$ 10,467</u>	<u>\$ 13,998</u>	<u>\$ 14,873</u>

Other amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31,	<i>(\$ in thousands)</i>
2026	\$ 1,210
2027	7,670
2028	(3,061)
2029	(1,114)
Thereafter	-

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NOTES TO FINANCIAL STATEMENTS

The components of the Net OPEB Asset for the SAWS OPEB Plan at December 31, 2025, and 2024 were as follows:

(\$ in thousands)	December 31,	
	2025(a)	2024
Total OPEB liability	\$ 95,183	\$ 92,632
Plan fiduciary net position	147,272	134,264
Net OPEB asset	<u>\$ (52,089)</u>	<u>\$ (41,632)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	154.7%	144.9%

(a) Actuarial valuation performed at January 1, 2025, was rolled forward to December 31, 2025.

NOTE L – ASSET RETIREMENT OBLIGATIONS (AROs)

SAWS accounts for Asset Retirement Obligations (AROs) by recognizing the total obligation as a liability based on the best estimate of the current value of expenditures expected to be incurred once the assets are retired. The statement requires the effects of inflation or deflation on the ARO liability be adjusted annually. In addition to the ARO liability, SAWS has recorded associated outflows of resources that are being amortized over the remaining useful life of the respective asset groups. The total liability for AROs was \$50,969,000 at December 31, 2025, and at December 31, 2024. The following asset groups have been included in the ARO liability reflected in the Statements of Net Position.

Wastewater Treatment Plants (WTPs) – SAWS operates three WTPs in its service area and also maintains Mitchell Lake which was previously classified as a WTP. Due to the environmentally sensitive nature and ongoing wetlands project at Mitchell Lake, the remaining life and the cost to decommission this site are not reasonably estimable and are not included in the ARO liability. The average remaining useful life of the other WTPs is 43 years. TCEQ requires that a WTP be decommissioned once no longer in service. The cost for decommissioning the other three plants was \$49,124,000 at December 31, 2025, and at December 31, 2024. The cost was determined using data from various 2006 contracts relating to the decommissioning of the Salado Creek WTP. The cost included a 10% design allowance.

Underground Storage Tanks (USTs) – SAWS maintains 8 USTs across its service area for servicing fleet vehicles. Texas State Law, 30 Texas Administrative Code Chapter 334, requires that USTs be removed from the ground when they are no longer in use. The cost to remove these USTs from the ground is estimated to be \$1,000,000 at December 31, 2025 and December 31, 2024. The cost was determined using data from a 2020 contract to remove two USTs at the Van Dyke Service Center. The cost includes a 10% design allowance. There were no USTs removed in 2025 and two were removed in 2024.

NOTES TO FINANCIAL STATEMENTS

Desalination Injection Wells – SAWS currently has two injection wells in use with the desalination process. In connection with desalination injection well permits obtained by SAWS from TCEQ, SAWS has an obligation to plug the injection wells once the wells are no longer in service. These wells became operational in 2016 and have a remaining useful life of 40 years based on SAWS experience with other wells throughout the system. The cost to plug these wells was estimated to be \$845,000 at December 31, 2025 and at December 31, 2024. The December 31, 2025, and December 31, 2024, liability was based on an engineer's estimate from 2022. The cost includes a 10% design allowance.

The following table summarizes the ARO activity for 2025 and 2024.

Year Ended	(amounts in thousands)				
	AROs Beginning of Year	Increases to AROs	AROs Retired	AROs at End of Year	AROs Due Within One Year
December 31, 2025	\$ 50,969	\$ -	\$ -	\$ 50,969	\$ -
December 31, 2024	\$ 50,729	\$ 345	\$ 105	\$ 50,969	\$ -

NOTE M – LEASES

Effective January 1, 2022, SAWS adopted GASB Statement No. 87, *Leases*. This Statement covers leases where the entity is the lessee and the lessor. SAWS has agreements for each type. SAWS reviewed all the leases where SAWS is the lessee and determined these leases are not material to the financials. As a result, SAWS did not record any lease liabilities or any “right to use lease assets”. SAWS examined all agreements where SAWS is the lessor and recorded seven leases that are material to the financials and have been included in the Statements of Net Position.

Six of these leases are for rental of space on various water towers which allow cell phone providers to attach transmitter equipment and may include space on the ground for the installation of support equipment. The seventh lease is for acreage at one of SAWS' water treatment plants for the installation of solar panel equipment to produce electricity. Once a lease is complete, the lessee is responsible for removing all equipment. The remaining terms of the leases range from 2 to 18 years inclusive of any anticipated renewal options. These leases were recorded at the net present value of all future payments. None of the lessor agreements are a principal part of SAWS' ongoing operations nor are they subject to paragraph 58 of GASB Statement No. 87.

During 2025, SAWS recognized \$343,000 as lease revenue and \$105,000 as interest revenue. During 2024, SAWS recognized \$324,000 as lease revenue and \$115,000 in interest revenue.

NOTES TO FINANCIAL STATEMENTS

NOTE N – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

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

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

Liabilities under SBITAs due within the next year are reported in sundry payables and accruals on the Statement of Net Position while liabilities due after one year are reported as Subscriptions Payable.

The following table lists the SBITA liability activity for 2025 and 2024.

Year Ended	<i>(amounts in thousands)</i>				
	SBITA Liability Beginning of Year	Increases to SBITA Liability	Decreases to SBITA Liability	SBITA Liability at End of Year	SBITA Liability Due Within One Year
December 31, 2025	\$ 4,301	\$ 2,632	\$ 2,912	\$ 4,021	\$ 2,324
December 31, 2024	\$ 4,705	\$ -	\$ 404	\$ 4,301	\$ 1,359

The following table lists the total liability by year:

SBITA Liability

(Amounts in thousands)

Year Ended	Principal	Interest	Total Payment
December 31,			
2026	2,324	55	2,379
2027	1,697	26	1,723
2028	-	-	-
	<u>\$ 4,021</u>	<u>\$ 81</u>	<u>\$ 4,102</u>

NOTES TO FINANCIAL STATEMENTS

NOTE O –SUBSEQUENT EVENTS

On March 16, 2026, SAWS entered into an agreement with the Texas Water Development Board (TWDB) to receive funds that total \$11,755,102. As part of the agreement, SAWS issued \$5,760,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Taxable Series 2026A (Series 2026A Bonds) through the Texas Water Development Board (TWDB) under the Drinking Water State Revolving Fund Lead Service Line Replacement Program. At the same time, SAWS entered into a principal forgiveness agreement with TWDB in the amount of \$5,995,102 (Principal Forgiveness). The proceeds from the sale of the 2026A Bonds and Principal Forgiveness will be used to (i) inventory service lines in the SAWS service area, and (ii) pay for costs of issuance. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION

Texas Municipal Retirement System - San Antonio Water System Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited) (\$ in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service Cost	\$ 8,324	\$ 7,456	\$ 6,318	\$ 6,068	\$ 6,233	\$ 5,733	\$ 5,551	\$ 5,332	\$ 4,979	\$ 4,810
Interest	18,926	18,041	17,061	16,200	15,448	14,670	13,952	13,268	12,623	12,480
Differences between expected and actual	3,822	1,846	2,221	1,214	(189)	499	240	54	29	(1,311)
Changes of assumptions	-	(1,985)	-	-	-	211	-	-	-	433
Benefit payments	(13,529)	(11,847)	(11,442)	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)
Net change in pension liability	17,543	13,511	14,158	13,221	11,198	11,721	10,783	10,322	9,445	9,075
Total pension liability at beginning of year	282,983	269,472	255,314	242,093	230,895	219,174	208,391	198,069	188,624	179,549
Total pension liability at end of year (a)	\$ 300,526	\$ 282,983	\$ 269,472	\$ 255,314	\$ 242,093	\$ 230,895	\$ 219,174	\$ 208,391	\$ 198,069	\$ 188,624
Plan fiduciary net position										
Contributions - Employer	\$ 6,312	\$ 5,267	\$ 4,510	\$ 4,450	\$ 4,440	\$ 4,095	\$ 4,059	\$ 3,852	\$ 3,609	\$ 3,953
Contributions - Employee	4,867	4,377	3,717	3,569	3,660	3,412	3,291	3,149	2,935	2,892
Net investment income	26,496	26,711	(18,429)	29,401	16,073	28,632	(5,773)	23,639	10,909	239
Benefit payments	(13,529)	(11,847)	(11,442)	(10,261)	(10,294)	(9,392)	(8,960)	(8,332)	(8,186)	(7,337)
Administrative expenses	(170)	(170)	(159)	(136)	(104)	(162)	(111)	(123)	(123)	(146)
Other	(4)	(1)	190	1	(4)	(5)	(6)	(6)	(7)	(7)
Net change in plan fiduciary net position	23,972	24,337	(21,613)	27,024	13,771	26,580	(7,500)	22,179	9,137	(406)
Plan fiduciary net position at beginning of year	255,367	231,030	252,643	225,619	211,848	185,268	192,768	170,589	161,452	161,858
Plan fiduciary net position at end of year (b)	\$ 279,339	\$ 255,367	\$ 231,030	\$ 252,643	\$ 225,619	\$ 211,848	\$ 185,268	\$ 192,768	\$ 170,589	\$ 161,452
Net pension liability (a) - (b)	\$ 21,187	\$ 27,616	\$ 38,442	\$ 2,671	\$ 16,474	\$ 19,047	\$ 33,906	\$ 15,623	\$ 27,480	\$ 27,172
Plan fiduciary net position as a percentage of the total pension liability	93.0%	90.2%	85.7%	99.0%	93.2%	91.8%	84.5%	92.5%	86.1%	85.6%
Covered payroll	\$ 162,260	\$ 145,906	\$ 123,985	\$ 118,981	\$ 121,984	\$ 113,750	\$ 109,703	\$ 104,960	\$ 97,818	\$ 96,389
Net pension liability as a percentage of total covered payroll	13.1%	18.9%	31.0%	2.2%	13.5%	16.7%	30.9%	14.9%	28.1%	28.2%

Notes to Schedule:

Changes of assumptions: In 2015, the long term rate of return was reduced from 7% to 6.75%. In 2015, mortality rates were updated to reflect updated historical data.

Texas Municipal Retirement System - San Antonio Water System Schedule of Contributions (Unaudited) (\$ in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 6,578	\$ 6,312	\$ 5,267	\$ 4,510	\$ 4,450	\$ 4,440	\$ 4,095	\$ 4,059	\$ 3,852	\$ 3,609
Contributions in relation to the actuarially determined contribution	6,578	6,312	5,267	4,510	4,450	4,440	4,095	4,059	3,852	3,609
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 176,354	\$ 162,260	\$ 145,905	\$ 123,985	\$ 118,981	\$ 121,984	\$ 113,750	\$ 109,703	\$ 104,960	\$ 97,818
Contributions as a percentage of covered payroll	3.73%	3.89%	3.61%	3.64%	3.74%	3.64%	3.60%	3.70%	3.67%	3.69%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of December 31st and become effective 12 months later on January 1st.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	For 2025, the remaining amortization period is 21 years.
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50% 2.50% 2.50% 2.50% 2.50% 2.50% 2.50% 2.50% 2.50% 2.50%
Salary increases	The assumption was 3.6% to 11.9% for 2025, 3.5% to 11.5% for 2020 to 2024, and 3.5% to 10.5% for 2016 to 2019. All percentages include inflation.
Investment rate of return	6.75% 6.75% 6.75% 6.75% 6.75% 6.75% 6.75% 6.75% 6.75% 6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other: No benefit changes during the year. The data in this schedule is based on SAWS' fiscal year end. Actuarial Contribution rates are calculated as of December 31st and become effective in January, thirteen months later.

REQUIRED SUPPLEMENTAL INFORMATION

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service Cost	\$ 4,675	\$ 4,696	\$ 4,689	\$ 4,933	\$ 5,036	\$ 5,187	\$ 5,464	\$ 5,629	\$ 5,859	\$ 5,724
Interest	20,781	19,305	18,414	17,869	17,026	16,403	16,282	15,101	14,354	13,680
Differences between expected and actual experience	455	9,234	3,994	(1,814)	2,224	(66)	1,700	1,926	(1,394)	712
Changes of assumptions	-	-	3	-	413	(1,063)	(1,534)	4,653	1,152	5,532
Benefit payments	(14,488)	(13,398)	(12,401)	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)
Net change in pension liability	11,423	19,837	14,699	9,334	14,030	10,371	12,554	18,694	11,997	18,365
Total pension liability at beginning of year	330,087	310,250	295,551	286,217	272,187	261,816	249,262	230,568	218,571	200,206
Total pension liability at end of year (a)	<u>\$ 341,510</u>	<u>\$ 330,087</u>	<u>\$ 310,250</u>	<u>\$ 295,551</u>	<u>\$ 286,217</u>	<u>\$ 272,187</u>	<u>\$ 261,816</u>	<u>\$ 249,262</u>	<u>\$ 230,568</u>	<u>\$ 218,571</u>
Plan fiduciary net position										
Contributions - Employer	\$ 7,332	\$ 6,053	\$ 6,136	\$ 7,000	\$ 6,136	\$ 9,131	\$ 9,131	\$ 7,923	\$ 7,982	\$ 7,367
Contributions - Employee	2,002	2,336	2,290	2,165	2,219	2,095	2,528	2,434	2,484	2,533
Net investment income / (loss)	41,026	22,927	31,598	(43,417)	34,840	31,582	38,722	(7,767)	30,741	6,971
Benefit payments	(14,488)	(13,398)	(12,401)	(11,654)	(10,669)	(10,090)	(9,358)	(8,615)	(7,974)	(7,283)
Administrative expenses	(284)	(290)	(290)	(264)	(293)	(294)	(309)	(360)	(380)	(195)
Net change in plan fiduciary net position	35,588	17,628	27,333	(46,170)	32,233	32,424	40,714	(6,385)	32,853	9,393
Plan fiduciary net position at beginning of year	305,909	288,281	260,948	307,118	274,885	242,461	201,747	208,132	175,279	165,886
Plan fiduciary net position at end of year (b)	<u>\$ 341,497</u>	<u>\$ 305,909</u>	<u>\$ 288,281</u>	<u>\$ 260,948</u>	<u>\$ 307,118</u>	<u>\$ 274,885</u>	<u>\$ 242,461</u>	<u>\$ 201,747</u>	<u>\$ 208,132</u>	<u>\$ 175,279</u>
Net pension liability/(asset) (a) - (b)	<u>\$ 13</u>	<u>\$ 24,178</u>	<u>\$ 21,969</u>	<u>\$ 34,603</u>	<u>\$ (20,901)</u>	<u>\$ (2,698)</u>	<u>\$ 19,355</u>	<u>\$ 47,515</u>	<u>\$ 22,436</u>	<u>\$ 43,292</u>
Plan fiduciary net position as a percentage of the total pension liability	100.0%	92.7%	92.9%	88.3%	107.3%	101.0%	92.6%	80.9%	90.3%	80.2%
Covered payroll	\$ 74,547	\$ 71,444	\$ 69,346	\$ 68,883	\$ 75,822	\$ 74,643	\$ 76,320	\$ 78,348	\$ 79,417	\$ 83,493
Net pension liability as a percentage of total covered payroll	0.0%	33.8%	31.7%	50.2%	-27.6%	-3.6%	25.4%	60.6%	28.3%	51.9%

Notes to Schedule:

Current year calculation:

Total pension liability at December 31, 2025 is based on a rollforward of the January 1, 2025 actuarial valuation.

Changes of assumptions:

In 2020, retirement age assumptions were changed to reflect more recent experience. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the SOA. In 2017 through 2023, the mortality assumption was updated for the latest improvement scale. In 2020, the long term rate of return was adjusted to 6.25%. In 2016, the long term rate of return was reduced from 6.75% to 6.5%.

Other:

No changes to plan or assumptions for 2025.

REQUIRED SUPPLEMENTAL INFORMATION

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 7,332	\$ 6,053	\$ 4,412	\$ 4,428	\$ 6,136	\$ 7,723	\$ 9,131	\$ 7,923	\$ 7,982	\$ 7,367
Contributions in relation to the actuarially determined contribution	7,332	6,053	6,136	7,000	6,136	9,131	9,131	7,923	7,982	7,367
Contribution deficiency/(excess)	\$ -	\$ -	\$ (1,724)	\$ (2,572)	\$ -	\$ (1,408)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 74,547	\$ 71,444	\$ 69,346	\$ 68,883	\$ 75,822	\$ 74,643	\$ 76,320	\$ 78,348	\$ 79,417	\$ 83,493
Contributions as a percentage of covered payroll	9.8%	8.5%	8.8%	10.2%	8.1%	12.2%	12.0%	10.1%	10.1%	8.8%

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1st of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Remaining amortization period	Unfunded Liability at December 31, 2013 of \$40,551,000 is being amortized over a 15 fixed year period. The annual impact of experience gains/losses, plan amendments and changes in plan assumptions are amortized over 10 years.
Amortization Method	Equal annual installments
Asset valuation method	4 year smoothed market
Inflation	In 2024, rate was changed to 2.40%. In 2019, rate was changed to 2.25%. In 2017, the rate was changed to 2%, previously it was 2.25%
Salary increases	In 2021, changed to a new table based on management philosophies and more recent experience of plan participants. Previously, scale based on 2011-2013 SAWS' experience.
Retirement age - active	In 2020, changed to a table of rates starting at age 45 and ending at age 70. In 2016, expected retirement ages were adjusted to reflect actual experience from 2011-2013.
Retirement age - inactive	In 2020, changed from 100% at age 62 to a table of rates starting at age 60 and ending at age 65.
Investment rate of return	In 2020, the rate was changed to 6.25%. In 2017, the rate was changed from 6.75% to 6.5%, net of pension expense, including inflation.
Mortality Table	In 2022, the improvement scale was changed to MP-2021. In 2021, the improvement scale was changed to MP-2020. In 2020, the improvement scale was changed to MP-2019. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the SOA. In 2018 and 2017, the mortality assumption was updated for the latest improvement scale. In 2016, the mortality table was changed to use adjusted RP-2014 mortality with scale MP-2016 based on data published by the SOA in 2015.

Other: No changes to methods or assumptions for 2025.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	13.52%	8.01%	12.18%	-14.17%	12.68%	12.98%	19.10%	-3.71%	17.37%	4.21%

REQUIRED SUPPLEMENTAL INFORMATION

District Special Project Retirement Income Plan
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
(\$ in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 126	\$ 259	\$ 124	\$ 201	\$ 209	\$ 241	\$ 245	\$ 257	\$ 108	\$ 71
Interest	434	404	397	426	420	409	371	388	424	418
Benefit payments	(228)	(119)	(356)	(371)	(378)	(408)	(330)	(485)	(776)	(324)
Changes in assumptions	(261)	-	-	36	-	-	219	6	15	224
Difference between expected and actual experience	(138)	169	(305)	(285)	(62)	375	(466)	(622)	101	(381)
Net change in Total Pension Liability	(67)	713	(140)	7	189	617	39	(456)	(128)	8
Total Pension Liability - beginning	7,535	6,822	6,962	6,955	6,766	6,149	6,110	6,566	6,694	6,686
Total Pension Liability - ending (a)	\$ 7,468	\$ 7,535	\$ 6,822	\$ 6,962	\$ 6,955	\$ 6,766	\$ 6,149	\$ 6,110	\$ 6,566	\$ 6,694
Fiduciary Net Position										
Employer contributions	\$ -	\$ 2	\$ 134	\$ 138	\$ 175	\$ 400	\$ 400	\$ 400	\$ 315	\$ 280
Net investment income / (loss)	992	721	924	(1,034)	1,049	998	1,049	(75)	764	306
Benefit payments	(228)	(119)	(356)	(371)	(378)	(408)	(330)	(485)	(776)	(324)
Administrative expenses	-	(1)	(6)	(5)	(7)	(6)	(6)	(7)	(7)	(8)
Net change in Fiduciary Net Position	764	603	696	(1,272)	839	984	1,113	(167)	296	254
Fiduciary Net Position - beginning	8,502	7,899	7,203	8,475	7,636	6,652	5,539	5,706	5,410	5,156
Fiduciary Net Position - ending (b)	\$ 9,266	\$ 8,502	\$ 7,899	\$ 7,203	\$ 8,475	\$ 7,636	\$ 6,652	\$ 5,539	\$ 5,706	\$ 5,410
Net Pension Liability (Asset) (a) - (b)	\$ (1,798)	\$ (967)	\$ (1,077)	\$ (241)	\$ (1,520)	\$ (870)	\$ (503)	\$ 571	\$ 860	\$ 1,284
Plan Fiduciary Net Position as a percentage of the										
Total Pension Liability	124.1%	112.8%	115.8%	103.5%	121.9%	112.9%	108.2%	90.7%	86.9%	80.8%
Covered payroll (frozen plan)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net Pension Liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes to schedule:

The plan was frozen in 2008. Therefore, current & future wages have no impact on Net Pension Liability.

Total pension liability at December 31, 2025 is based on a rollforward of the January 1, 2025 actuarial valuation.

Changes in assumptions: Effective, December 31, 2025, the investment rate of return was increased to 6.25%. In 2025, the lump sum interest rate was changed to 4.75% and mortality tables were changed to PUB 2016. In 2023, the investment rate of return was decreased to 5.75%. In 2020, the investment rate of return was changed to 6.25%. In 2023, the improvement mortality improvement scale was changed to MP-2021. In 2022, the mortality improvement scale was updated to MP-2020. In 2019, the mortality improvement scale was updated to MP-2018. In 2018, the mortality improvement scale was based on MP-2017. In 2017, the mortality table was changed from 1994 GAR projected to 2002 to the RP-2014 table using the MP-2016 improvement scale.

Other: No changes to the plan for 2025.

REQUIRED SUPPLEMENTAL INFORMATION

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ 2	\$ 84	\$ -	\$ 138	\$ 290	\$ 388	\$ 247	\$ 315	\$ 279
Contributions in relation to the actuarially determined contribution	-	2	134	138	175	400	400	400	315	280
Contribution deficiency/(excess)	\$ -	\$ -	\$ (50)	\$ (138)	\$ (37)	\$ (110)	\$ (12)	\$ (153)	\$ -	\$ (1)
Covered payroll (frozen plan)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Unit Credit
Amortization method	Rolling level amortization over a declining period
Remaining amortization period	In 2023, the amortization period was changed to 10 years, 5 years (2022), 6 years (2021), 7 years (2020), 8 years (2019), 9 years (2018), 10 years(2017), 11 years(2016)
Asset valuation method	Market value
Inflation	In 2023, the inflation rate was changed to 3.0%. In 2020, the inflation rate was changed to 2.25%. In 2019, the inflation rate was changed to 2.5%.
Salary increase	Earned benefits frozen in 2008
Investment rate of return	In 2023, the rate was changed to 5.75%. In 2020, the rate was changed to 6.25%. In 2017, the rate was changed to 6.5%. Previously, 7.0%, net of pension plan investment expense, including inflation was used.
Retirement age	Normal retirement age - the earlier of (a) age 65 or (b) the "rule of 90" where the participant's age and years of service added together equal 90 or greater.
Mortality	In 2025,the mortality table was changed to PUB-2016 and the mortality improvement scale MP-2021. In 2022, the improvement scale was updated to MP-2020. In 2019, the mortality projection scale was updated to MP-2018. In 2018, the mortality projection scale was based on MP 2017. In 2017, the table was changed to the RP-2014 table using mortality improvement scale MP-2016. Previously,1994 GAR projected to 2002 was used.

Other: No changes to the plan or assumptions for 2025.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	11.82%	9.20%	13.04%	-12.37%	13.93%	15.03%	18.83%	-1.32%	14.76%	5.98%

REQUIRED SUPPLEMENTAL INFORMATION

San Antonio Water System Other Post Employment Benefit Plan Schedule of Changes in Net OPEB Liability and Related Ratios (Unaudited)

	(\$ in thousands)								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service Cost	\$ 1,669	\$ 1,543	\$ 845	\$ 1,170	\$ 1,712	\$ 1,750	\$ 1,913	\$ 2,220	\$ 2,428
Interest	5,104	4,546	3,869	5,099	7,491	7,688	9,112	9,429	9,221
Changes of benefit terms	-	-	6,943	-	(32,517)	-	-	-	-
Differences between expected and actual experience	(1,188)	13,612	6,296	(14,196)	(5,859)	(8,867)	(18,580)	(11,970)	(3,358)
Changes of assumptions	-	(6,532)	5,898	(7,173)	(3,799)	2,089	(3,237)	2,817	(351)
Benefit payments	(3,034)	(3,259)	(4,310)	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Net change in OPEB liability	2,551	9,910	19,541	(19,300)	(38,314)	(3,481)	(17,103)	(5,312)	1,731
Total OPEB liability at beginning of year	92,632	82,722	63,181	82,481	120,795	124,276	141,379	146,691	144,960
Total OPEB liability at end of year (a)	\$ 95,183	\$ 92,632	\$ 82,722	\$ 63,181	\$ 82,481	\$ 120,795	\$ 124,276	\$ 141,379	\$ 146,691
Plan fiduciary net position									
Contributions - Employer	\$ -	\$ 279	\$ 5,160	\$ 9,300	\$ 10,442	\$ 13,641	\$ 13,811	\$ 15,308	\$ 13,709
Net investment income / (loss)	16,297	12,319	16,479	(18,870)	12,260	13,747	13,264	(3,164)	7,127
Benefit payments	(3,034)	(3,259)	(4,310)	(4,200)	(5,342)	(6,141)	(6,311)	(7,808)	(6,209)
Administrative expenses	(16)	(54)	(169)	(170)	(177)	(187)	(175)	(159)	(144)
Other Disbursements	(239)	239	-	-	-	-	-	-	-
Net change in plan fiduciary net position	13,008	9,524	17,160	(13,940)	17,183	21,060	20,589	4,177	14,483
Plan fiduciary net position at beginning of year	134,264	124,740	107,580	121,520	104,337	83,277	62,688	58,511	44,028
Plan fiduciary net position at end of year (b)	\$ 147,272	\$ 134,264	\$ 124,740	\$ 107,580	\$ 121,520	\$ 104,337	\$ 83,277	\$ 62,688	\$ 58,511
Net OPEB liability (a) - (b)	\$ (52,089)	\$ (41,632)	\$ (42,018)	\$ (44,399)	\$ (39,039)	\$ 16,458	\$ 40,999	\$ 78,691	\$ 88,180
Plan fiduciary net position as a percentage of the total OPEB liability	154.7%	144.9%	150.8%	170.3%	147.3%	86.4%	67.0%	44.3%	39.9%
Covered employee payroll	\$ 65,553	\$ 66,260	\$ 66,975	\$ 62,161	\$ 65,898	\$ 67,557	\$ 68,894	\$ 78,348	\$ 79,417
Net OPEB liability as a percentage of total covered payroll	-79.5%	-62.8%	-62.7%	-71.4%	-59.2%	24.4%	59.5%	100.4%	111.0%

Notes to Schedule:

(a) Total OPEB liability at December 31, 2025 is based on a rollforward of the January 1, 2025 actuarial valuation.

Changes of benefit terms: SAWS changed Medicare Advantage providers in 2022. The new contract provides coverage at no charge to the employer or employee for three years. After three years, the cost is expected to be nominal.

Changes in assumptions: For 2022 to 2025, the MP-2021 mortality table was used. In 2021, the mortality table was updated to MP-2020. Healthcare trend rate assumption updated to 2021 SOA Long-Run Medical Trend model and the post-65 initial trend rate set to -2.0%. In 2020, the investment rate of return was changed from 6.5% to 6.25%. In 2019, health care cost trends ultimate rate was changed to 3.94% in 2075. In 2018, health care cost trends ultimate rate was changed to 3.84% in 2075. In 2019, the mortality table was changed to the public retirement plans mortality tables published by the SOA. The mortality table was updated for 2018 & 2017.

In 2025, the Trust began reimbursing SAWS for retiree dental expenses. In 2024, the Trust began reimbursing SAWS for the under 65 retiree medical expenses, life insurance premiums and retiree Medicare Advantage premiums. GASB 74 requires 10 years of data to be provided in the Schedule of Contributions. Since SAWS implemented GASB 74 in 2017, only 9 years of data is available. A full 10 years of data will be presented by 2026.

REQUIRED SUPPLEMENTAL INFORMATION

San Antonio Water System Other Post Employment Benefit Plan Schedule of Contributions (Unaudited)

(\$ in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 3,706	\$ 6,339	\$ 10,407	\$ 11,392	\$ 11,416
Contributions in relation to the actuarially determined contribution	-	279	5,160	9,300	10,442	13,641	13,811	15,308	13,709
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ (279)</u>	<u>\$ (5,160)</u>	<u>\$ (9,300)</u>	<u>\$ (6,736)</u>	<u>\$ (7,302)</u>	<u>\$ (3,404)</u>	<u>\$ (3,916)</u>	<u>\$ (2,293)</u>
Covered employee payroll	\$ 65,553	\$ 66,260	\$ 66,975	\$ 62,161	\$ 65,898	\$ 67,557	\$ 68,894	\$ 78,348	\$ 79,417
Contributions as a percentage of covered payroll	0.0%	0.4%	7.7%	15.0%	15.8%	20.2%	20.0%	19.5%	17.3%

Notes to Schedule:

Valuation date: Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Salary increases	Varies by age, ranging from 3.75% to 9.0%
Mortality Assumptions:	For 2022 to 2024, the improvement table MP-2021 was used. In 2021, the improvement table was changed to MP-2020. In 2020, the improvement table was changed to MP-2019. In 2019, the mortality tables were changed to the public retirement plans mortality tables published by the SOA. Previously, the RP-2014 mortality tables for Healthy Employee/Annuitant updated annually were used.

Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.40%	2.50%	2.50%
Salary increases	4.25% to 9.00%, varies by age.								

Healthcare cost trend rates:

Current Year	6.75% - Pre-65								
Plan Year	2025	2024	2023	2022	2021	2020	2019	2018	2017
Ultimate trend rate	4.50%	4.04%	4.14%	2.94%	4.04%	4.04%	3.94%	3.84%	4.14%
Ultimate year	2076	2076	2076	2075	2075	2075	2075	2075	2074
Investment rate of return	5.50%	5.75%	6.25%	6.25%	6.25%	6.25%	6.75%	6.75%	6.75%
Remaining amortization period - years	10	10	11	12	13	14	15	16	17

In 2024, the Trust began reimbursing SAWS for the under 65 retiree medical expenses and life insurance premiums. GASB 74 requires 10 years of data to be provided in the Schedule of Contributions. Since SAWS implemented GASB 74 in 2017, only 8 years of data is available. A full 10 years of data will be presented by 2026.

San Antonio Water System Other Post Employment Benefit Plan Schedule of Investment Returns (Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	12.26%	9.91%	15.27%	-15.24%	11.51%	15.88%	19.96%	-5.11%	14.69%

SUPPLEMENTAL SCHEDULES

SUPPLEMENTAL SCHEDULES

San Antonio Water System
SCHEDULE OF REVENUES AND OTHER
FINANCIAL SOURCES AND THEIR DISPOSITION
(amounts in thousands)
For the years ended December 31,

	<u>2025</u>	<u>2024</u>	<u>Variance</u>
SOURCES OF FUNDS			
OPERATING REVENUES			
Water delivery system	\$ 257,734	\$ 239,837	\$ 17,897
Water supply system	312,192	311,659	533
Wastewater system	313,632	301,527	12,105
Chilled water system	14,992	13,930	1,062
Total operating revenues	<u>898,550</u>	<u>866,953</u>	<u>31,597</u>
NONOPERATING REVENUES			
Interest earned and miscellaneous	50,705	48,979	1,726
Total nonoperating revenues	<u>50,705</u>	<u>48,979</u>	<u>1,726</u>
CAPITAL CONTRIBUTIONS			
Capital Recovery Fees	102,606	126,008	(23,402)
Contributions in Aid of Construction	19,703	6,381	13,322
Total capital contributions	<u>122,309</u>	<u>132,389</u>	<u>(10,080)</u>
TOTAL SOURCES OF FUNDS	<u>\$ 1,071,564</u>	<u>\$ 1,048,321</u>	<u>\$ 23,243</u>
USES OF FUNDS			
OPERATION AND MAINTENANCE			
Salaries and fringe benefits	\$ 231,932	\$ 214,736	\$ (17,196)
Contractual services	296,694	296,369	(325)
Materials and supplies	45,228	45,121	(107)
Other charges	4,526	2,996	(1,530)
Less: Costs capitalized to Construction in Progress	(48,486)	(45,894)	2,592
Total operation and maintenance	<u>529,894</u>	<u>513,328</u>	<u>(16,566)</u>
OPERATING RESERVE REQUIREMENT	2,868	3,871	1,003
DEBT REQUIREMENTS			
Interest costs	146,631	139,377	(7,254)
Retirement of bonds	86,016	75,620	(10,396)
Other debt expense	2,818	2,336	(482)
Total debt requirements	<u>235,465</u>	<u>217,333</u>	<u>(18,132)</u>
TRANSFER TO THE CITY'S GENERAL FUND	36,185	34,884	(1,301)
AMOUNT AVAILABLE FOR TRANSFER TO			
THE RENEWAL AND REPLACEMENT FUND:			
RESTRICTED	132,524	141,464	(8,940)
UNRESTRICTED	<u>134,628</u>	<u>137,441</u>	<u>(2,813)</u>
Total amount available for Renewal and Replacement Funds	<u>267,152</u>	<u>278,905</u>	<u>(11,753)</u>
TOTAL USES OF FUNDS	<u>\$ 1,071,564</u>	<u>\$ 1,048,321</u>	<u>\$ 23,243</u>

The accompanying notes to the supplemental schedules are an integral part of this schedule.

SUPPLEMENTAL SCHEDULES

San Antonio Water System
SCHEDULE OF REVENUES AND THEIR DISPOSITION
COMPARED TO ANNUAL BUDGET
(amounts in thousands)
For the year ended December 31, 2025

	Actual	Budget	Variance
SOURCES OF FUNDS			
OPERATING REVENUES			
Water delivery system	\$ 257,734	\$ 246,101	\$ 11,633
Water supply system	312,192	324,222	(12,030)
Wastewater system	313,632	306,941	6,691
Chilled water system	14,992	14,711	281
Total operating revenues	898,550	891,975	6,575
NONOPERATING REVENUES			
Interest earned and miscellaneous	50,705	57,017	(6,312)
Total nonoperating revenues	50,705	57,017	(6,312)
CAPITAL CONTRIBUTIONS			
Capital Recovery Fees	102,606	139,340	(36,734)
Contributions in Aid of Construction	19,703	-	19,703
Total capital contributions	122,309	139,340	(17,031)
TOTAL SOURCES OF FUNDS	<u>\$ 1,071,564</u>	<u>\$ 1,088,332</u>	<u>\$ (16,768)</u>
USES OF FUNDS			
OPERATION AND MAINTENANCE			
Salaries and fringe benefits	\$ 231,932	\$ 227,323	\$ (4,609)
Contractual services	296,694	314,318	17,624
Materials and supplies	45,228	41,396	(3,832)
Other charges	4,526	4,812	286
Less: Costs capitalized to Construction in Progress	(48,486)	(44,378)	4,108
Total operation and maintenance	529,894	543,471	13,577
OPERATING RESERVE REQUIREMENT	2,868	2,109	(759)
DEBT REQUIREMENTS			
Interest costs	146,631	162,951	16,320
Retirement of bonds	86,016	109,833	23,817
Other debt expense	2,818	2,800	(18)
Total debt requirements	235,465	275,584	40,119
TRANSFER TO THE CITY'S GENERAL FUND	36,185	35,995	(190)
AMOUNT AVAILABLE FOR TRANSFER TO			
THE RENEWAL AND REPLACEMENT FUND:			
RESTRICTED	132,524	154,530	(22,006)
UNRESTRICTED	134,628	76,643	57,985
Total amount available for Renewal and Replacement Funds	267,152	231,173	35,979
TOTAL USES OF FUNDS	<u>\$ 1,071,564</u>	<u>\$ 1,088,332</u>	<u>\$ (16,768)</u>

The accompanying notes to the supplemental schedules are an integral part of this schedule.

SUPPLEMENTAL SCHEDULES

San Antonio Water System SCHEDULE OF OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND) For the year ended December 31, 2025

Account Code	Classification	(amounts in thousands)			
		Actual	Budget	Variance (Over)/Under	%
SALARIES AND FRINGE BENEFITS					
511100	Salaries	\$ 158,886	\$ 162,051	\$ 3,165	2.0%
511140	Overtime Pay	13,631	8,564	(5,067)	-59.2%
511150	On-Call Pay	1,516	1,109	(407)	-36.7%
511160	Employee Insurance	20,707	23,767	3,060	12.9%
511162	Retirement	31,104	28,012	(3,092)	-11.0%
511164	Unused Sick Leave Buyback	-	70	70	100.0%
511166	Personal Leave Buyback	1,822	1,100	(722)	-65.6%
511167	Compensated Absences	141	-	(141)	0.0%
511168	Accrued Vacation Leave	3,689	2,000	(1,689)	-84.5%
511170	Incentive Pay	156	150	(6)	-4.0%
511171	Hiring and Retention Incentives	280	500	220	44.0%
	Total Salaries and Fringe Benefits	231,932	227,323	(4,609)	-2.0%
CONTRACTUAL SERVICES					
511210	Operating Expense	1,632	1,427	(205)	-14.4%
511211	Rental of Facilities	286	463	177	38.2%
511212	Alarm and Security	2,746	2,584	(162)	-6.3%
511214	Uniforms and Shoe Allowance	562	643	81	12.6%
511216	Catering Services	272	279	7	2.5%
511218	Project Agua Assistance	347	400	53	13.3%
511219	Conservation Programs	2,491	3,155	664	21.1%
511220	Maintenance Expense	26,816	25,817	(999)	-3.9%
511221	Street Cut Permit Admin Fee	976	600	(376)	-62.7%
511222	Street Pavement Repair Fees	2,634	2,401	(233)	-9.7%
511224	Auto and Equip. Maintenance Parts	3,284	2,693	(591)	-22.0%
511225	Damage Repair	187	227	40	17.6%
511230	Equipment Rental Charges	1,156	1,332	176	13.2%
511240	Travel	251	242	(9)	-3.7%
511245	Training	846	1,040	194	18.7%
511247	Conferences	85	142	57	40.1%
511250	Memberships and Subscriptions	646	672	26	3.9%
511260	Utilities	46,604	48,253	1,649	3.4%
511261	Water Options	128,375	140,434	12,059	8.6%
511265	Groundwater District Payments	23,150	23,954	804	3.4%
511270	Mail and Parcel Post	3,372	3,270	(102)	-3.1%
511280	Telemetering Charges	-	3	3	100.0%
511310	Educational Assistance	121	77	(44)	-57.1%
511312	Contractual Professional Services	32,222	34,191	1,969	5.8%
511313	Inspection and Assessment Fees	2,431	2,548	117	4.6%
511315	Temporary Employees	763	39	(724)	-1856.4%
511316	Medical Services	155	110	(45)	-40.9%
511318	Recruiting	39	28	(11)	-39.3%
511320	Legal Services	903	2,445	1,542	63.1%
511370	Communications	1,361	1,296	(65)	-5.0%
511381	Software and Hardware Maintenance	11,981	13,553	1,572	11.6%
	Total Contractual Services	296,694	314,318	17,624	5.6%

SUPPLEMENTAL SCHEDULES

San Antonio Water System
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND)
For the year ended December 31, 2025

Account Code		(amounts in thousands)			%
		Actual	Budget	Variance (Over)/Under	
MATERIALS AND SUPPLIES					
511410	Small Tools	\$ 1,378	\$ 1,031	\$ (347)	-33.7%
511417	Copy and Printing Expense	294	242	(52)	-21.5%
511420	Operating Materials	3,687	2,619	(1,068)	-40.8%
511421	Heating Fuel	46	24	(22)	-91.7%
511422	Chemicals	15,720	17,432	1,712	9.8%
511425	Education of School Children	36	30	(6)	-20.0%
511426	Public Awareness-WQEE	-	1	1	100.0%
511427	Enforcement	-	5	5	100.0%
511430	Maintenance Materials	17,372	13,289	(4,083)	-30.7%
511440	Safety Materials and Supplies	2,664	1,795	(869)	-48.4%
511441	Inventory Variances	(23)	-	23	0.0%
511450	Tires and Tubes	738	680	(58)	-8.5%
511451	Motor Fuel and Lubricants	3,316	4,248	932	21.9%
	Total Materials and Supplies	45,228	41,396	(3,832)	-9.3%
511510	Judgments and Claim Settlements	(3)	453	456	100.7%
511511	AL/GL Claims - Cont. Liab.	(201)	330	531	160.9%
511520	Bank Charges	141	278	137	49.3%
511525	Cash Short/(Over)	(3)	-	3	0.0%
511530	Employee Relations	160	99	(61)	-61.6%
511535	Employee Wellness	4	64	60	93.8%
511570	Casualty Insurance	2,419	2,508	89	3.6%
511580	Unemployment Compensation	108	80	(28)	-35.0%
511590	Workers Comp Medical	1,901	1,000	(901)	-90.1%
	Total Other Charges	4,526	4,812	286	5.9%
	Subtotal before Capitalized Costs	578,380	587,849	9,469	1.6%
511720	Capitalized Costs	(48,486)	(44,378)	4,108	-9.3%
	Total Capitalized Costs	(48,486)	(44,378)	4,108	-9.3%
	Total Operation and Maintenance	\$ 529,894	\$ 543,471	\$ 13,577	2.5%

The accompanying notes to the supplemental schedules are an integral part of this schedule.

**San Antonio Water System
Notes to Supplemental Schedules
For the years ended December 31, 2025 and 2024**

Note 1 - Basis for Presentation

The Schedule of Revenues and Other Financial Sources and Their Disposition, the Schedule of Revenues and Their Disposition Compared to Annual Budget and the Schedule of Operations and Maintenance Expense by Account (Supplemental Schedules) have all been prepared in accordance with City Ordinance No. 75686. City Ordinance No. 75686 requires that gross revenues of SAWS be applied in sequence to: (1) System Fund for payment of current maintenance and operating expenses including a two-month reserve amount based upon the budgeted amount of maintenance and operating expenses for the current Fiscal year; (2) Interest and Sinking Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) Payment of amounts required on Inferior Lien Obligations, and (7) Transfers to the City's General Fund and to the Renewal and Replacement Fund. Further, City Ordinance No. 75686 stipulates that the annual budget shall reflect an estimate of Gross Revenues and an estimate of the disposition of these revenues in accordance with the funds flow requirements.

Note 2 – Reconciliation to Basic Financial Statements

City Ordinance No. 75686 defines operations and maintenance expenses as consisting of:

- the cost of all salaries, labor, material, repairs, and extensions necessary to maintain operation of the system,
- payments to pension, retirement, health, and other employee benefit plans,
- payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods or services for the system,
- payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the system,
- payments made on or respect of obtaining and maintaining any credit facility, and
- any legal liability of the system arising out of the operation, maintenance, or condition of the system, but excluding any allowance for depreciation, property retirement, depletion, obsolescence, and any other not requiring an outlay of cash and any interest on any debt.

With regard to the following items, the requirements of City Ordinance No. 75686 are not consistent with generally accepted accounting principles and result in differences between amounts reported in the Basic Financial Statements for operations and maintenance costs and the amounts reported in the Supplemental Schedules.

SUPPLEMENTAL SCHEDULES

San Antonio Water System Notes to Supplemental Schedules For the years ended December 31, 2025 and 2024

- For rate-making purposes and Sources & Uses reporting, the Vista Ridge Capital and Raw Groundwater unit price payment is recorded as an operating expense under water options. However, to comply with GAAP, the financial statements reflect the Vista Ridge infrastructure payment portion of this amount as a financed purchase and the water agreement portion of this amount as an operating expense.
- In 2023 SAWS adopted GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SBITAs). Contractual payments under these agreements are capitalized as a right-to-use intangible asset with an offsetting liability recorded for the present value of future payments. The assets are amortized over the life of the asset and payments made reduce the recorded liability over the contract period. Since these payments are related to contracts for goods and services of the system, payments made under SBITAs are treated as operating expense in the Supplemental Schedules.
- SAWS provides certain pension, health care and life insurance benefits for employees upon retirement. The amounts reported for these benefits in the Supplemental Schedules are based on actual payments made for these benefits, including any contributions to trusts established to pre-fund these benefits. Expenses reported in the Basic Financial Statements related to these benefits are determined in accordance with generally accepted accounting principles as prescribed by GASB and may be greater or less than actual payments made by SAWS for these benefits in a given year.
- Periodically SAWS reviews its capital assets for possible impairment. Impaired assets are written down to their estimated fair value. As these write-offs do not require the outlay of cash, they do not meet the definition of operations and maintenance costs of SAWS in accordance with the City Ordinance No. 75686. As a result, this expense has been excluded from the Supplemental Schedules.

The operations and maintenance cost reported in the Supplemental Schedules reconciles to the Basic Financial Statements as follows:

	<i>(amounts in thousands)</i>	
	Year Ended December 31,	
	2025	2024
Operating and maintenance costs per Supplemental Schedules	\$ 529,894	\$ 513,328
Vista Ridge Infrastructure Payment	(60,522)	(61,064)
Non-cash benefit expense increase/(reduction)	558	(10,304)
Non-cash write-off of asset impairments	969	4,945
Operating expenses before depreciation per Statement of Revenues, Expenses, and Changes in Net Position	\$ 470,899	\$ 446,905

SUPPLEMENTAL SCHEDULES

COMBINING STATEMENT OF FIDUCIARY NET POSITION

December 31, 2025

(amounts in thousands)

	San Antonio Water System Retirement Plan	San Antonio Water System Retiree Health Trust	District Special Project Retirement Income Plan	Combined Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 222	\$ -	\$ 222
Investments, at fair value				
Mutual funds - stock	188,811	58,794	5,815	253,420
Mutual funds - bonds	137,185	88,256	729	226,170
Other Investments	59,389	-	2,722	62,111
Total Investments	385,385	147,050	9,266	541,701
TOTAL ASSETS	385,385	147,272	9,266	541,923
LIABILITIES	-	-	-	-
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	<u>\$ 385,385</u>	<u>\$ 147,272</u>	<u>\$ 9,266</u>	<u>\$ 541,923</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended December 31, 2025

(amounts in thousands)

	San Antonio Water System Retirement Plan	San Antonio Water System Retiree Health Trust	District Special Project Retirement Income Plan	Combined Total
ADDITIONS				
Employer contributions	\$ 11,451	\$ -	\$ -	\$ 11,451
Participant contributions	5,191	-	-	5,191
Investment income/(loss)	46,845	16,298	992	64,135
Total additions	63,487	16,298	992	80,777
DEDUCTIONS				
Benefit payments	16,620	3,274	228	20,122
Administrative expenses	398	16	-	414
Total deductions	17,018	3,290	228	20,536
NET INCREASE/(DECREASE) IN NET POSITION	46,469	13,008	764	60,241
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - BEGINNING	338,916	134,264	8,502	481,682
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS - ENDING	<u>\$ 385,385</u>	<u>\$ 147,272</u>	<u>\$ 9,266</u>	<u>\$ 541,923</u>

APPENDIX C
UNAUDITED FINANCIAL STATEMENTS (THROUGH JUNE 30, 2026)

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Summary of Revenues, Expenses and Changes in Net Position - Unaudited

(All amounts in millions)

	Six Months Ended June 30,		Twelve Months Ended June 30,	
	2026	2025	2026	2025
Operating Revenues				
Water Supply	\$ 143.0	\$ 144.8	\$ 310.4	\$ 313.0
Water Delivery	117.2	119.8	255.1	254.8
Wastewater	159.3	152.1	320.8	303.3
Chilled Water	7.4	7.0	15.4	14.7
Total operating revenues	426.9	423.7	901.7	885.8
Operating Expenses				
Operating and Maintenance	(226.5)	(225.6)	(471.8)	(461.2)
Depreciation & Amortization	(128.8)	(118.5)	(250.0)	(236.5)
Total operating expenses	(355.3)	(344.1)	(721.8)	(697.7)
Noncapital Subsidies				
Payments to the City of San Antonio	(17.2)	(17.1)	(36.3)	(35.7)
Operating income and noncapital subsidies	54.4	62.5	143.6	152.4
Non-Operating Revenues/ (Expenses)				
Interest earned and miscellaneous revenues	27.0	32.9	54.2	66.0
Interest and debt related expenses	(81.8)	(80.6)	(165.4)	(161.6)
Capital Contributions	110.4	125.2	252.5	237.0
Other	(1.4)	0.1	(1.2)	7.0
Total non-operating revenues/(expenses)	54.2	77.6	140.1	148.4
Change in Net Position	108.6	140.1	283.7	300.8
Beginning Net Position	5,556.6	5,241.3	5,381.4	5,080.6
Ending Net Position	<u>\$ 5,665.2</u>	<u>\$ 5,381.4</u>	<u>5,665.1</u>	<u>5,381.4</u>

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

	June 30,	
	2026	2025
Assets		
Current Assets	\$ 998.7	\$ 971.7
Noncurrent Assets	524.5	477.5
Capital Assets, Net	9,180.3	8,674.2
Total Assets	10,703.5	10,123.4
Deferred Outflows of Resources	100.4	110.7
Total Assets and Deferred Outflows of Resources	10,803.9	10,234.1
Liabilities		
Current Liabilities	303.4	265.8
Long Term Liabilities - Benefits & AROs	114.3	117.2
Long Term Liabilities - Contract Payable & SBITAs	808.6	825.6
Long Term Debt, Net	3,875.1	3,601.8
Total Liabilities	5,101.4	4,810.4
Deferred Inflows of Resources	37.4	42.4
Total Liabilities and Deferred Inflows of Resources	5,138.8	4,852.8
Net Position		
Net Investment in Capital Assets	4,670.5	4,359.1
Restricted	352.4	356.4
Unrestricted	642.3	665.9
Total Net Position	<u>\$ 5,665.2</u>	<u>\$ 5,381.4</u>

APPENDIX D
SELECTED PROVISIONS OF THE ORDINANCE

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SELECTED PROVISIONS OF THE ORDINANCE

The following constitutes a summary of certain selected provisions of the Ordinance. This summary should be qualified by reference to other provisions of the Ordinance referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Ordinance in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Ordinance, a copy of which may be obtained from the City.

SECTION 1.1 *Definitions.*

For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Section have the meanings assigned to them in this Section, certain terms defined in other sections of and the preamble to this Ordinance have the meanings assigned to them in such sections and preamble, and all such terms include the plural as well as the singular; (b) all references in this Ordinance to designated *Sections*, *Schedules*, *Exhibits*, and other subdivisions are to the designated Sections, Schedules, Exhibits, and other subdivisions of this Ordinance as originally adopted; and (c) the words *herein*, *hereof*, and *hereunder* and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

Additional Junior Lien Obligations means (i) bonds, notes, warrants, certificates of obligation or other obligations hereafter issued by the City payable wholly or in part from and equally and ratably secured, together with the currently outstanding Junior Lien Obligations, by a junior and inferior lien on and pledge of the Net Revenues of the System, that is junior and inferior to the lien thereon and pledge thereof securing the payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, all as further provided in *Section 6.2A(2)*, and (ii) any obligations issued to refund the foregoing that are payable from and secured by a junior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

Additional Senior Lien Obligations means (i) any bonds, notes, warrants, certificates of obligation, or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in *Section 6.2A(1)* and which are equally and ratably secured solely by a prior and first lien on and pledge of the Pledged Revenues of the System and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a prior and first lien on and pledge of the Pledged Revenues as determined by the City Council in accordance with applicable law.

Additional Subordinate Lien Obligations means (i) any bonds, notes, warrants, certificates of obligation, or other Debt hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the liens on and pledges of the Net Revenues that are or will be pledged to the payment of the currently outstanding Senior Lien Obligations and Junior Lien Obligations and any Additional Senior Lien Obligations or Additional Junior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Inferior Lien Obligations hereafter issued by the City, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Applicable Spread means the amount, expressed in basis points, to be added to the SIFMA Index while Bonds are in a SIFMA Index Mode, to determine the SIFMA Index Rate, except when Bonds in a

SIFMA Index Mode bear interest at a Stepped Rate as provided in *paragraph (e)(ii)* of the insert to the Bonds set forth in *Section 2.2B*. The Applicable Spread for the Bonds in the initial Interest Period, and in subsequent periods when the Bonds are in a SIFMA Index Mode, shall be evidenced in the Approval Certificate relating to the Bonds in such then-applicable Interest Period. The Applicable Spread for the duration of any Interest Period while the Bonds are in a SIFMA Index Mode (other than the initial Interest Period) shall be as determined by the Remarketing Agent on any Rate Determination Date pursuant to *paragraph (6)* of *Section 2.5E*, or pursuant to any function or scale determined by the Remarketing Agent, prior to the first day of such Interest Period, pursuant to *paragraph (4)* of *Section 2.2E*.

Approval Certificate means a written instrument from time to time executed by a Designated Financial Officer in accordance with *Article II*.

Authorized Officials means any of the Mayor, the City Manager, the City's Chief Financial Officer, the City Clerk, the President/Chief Executive Officer of the Board and/or the Senior Vice President/Chief Financial Officer of the Board.

Average Annual Debt Service Requirements means that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on the Bonds when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Interest payments that have been capitalized from proceeds of the Bonds or other bonds shall be excluded in making the aforementioned computation.

Bank Bond means, as of any date, any Bond or portion thereof which has been purchased by a Liquidity Bank pursuant to *paragraph (2)* of *Section 2.5D* on or before such date, if on or before such date and subsequent to such purchase (1) such Bond or portion thereof has not been sold by the Holder thereof through the Remarketing Agent against payment of the Purchase Price therefor and (2) the Bank Bondholder of such Bond or portion thereof shall not have declined to sell such Bond or portion thereof on demand of the Remarketing Agent in accordance with the provisions of the applicable Liquidity Facility.

Bank Bond Register has the meaning stated in *Section 2.3*.

Bank Bondholder when used with respect to any Bank Bond means the Person in whose name such Bank Bond is registered in the Bank Bond Register.

Bank Differential when used with respect to any Bank Bond (or portion thereof) as of any date means the difference, if positive, obtained by subtracting (1) interest accrued thereon to such date from the most recent Interest Payment Date to which interest on such Bond (or portion thereof) has been paid or duly provided for at the Daily Rate, Weekly Rate, Commercial Paper Rate, SIFMA Index Rate, or Term Rate applicable thereto from time to time in effect to such date, determined as if such Bond (or portion thereof) were not a Bank Bond and such interest were not compounded from (2) all interest actually accrued on such Bank Bond (or portion thereof) from such Interest Payment Date to such date.

Bank Rate means, for each day of accrual, the rate defined as such in any Liquidity Facility which Liquidity Facility has been accepted by the Tender Agent pursuant to *Section 4.1C*, provided that the Paying Agent/Registrar shall have received an Opinion of Counsel to the effect that the accrual of interest on Bank Bonds at such different rate is authorized under Texas law and will not adversely affect any excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes.

Bankruptcy Code means Title 11, United States Code, as now or hereafter constituted.

Board or Board of Trustees means the Board of Trustees of the System confirmed and described in *Section 6.10*.

Bond Fund shall mean the special fund or account created and established by the provisions of *Section 5.2*.

Bonds means the CITY OF SAN ANTONIO, TEXAS WATER SYSTEM VARIABLE RATE JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2013F (NO RESERVE FUND), authorized by this Ordinance.

Book-Entry-Only Bond means any Bond registered in the name of the Securities Depository or its nominee.

Business Day for the Bonds or portions thereof means any day other than (1) a Saturday or a Sunday, (2) a legal holiday or the equivalent on which banking institutions generally are authorized or required to close in the Place of Payment or in the city in which is located the corporate trust office of the Paying Agent/Registrar or, on or before the first day of the Fixed Mode for such Bonds or portions thereof, the principal office of the Remarketing Agent or, while a Credit Facility is in effect, the office of the Credit Enhancer or of its agent at which drafts or demands for payment under the Credit Facility are to be presented or, while a Liquidity Facility is in effect, the office of any Liquidity Bank thereunder or of its agent at which drafts or demands for payment under the Liquidity Facility are to be presented, or (3) a day on which the New York Stock Exchange is closed.

Calculation Agent means a banking institution, financial institution, or other entity selected by the City to serve in such capacity under and to perform the duties described in this Ordinance, which may be the Paying Agent/Registrar or the Remarketing Agent and is, initially, the Paying Agent/Registrar.

Calculation Reset Date means, during a SIFMA Index Mode, the day immediately succeeding the SIFMA Determination Date (which shall generally mean each Thursday) or, if such day is not a Business Day, the immediately preceding Business Day (being the SIFMA Determination Date).

City means the City of San Antonio, Texas, and, where appropriate, the City Council of the City.

Closing Date shall mean the date of physical delivery of the Initial Bonds against payment in full by the Purchaser, anticipated to occur on or about November 6, 2013.

Code means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

Commercial Paper Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at the Commercial Paper Rate therefor.

Commercial Paper Rate for any Bond or portion thereof has the meaning stated in *paragraph (f)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph (3)* of *Section 2.2E*.

CPS Contract means the Wastewater Contract executed on September 15, 1990 between the Alamo Conservation and Reuse District and the City Public Service Board of San Antonio. Pursuant to

Ordinance No. 74983 the City Council abolished the Alamo Conservation and Reuse District and assumed all of such entity's assets and obligations by creating the Department of Water Reuse as a new City department and a part of the System pursuant to the provisions of the City's Home Rule Charter.

Credit Agreement means a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of any obligation authorized by Chapter 1371, as amended, Texas Government Code, and which includes any Credit Facility or Liquidity Facility.

Credit Enhancer means the obligor on the Credit Facility, if any, and such obligor's successors in such capacity and assigns.

Credit Enhancer Default means the occurrence and continuance of one or more of the following events: (1) wrongful dishonor of any demand or claim made under a Credit Facility, (2) the issuance, under the applicable laws of any state, of an order of rehabilitation, liquidation, or dissolution of the Credit Enhancer; (3) the commencement by the Credit Enhancer of a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect including, without limitation, the appointment of a Paying Agent/Registrar, receiver, liquidator, custodian, or other similar official for itself or any substantial part of its property; (4) the consent by the Credit Enhancer to any relief referred to in the preceding *Clause (3)* in an involuntary case or other proceeding commenced against it; (5) the making by the Credit Enhancer of an assignment for the benefit of creditors; (6) the failure of the Credit Enhancer generally to pay its debts or claims when due; or (7) the initiation by the Credit Enhancer of any action to authorize any of the foregoing.

Credit Facility means any obligation accepted by the Paying Agent/Registrar pursuant to *Section 4.2K* and then in effect, if any, including all endorsements, amendments, and extensions thereof. There shall initially be no Credit Facility.

Daily Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at the Daily Rate therefor.

Daily Rate has the meaning stated in *paragraph (c)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph (1)* of *Section 2.2E*.

Debt means (1) all indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money (including indebtedness payable from Pledged Revenues and/or Net Revenues arising under Credit Agreements) and all other financing obligations of the System payable from Pledged Revenues and/or Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and (2) all other indebtedness payable from Pledged Revenues and/or Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations pertaining to the System that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including

any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise. For the purpose of determining *Debt*, there shall be excluded any particular Debt if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Fiscal Years.

Debt Service Requirements means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds; and further assuming, in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

Depository means one or more official depository banks of the Board.

Designated Financial Officer means the President/Chief Executive Officer of the Board, the Senior Vice President/Chief Financial Officer of the Board, or such other financial or accounting official of the Board so designated by the City Council.

District Special Project means the Special Project created by the City pursuant to Ordinance No. 2011-10-20-0845 adopted by the City Council on October 20, 2011 for the purpose of assuming and operating the former Bexar Metropolitan Water District until integrated with the System.

DTC Participant means those broker-dealers, banks, and other financial institutions reflected on the books of the Securities Depository.

Eligible Bonds has the meaning stated in any Liquidity Facility or, if not defined in such Liquidity Facility, means the Bonds or portions thereof for which the Liquidity Bank is obligated to pay the Purchase Price when such Bonds or portions are tendered or deemed tendered for purchase in accordance with *Section 2.5C*.

Engineer means an individual, firm, or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State of Texas, having specific experience with respect to water, wastewater, reuse water, and/or stormwater drainage systems similar to the System and such individual, firm, or corporation may be employed by, or may be an employee of, the City or the Board.

Fiscal Year means the twelve month accounting period used by the Board in connection with the operation of the System, currently ending on December 31 of each year, which may be any twelve

consecutive month period established by the Board, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

Fitch means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **Fitch** shall mean any other nationally recognized securities rating agency designated by the Board and acceptable to the Credit Enhancer, if any.

Fixed Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond or portion thereof accrues at the Fixed Rate therefor.

Fixed Rate has the meaning stated in *paragraph (i)* of the insert to the Bonds set forth in *Section 2.2B*, determined in accordance with *paragraph (5)* of *Section 2.2E*.

Government Obligations shall mean (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (4) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

Gross Revenues for any period means all revenue during such period in respect or on account of the operation or ownership of the System, *excluding* refundable meter deposits, restricted gifts, grants in aid of construction, any amounts payable to the United States as rebate pursuant to the provisions of *Section 6.9*, any impact fees charged by the System pursuant to the provisions of Chapter 395, as amended, Texas Local Government Code, payments received pursuant to the CPS Contract together with earnings and interest thereon, and earnings and income derived from the investment or deposit of money in the Construction Fund and, until the Reserve Fund contains the Required Reserve Amount, the Reserve Fund, *but including*, earnings and income derived from the investment or deposit of money in the Bond Fund, the Reserve Fund after it contains the Required Reserve Amount, and any earnings and income from any special fund or account created and established for the payment or security of the Senior Lien Obligations, the Junior Lien Obligations, the Bonds, the Subordinate Lien Obligations, or Inferior Lien Obligations, unless the ordinance which authorizes the issuance of any such obligations specifically provides that any such earnings and income are to be deposited to another fund or account other than the System Fund.

Holder of any Bond means the Person in whose name such Bond is registered in the Securities Register, subject to *Section 4.2H*.

Ineligible Owner of Bonds means (1) the City, (2) any person (whether for-profit or not-for-profit) which controls or is controlled by or is under common control with the City, and (3) any person who owns such Bonds on behalf or for the benefit or account of the City or a person described in the preceding *Clause (2)*. For purposes of this definition, a person controls another person when the first person possesses or exercises, directly or indirectly through one or more other affiliates or related entities,

the power to direct the management and policies of the other person, whether through the ownership of voting rights, membership, the power to appoint members, trustees, or directors, by contract, or otherwise.

Inferior Lien Obligations means (i) any bonds, notes, warrants, certificates of obligation, or other Debt hereafter issued by the City that are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations or any Additional Senior Lien Obligations, Additional Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City, (ii) any obligations that are issued subject to the limitations in Section 1502.052, as amended, Texas Government Code, and (iii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Initial Bond has the meaning stated in *Section 2.8*.

Interest Mode means any Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, Term Mode, or Fixed Mode.

Interest Payment Date for any Bond or portion thereof means the date specified in such Bond as a fixed date on which interest on such Bond or portion is due and payable.

Interest Period for any Bond or portion thereof means the period of time from and including the Closing Date or any Rate Adjustment Date for such Bond or portion thereof, as applicable, to but excluding the next succeeding Rate Adjustment Date for, or the date of Maturity of, such Bond or portion thereof, as applicable.

Junior Lien Obligations means the Previously Issued Junior Lien Obligations, the Junior Lien Obligations-No Reserve Fund, and any Additional Junior Lien Obligations (whether issued as Junior Lien Obligations-No Reserve Fund or Reserve Fund-Secured Junior Lien Obligations) hereafter issued by the City or bonds issued to refund any of the foregoing (as determined within the sole discretion of the City Council in accordance with applicable law) if issued in a manner so as to be payable from and equally and ratably secured by a junior lien on and pledge of the Net Revenues of the System.

Junior Lien Obligations - No Reserve Fund means:

(1) “City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2012 (No Reserve Fund)”, dated April 1, 2012, in the original principal amount of \$31,890,000;

(2) “City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2013B (No Reserve Fund)”, dated May 1, 2013, in the original principal amount of \$82,855,000;

(3) Upon issuance, the Series 2013E Bonds; and

(4) Upon issuance, the Bonds;

and any Additional Junior Lien Obligations hereafter issued that are not additionally secured by a lien on and pledge of the Reserve Fund.

Liquidity Bank means the obligor on the Liquidity Facility, if any, and its successors in such capacity and assigns permitted by the terms thereof.

Liquidity Facility means any obligation accepted by the Tender Agent pursuant to *Section 4.1C* and then in effect, and any amendments and extensions thereof so accepted. Initially, there shall be no Liquidity Facility.

Maintenance and Operating Expenses means all current expenses of operating and maintaining the System not paid from the proceeds of any Debt, *including* (1) the cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, *but only if*, in the case of repairs and extensions, that are, in the judgment of the Board (reasonably and fairly exercised), necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof and other customers of the System, or are necessary to meet some physical accident or condition which would otherwise impair the payment of Debt, (2) payments to pension, retirement, health, hospitalization, and other employee benefit funds for employees of the Board engaged in the operation or maintenance of the System, (3) payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods, or services for the System to the extent authorized by law and the provisions of such contract, (4) payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City or the Board hereunder, (5) the payments made on or in respect of obtaining and maintaining any Credit Facility, and (6) any legal liability of the City or the Board arising out of the operation, maintenance, or condition of the System, *but excluding* any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Bonds or any Debt.

Market Rate means the rate determined on any Rate Determination Date pursuant to *paragraph (6) of Section 2.2E*.

Maturity when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration (to the extent acceleration is a permitted remedy) or call for redemption or otherwise, but does not include payment of the portion of the Purchase Price corresponding to principal of such Bond pursuant to *Section 2.5*.

Maximum Rate Rate for any Interest Period for Bonds means the lesser of (a) 8% per annum or (b) the maximum net effective interest rate permitted by law to be paid thereon as provided by Texas Government Code, Section 1204.006, as amended, or the maximum nonusurious rate of interest permitted to be charged by the Liquidity Bank by applicable federal or Texas law (whichever shall permit the higher lawful rate) from time to time in effect.

Moody's means Moody's Investors Services, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **Moody's** shall be deemed to refer to any other nationally recognized Rating Service designated by the Board and acceptable to the Credit Enhancer, if any.

Net Revenues means Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

Opinion of Counsel means a written opinion of counsel who may (except as otherwise expressly provided in this Ordinance) be counsel for one or more of the City, the Credit Enhancer, or the Liquidity Bank and, when given with respect to the status of interest on any Bond under federal income tax law,

shall be counsel of nationally recognized standing in the field of municipal bond law and, when given with respect to any matter under the Bankruptcy Code, shall be counsel of nationally recognized standing in the field of bankruptcy law.

Ordinance means this ordinance adopted by the City Council.

Outstanding, when used in this Ordinance with respect to Bonds means, as of the date of determination, all Bonds issued and delivered under this Ordinance, *except*:

(1) **Cancelled Bonds**: those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) **Defeased Bonds**: those Bonds for which payment has been duly provided by the City in accordance with the provisions of *Section 4.4* by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Obligations, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to Maturity; *provided* that, (a) if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived, (b) if such Bonds are in a Daily Mode or Weekly Mode, such Bonds are to be redeemed within 30 days after such deposit, and if such Bonds are in a Commercial Paper Mode, SIFMA Index Mode, or Term Mode, such Bonds or portions thereof are to be redeemed on the next Rate Adjustment Date therefor, and (c) unless the interest rate or rates on such Bonds is fixed to the date of stated maturity or early redemption, or the City has assumed that such Bonds shall bear interest at the Maximum Rate to such date or dates of stated maturity or early redemption, the Paying Agent/Registrar shall have received written confirmation from each Rating Agency that no rating assigned by it to the Bonds will be withdrawn or reduced as a result of such Bonds no longer being Outstanding; and

(3) **Replaced Bonds**: those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in *Section 2.11*.

Paying Agent/Registrar means the financial institution specified in *Section 2.3* or its herein permitted successors and assigns.

Payment Default has the meaning stated in *paragraph (n)(v)* of the insert to the Bonds set forth in *Section 2.2B*. A Payment Default shall exist if it shall have occurred and be continuing.

Person means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

Place of Payment for Bonds means the city in which is located the office designated by the Paying Agent/Registrar at which principal of the Bonds shall be paid at Maturity or earlier redemption.

Pledged Revenues means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Senior Lien Obligations, and excluding those revenues excluded from Gross Revenues.

Predecessor Bond has the meaning stated in *Section 2.7H*.

Previously Issued Junior Lien Obligations means (i) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a junior and inferior lien on and pledge of the Pledged Revenues of the System, identified as follows:

(1) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2004”, dated July 1, 2004 (the *Series 2004 Bonds*), in the original principal amount of \$10,635,000;

(2) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2004-A”, dated July 1, 2004 (the *Series 2004-A Bonds*), in the original principal amount of \$26,365,000;

(3) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2007”, dated December 15, 2006 (the *Series 2007 Bonds*), in the original principal amount of \$8,070,000;

(4) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2007A”, dated December 15, 2006 (the *Series 2007A Bonds*), in the original principal amount of \$35,375,000;

(5) “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2008”, dated May 15, 2008, in the original principal amount of \$30,000,000;

(6) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2008A”, dated May 15, 2008, in the original principal amount of \$23,260,000;

(7) “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2009”, dated November 1, 2009, in the original principal amount of \$54,300,000;

(8) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2009A”, dated November 1, 2009, in the original principal amount of \$35,000,000;

(9) “City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2010”, dated February 1, 2010, in the original principal amount of \$59,145,000;

(10) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2010A”, dated December 1, 2010 (the *Series 2010 Refunding Bonds*), in the original principal amount of \$17,930,000;

(11) “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2011”, dated May 15, 2011, in the original principal amount of \$24,550,000;

(12) “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2011A”, dated May 15, 2011, in the original principal amount of \$18,095,000;

(13) “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2012”, dated August 1, 2012, in the original principal amount of \$19,630,000;

(14) "City of San Antonio, Texas Junior Lien Revenue Bonds, Series 2013A", dated April 1, 2013, in the original principal amount of \$50,000,000;

(15) Upon issuance, the Series 2013C Bonds; and

(16) Upon issuance, the Series 2013D Bonds;

and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

Prudent Utility Practice means any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or previously approved by a significant portion of the public utility industry, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in the System which is operated in common with one or more other entities, the term Prudent Utility Practice, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

Purchase Date, when used with respect to any Bond or portion thereof, means the date upon which the Paying Agent/Registrar is obligated to effect the purchase of such Bond or portion thereof on the terms described in *Section 2.5A*.

Purchase Fund means the fund of the Tender Agent so defined in *Section 2.5C*.

Purchase Price of any Bond (or portion thereof) required to be purchased pursuant to the terms of *Section 2.5A* means an amount equal to 100% of the principal amount of such Bond (or portion thereof), plus interest, if any, accrued thereon (excluding the Bank Differential, if any, therefor) to the Purchase Date from the most recent Interest Payment Date therefor to which interest thereon has been paid or duly provided for.

Purchaser shall mean the initial purchaser of the Bonds named in *Section 2.12* of this Ordinance.

Rate Adjustment Date for any Bond or portion thereof means (i) each day on which such Bond or portion will, unless a Bank Bond, begin to bear interest at a new Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, or Fixed Rate determined in accordance with *paragraph (6) of Section 2.2E*, whether or not such rate is different from the interest rate previously in effect on the Bonds and (ii) the first Business Day of each Interest Period for such Bond or portion thereof in a SIFMA Index Mode.

Rate Determination Date for any Bond or portion thereof means each date on which the Remarketing Agent is, pursuant to *paragraph (6) of Section 2.2E*, required to make a determination of the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, or Fixed Rate to be borne by such Bond or portion thereof, or the Applicable Spread for the Bonds in a SIFMA Index Mode (or function as the Remarketing Agent when determining the Applicable Spread) to be effective on the first day of an Interest Period for such Bond or portion thereof pursuant to *paragraph (4) of Section 2.2E*.

Rating Service means each nationally recognized securities rating service which at the time has a credit rating assigned to the Bonds.

Record Date has the meaning stated in *Section 2.2B*.

Remarketing Agent means, initially, Piper Jaffray & Co. and, thereafter, the party selected from time to time by the City to serve as the remarketing agent for the Bonds while the Bonds are Outstanding in a Variable Rate Mode pursuant to *Section 2.5G*.

Remarketing Agreement means the Remarketing Agreement, in substantially the form attached hereto as Exhibit G, between the City and the initial Remarketing Agent and any similar agreement hereafter entered into between the City and a subsequent Remarketing Agent pertaining to the Bonds.

Reserve Fund-Secured Junior Lien Obligations means the Previously Issued Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued that are secured by a parity lien on and pledge of the Reserve Fund and specifically excluding the Junior Lien Obligations–No Reserve Fund.

S&P means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **S&P** shall be deemed to refer to any other nationally recognized securities rating agency designated by the Board and acceptable to the Credit Enhancer, if any.

Securities Depository means The Depository Trust Company or any successor Person appointed by ordinance of the City Council to act as Holder of the Bonds, directly or through a nominee, to maintain a system for recording and transferring beneficial interests in such Bonds and distributing payments thereon and notices in respect thereof.

Securities Register has the meaning stated in *Section 2.3*.

Senior Lien Obligations means (i) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Pledged Revenues of the System, identified as follows:

(1) “City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2004”, dated May 15, 2004 in the original principal amount of \$84,700,000;

(2) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2005”, dated November 15, 2005 in the original principal amount of \$298,220,000;

(3) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2007”, dated January 15, 2007 in the original principal amount of \$311,160,000;

(4) “City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2009”, dated January 15, 2009 in the original principal amount of \$163,755,000;

(5) “City of San Antonio, Texas Water System Revenue Bonds, Series 2009A”, dated November 1, 2009 in the original principal amount of \$12,250,000;

(6) “City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy – Build America Bonds)”, dated November 1, 2009 in the original principal amount of \$102,750,000

(7) “City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds)”, dated November 15, 2010 in the original principal amount of \$110,000,000;

(8) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011”, dated March 15, 2011 in the original principal amount of \$46,555,000;

(9) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011A”, dated August 15, 2011 in the original principal amount of \$165,090,000;

(10) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012”, dated February 1, 2012 in the original principal amount of \$225,255,000; and

(11) City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012A”, dated September 1, 2012 in the original principal amount of \$163,435,000;

and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues of the System as determined by the City Council in accordance with any applicable law.

Series 1992 Bonds means the “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 1992” originally issued in the aggregate principal amount of \$635,925,000 pursuant to Ordinance No. 75686 that are no longer outstanding.

Series 2013C Bonds means the “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013C”, dated October 1, 2013, in the original principal amount not to exceed \$26,370,000, authorized pursuant to a City ordinance adopted by the City Council on September 19, 2013, issued as Additional Junior Lien Obligations that are Reserve Fund-Secured Junior Lien Obligations, and sold to the Texas Water Development Board under its Drinking Water State Revolving Fund program.

Series 2013D Bonds means the “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013D”, dated on or about November 1, 2013, in the original principal amount not to exceed \$60,100,000, authorized pursuant to a City ordinance adopted by the City Council on September 19, 2013, issued as Additional Junior Lien Obligations that are Reserve Fund-Secured Junior Lien Obligations, and sold to the Texas Water Development Board under its Clean Water State Revolving Fund program.

Series 2013E Bonds means the “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (No Reserve Fund)”, dated October 1, 2013, in the original principal amount, when combined with the Bonds, not to exceed \$185,000,000, authorized pursuant to a City ordinance adopted by the City Council on September 19, 2013, issued as Additional Junior Lien Obligations that are Junior Lien Obligations – No Reserve Fund for the purpose of financing system improvements, refunding outstanding commercial paper notes, and paying costs of their issuance.

SIFMA Determination Date means Wednesday of each week or, if Wednesday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day.

SIFMA Index for any day means the level of the most recently effective index rate which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and issued on each SIFMA Determination Date. If such index is no longer published, the *SIFMA Index* for any day will mean the level of the most recently effective *S&P Municipal Bond 7-Day High Grade Rate Index* maintained by Standard & Poor's Securities Evaluations Inc. for a 7-day maturity as published on the day which is one U.S. Government Securities Business Day immediately preceding the effective date of such index. The effective date for each such index is every Thursday (or any other day specified by the Securities Industry and Financial Markets Association, in the case of the first such index), or if any Thursday is not a U.S. Government Securities Business Day, the next preceding U.S. Government Securities Business Day. If neither such index is available, the *SIFMA Index* for a day will be the alternate index for such day identified at the time of conversion of the Bonds or portion thereof to the SIFMA Index Mode.

SIFMA Index Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C* during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at a SIFMA Index Rate therefor.

SIFMA Index Rate has the meaning stated in *paragraph (e)* of the insert to the Bonds set forth in *Section 2.2B*, determined from time to time by adding the Applicable Spread (determined in accordance with *paragraph (4)* of *Section 2.2E*) to the SIFMA Index, as calculated and recalculated by the Calculation Agent (and effective with respect to the Bonds bearing interest in a SIFMA Index Mode and prior to the imposition of any Stepped Rate) on each Calculation Reset Date.

Special Payment Date has the meaning stated in *Section 2.3*.

Special Project means, to the extent permitted by law, any water, sewer, wastewater reuse, or municipal drainage system property, improvement, or facility declared by the City, upon the recommendation of the Board, not to be part of the System, for which the costs of acquisition, construction, and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues, or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues, or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction, and installation under such financing transaction and which includes the District Special Project.

Special Record Date has the meaning stated in *Section 2.3*.

Stated Maturity has the meaning stated in *Section 2.2A*.

Stepped Rate means, with respect to Bonds in a SIFMA Index Mode or a Term Mode, the interest rate applicable to such Bonds upon the conclusion of the then-applicable Interest Period and there has occurred a failed remarketing of all or a portion of the affected Bonds, which Stepped Rate shall be determined by the Purchaser or the Remarketing Agent (as applicable), and agreed upon by the City, and evidenced in the Approval Certificate concerning the Bonds and such then-applicable Interest Period (but shall never exceed the Maximum Rate).

Subordinate Lien Obligations means (i) the currently outstanding and unpaid obligations of the City that are payable wholly or in part from a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations and the Junior Lien Obligations or any Additional Senior Lien Obligations or Additional Junior Lien Obligations, all as further provided in *Section 6.2A(3)*, identified as follows:

(1) “City of San Antonio, Texas Water System Commercial Paper Notes, Series A” and “City of San Antonio, Texas Water System Commercial Paper Notes, Series B”, authorized in the aggregate principal amount of \$500,000,000, and including the currently outstanding Commercial Paper Notes and Loan Notes (each as defined in the ordinance authorizing the issuance of the Commercial Paper Notes);

and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Systems means all properties, facilities, and plants currently owned, operated, and maintained by the City and/or the Board for the supply, treatment, and transmission and distribution of treated potable water, chilled water, and steam, for the collection and treatment of wastewater, and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the City, all water (in any form) owned by the City, and any other projects and programs of the Board; provided, however, that the City expressly retains the right to incorporate (1) a stormwater system as provided by the provisions of Section 402.041 through 402.054, as amended, Texas Local Government Code, or other similar law, and (2) any other related system as provided by the laws of the State of Texas as a part of the System. The System shall not include any Special Project or any water or water-related properties and facilities owned by the City as part of its electric and gas systems.

Tender Agent shall mean, initially, U.S. Bank National Association, Dallas, Texas, or any successor thereto, being a financial institution performing the duties specified in *Section 2.5H*.

Tender Agent Agreement shall mean the Tender Agent Agreement, dated as of September 19, 2013, between the City and the Tender Agent and in substantially the form attached hereto as Exhibit B, pertaining to the Bonds or any similar agreement entered into from time to time with any successor Tender Agent.

Term Mode for any Bond or portion thereof means any period of time, determined in accordance *Section 2.2C*, during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at the Term Rate therefor.

Term Rate for any Bond or portion thereof has the meaning stated in with *paragraph (g)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph (5)* of *Section 2.2E*.

Untendered Bonds has the meaning stated in *Section 2.5F*.

U.S. Government Securities Business Day means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Variable Rate Mode means the Bonds bearing interest in any interest rate mode other than a Fixed Mode.

Weekly Mode for any Bond means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at the Weekly Rate therefor.

Weekly Rate has the meaning stated in *paragraph (d)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph 2* of *Section 2.2E*.

Weekly Mode for any Bond means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond (except when a Bank Bond) accrues at the Weekly Rate therefor.

SECTION 4.3 *Pledge of Net Revenues.*

A. *Pledge.* The City hereby covenants and agrees that the Net Revenues of the System are, subject to the prior lien and pledge of such Pledged Revenues securing the payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, hereby irrevocably pledged to the payment and security of the principal of and interest on (but not the Purchase Price) of the currently outstanding Junior Lien Obligations and the City's obligations under Liquidity Facility, including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby ordained that the currently outstanding Junior Lien Obligations, and the interest thereon, shall constitute a lien on and pledge of the Net Revenues of the System and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Net Revenues of the System for the payment and security of the currently outstanding Junior Lien Obligations shall be junior and inferior to the lien on and pledge of the Net Revenues securing payment of the currently outstanding Senior Lien Obligations or any Additional Senior Lien Obligations hereafter issued by the City, but prior in right and claim as to any other indebtedness (including the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations any Inferior Lien Obligations hereafter issued by the City), liability, or obligation of the City or the System.

With respect to the use of Net Revenues to pay debt service on outstanding obligations, the City shall first give consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of obligations irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any Senior Lien Obligations or Junior Lien Obligations designated as "build America bonds" and "qualified bonds" under the Code).

B. *Perfection.* Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of Net Revenues granted by the City under *Subsection A* of this *Section 4.3*, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in this pledge to occur.

C. **No Tax Support.** The Bonds are special obligations of the City payable solely from the Net Revenues, and the holders thereof shall never have the right to demand payment out of funds raised or to be raised by taxation.

SECTION 4.4 *Satisfaction of Obligation of City.*

When no Bond remains Outstanding and the obligations of the City under any Liquidity Facility have been paid in full or otherwise discharged, then the lien on and pledge of Net Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

To provide for the payment of the principal of, premium, if any, and interest on any Bond, the City may irrevocably deposit in trust with the Paying Agent/Registrar, or an authorized escrow agent, (a) money sufficient to pay in full such principal, premium, if any, and interest at Stated Maturity or to the redemption date therefor and/or (b) Government Obligations certified, in the case of a net defeasance, by an independent accounting firm, or such other persons as permitted by the laws of the State of Texas, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of, premium, if any, and interest on such Bond on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. In the event of a gross defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Obligations to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. If interest to become due on such Bond on any such date shall accrue at a rate not determined at the time of such deposit, the City shall provide for such interest as if accrued at the maximum possible rate. The City covenants that no deposit of money or Government Obligations will be made under this *Section 4.4* and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code.

Any money so deposited with the Paying Agent/Registrar or authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this *Section 4.4* which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the Board or deposited as directed by the Board. Furthermore, any money held by the Paying Agent/Registrar or authorized escrow agent for the payment of the principal of, premium, if any, or interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the Board be remitted to the Board against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in *Clause (a)* or *(b)* above shall be revocable, *provided* that the City (1) in the proceedings providing for such defeasance, expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of *Clause (a)* or *(b)* above with respect to such defeased Bonds as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

SECTION 5.1 *System Fund.*

The City hereby covenants, agrees, and reaffirms that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account (previously created, established, and to be maintained with the Depository) known as the “City of San Antonio, Texas Water System Revenue Fund” (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the City. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- **FIRST:** to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, including, but not limited to, Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 1113, as amended), to be a first charge on and claim against the Gross Revenues, including a two-month reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year, which amount shall be retained in the System Fund;
- **SECOND:** to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City;
- **THIRD:** to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of the currently outstanding Junior Lien Obligations, and any Additional Junior Lien Obligations hereafter issued by the City;
- **FOURTH:** to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security and benefit of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City;
- **FIFTH:** to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Inferior Lien Obligations hereafter issued by the City; and
- **SIXTH:** to the payment of the amounts to be transferred to the City’s General Fund as provided in *Section 5.4* and into the Renewal and Replacement Fund created and established by *Section 5.5*.

Any Net Revenues remaining in the General Account after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Board purpose now or hereafter permitted by law and the City ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, subject to *Section 5.4*.

SECTION 5.2 *Bond Fund; Excess Bond Proceeds.*

For purposes of providing funds to pay the principal of and interest on, and other amounts payable under, the Bonds, any Liquidity Facility, any Credit Facility, the Tender Agent Agreement, any Remarketing Agreement, the Paying Agent/Registrar Agreement, and any separate agreement between the City and the Calculation Agent relating to the Bonds, as the same become due and payable, and for so

long as any Bonds remain Outstanding or the City remains obligated under any other such agreement, the City agrees to maintain, at the Depository, a separate and special Fund or account to be created and known as the "City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund) Interest and Sinking Fund" (herein referred to as the *Bond Fund*). The City covenants that there shall be deposited into the Bond Fund prior to each payment date from the available Net Revenues an amount equal to one hundred percent (100%) of the amount required to fully make such payments when due and payable, such deposits to be made in monthly installments that are substantially equal whenever Bonds are in a Term Mode, SIFMA Index Mode (with respect to principal payments coming due (whether by reason of stated maturity or mandatory sinking fund redemption), as interest on Bonds in a SIFMA Index Mode is payable monthly), or Fixed Mode. If the Net Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

Any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Net Revenues of the Systems.

SECTION 5.4 *Payments to City General Fund.*

A. The Designated Financial Officer of the Board shall transfer no later than the last business day of each month, an amount of money calculated, subject to the second paragraph of *Section 5.5*, not to exceed 5% (or such lesser amount as may be determined from time to time by the City Council) of the Gross Revenues (after making each of the payments required by the provisions of subparagraphs First through Fifth of *Section 5.1*) for the preceding month to be utilized by the City in the manner permitted by the provisions of Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 1113a, as amended). The amount so transferred shall be net of all amounts owed by the City to the Board for the utility services described in *Section 6.5E*; provided, however, that the Board shall provide the City with a sufficiently detailed statement of charges for such utility services to permit the City to allocate the charges for such utility services to the appropriate office, division, or department of the City.

B. To the extent that the available Net Revenues in any month are insufficient for the Board to make all or part of the transfer required by the preceding paragraph, the Board shall make up such shortfall (i) in the next month in which available Net Revenues exceed the amounts required to make the transfer to the City pursuant to the preceding paragraph and the *pari passu* payment to the Renewal and Replacement Fund under *Section 5.5* or (ii) to the extent such shortfall has not been made up by the last month of the Fiscal Year, solely from any surplus funds deposited into the Renewal and Replacement Fund for such Fiscal Year. The Board's obligation to make up any shortfall in a Fiscal Year shall not carry over to a subsequent Fiscal Year.

SECTION 5.5 *Renewal and Replacement Fund.*

There has previously been created and established and there shall be maintained on the books of the Board, and accounted for separate and apart from all other funds of the City and the Board, a separate fund to be entitled the "City of San Antonio, Texas Water System Renewal and Replacement Fund" (the *Renewal and Replacement Fund*). The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or

extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) depositing any funds received by the City pursuant to the CPS Contract, and such funds, including any interest or income thereon, shall be maintained in a separate, segregated account of the Renewal and Replacement Fund and shall only be used to pay Maintenance and Operating Expenses of the water reuse facilities of the System or the debt service requirements on any obligations incurred as permitted by the CPS Contract and in no event shall any such amount, including interest and income thereon, be transferred to the general fund of the City except as permitted by the CPS Contract, or (5) paying bonds or other obligations of the System for which other System revenues are not available, or (6) in the last month of any Fiscal Year to make up any shortfall as required by *Section 5.4B*, or (7) for any other lawful purpose in support of the System. The Renewal and Replacement Fund shall be maintained at the Depository.

Deposits to the Renewal and Replacement Fund shall be *pari passu* with the gross amount payable to the City pursuant to *Section 5.4* (prior to the deduction of any charges for utility services provided pursuant to *Section 6.5E*) until the full amount payable to the City under such Section has been paid. That is, such deposits to the Renewal and Replacement Fund shall be made equally and ratably, without preference, and on a dollar for dollar basis with the gross amount payable to the City pursuant to *Section 5.4*, prior to the deduction of any charges for services, until the full amount to be paid to the City in a Fiscal Year under *Section 5.4* has been transferred to the City's General Fund. Thereafter, all surplus Net Revenues shall be deposited to the Renewal and Replacement Fund.

SECTION 6.1 *Application of the Covenants and Agreements of the Senior Lien Obligations.*

It is the intention of the City Council and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administering and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinance authorizing the issuance of the currently outstanding Senior Lien Obligations, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the currently outstanding Senior Lien Obligations. It is expressly recognized that prior to the issuance of any Additional Senior Lien Obligations, that the City must comply with each of the conditions precedent contained in this Ordinance and the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, as appropriate.

SECTION 6.2 *Issuance of Additional Senior Lien Obligations, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, Inferior Lien Obligations and Special Project Obligations*

A. The City hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

(1) *Senior Lien:* Additional Senior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the System upon satisfying each of the conditions precedent contained in the ordinance authorizing the issuance of the currently outstanding Senior Lien Obligations;

(2) **Junior Lien:** Additional Junior Lien Obligations (except for Additional Junior Lien Obligations that are insured by a municipal bond insurance policy, which need not satisfy the provisions of paragraph 2(b) or 2(c) hereof), payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, upon satisfying each of the following conditions precedent:

(i) the Chief Financial Officer of the City (or other official of the City having primary responsibility for the fiscal affairs of the City) shall have executed a certificate stating that (i) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Junior Lien Obligations to satisfy the City's obligations under this Ordinance, the City is not then in default as to any covenant, obligation, or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the System and (ii) all payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein;

(ii) with respect to Additional Junior Lien Obligations sold to the Texas Water Development Board (the *TWDB*) that are not insured by a municipal bond insurance policy, the City has secured from a Certified Public Accountant a certificate or opinion to the effect that, according to the books and records of the City, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted, are at least equal to one and one-fourth (1-1/4) times the average annual requirement for the payment of principal of and interest on all outstanding Junior Lien Obligations after giving effect to the Additional Junior Lien Obligations then proposed. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Revenues are to be determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion;

(iii) with respect to Additional Junior Lien Obligations sold to any other entity other than the TWDB and that are not insured by a municipal bond insurance policy, the City has secured from a Certified Public Accountant a certificate or opinion to the effect that, according to the books and records of the City, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted, are at least equal to the average annual requirement for the payment of principal of and interest on all outstanding Junior Lien Obligations after giving effect to the Additional Junior Lien Obligations then proposed. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net

Revenues are to be determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion;

(iv) the ordinance authorizing the issuance of the Additional Junior Lien Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Junior Lien Obligations as the same mature; and

(v) the ordinance authorizing the issuance of the Additional Junior Lien Obligations that are Reserved Fund–Secured Junior Lien Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Average Annual Debt Service Requirements for the payment of the Junior Lien Obligations then outstanding, inclusive of the changes in the amount resulting from the issuance of the proposed Additional Junior Lien Obligations that are Reserved Fund–Secured Junior Lien Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Junior Lien Obligations that are Reserved Fund–Secured Junior Lien Obligations are delivered; provided, however, that no such requirement as it relates to additional amounts to be deposited to the Reserve Fund shall be applicable to, or serve as a condition to the issuance of, Additional Junior Lien Obligations that are or will be Junior Lien Obligations–No Reserve Fund.

(3) ***Subordinate Lien.*** Additional Subordinate Lien Obligations secured by a subordinate and inferior lien on and pledge of the Net Revenues upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, the ordinances authorizing the currently outstanding Junior Lien Obligations (including this Ordinance), and the ordinance authorizing the issuance of the currently outstanding Subordinate Lien Obligations, as appropriate.

(4) ***Inferior Lien:*** Inferior Lien Obligations secured by a lien on and pledge of the Net Revenues of the System upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations the ordinances authorizing the currently outstanding Junior Lien Obligations (including this Ordinance), and the ordinance authorizing the issuance of the currently outstanding Subordinate Lien Obligations, as appropriate.

B. *Special Project Obligations.* Nothing in this Ordinance shall be construed to deny the City the right and it shall retain the right to issue Special Project obligations, provided, however, the City will not issue Special Project obligations unless the City concludes, upon recommendation of the Board, that (i) the plan for developing the Special Project is consistent with sound planning, (ii) the Special Project would not materially and adversely interfere with the operation of the System, (iii) the Special Project can be economically and efficiently operated and maintained, and (iv) the Special Project can be economically and efficiently utilized by the Board to meet water, wastewater, water reuse, or stormwater drainage requirements and the cost of such will be reasonable.

SECTION 6.5 *Special Covenants and Representations.*

The City hereby further warrants and covenants that:

A. It has the lawful power to pledge the Net Revenues supporting the Bonds and has lawfully exercised this power under the laws of the State of Texas, including the power existing under Chapter 1207, Chapter 1371, and Chapter 1502, as amended, Texas Government Code, and the City's Home Rule Charter;

B. The Bonds shall be equally and ratably secured by a junior lien on and pledge of the Net Revenues of the System in a manner that one Bond shall have no preference over any other Bond;

C. Other than for the payment of the currently outstanding Senior Lien Obligations, Junior Lien Obligations, and the Subordinate Lien Obligations, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

D. As long as any Bonds, or any interest thereon, remain Outstanding, the City will not sell, lease, or encumber the System or any substantial part thereof (except as provided in *Section 6.2*) provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

E. No free service (except water provided to the City for municipal fire-fighting purposes and certain stormwater utility service) of the System shall be allowed, and, should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made, if necessary, by the City pursuant to *Section 5.4*; and

F. To the extent that it legally may, the City further covenants and agrees that, so long as any of the Bonds, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited.

SECTION 6.6 *Rates and Charges*

For the benefit of the Holders of the Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the currently outstanding Junior Lien Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Pledged Revenues, together with any other lawfully available funds, sufficient to satisfy the rate covenant contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations and to pay the principal of and interest on the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations

hereafter issued by the City and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on an pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on the currently outstanding Junior Lien Obligations as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the Additional Junior Lien Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior lien on and pledge of the Net Revenues of the System;

D. To produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured, in whole or in part, by a subordinate lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the City as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Inferior Lien Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured by a lien on and pledge of the Net Revenues of the System in accordance with applicable law;

F. To produce Net Revenues, together with any other lawfully available funds, to fund the transfers as permitted by the provisions of Section 15 of this Ordinance; and

G. To pay, together with any other lawfully available funds, any other legally incurred Debt payable from the Net Revenues of the System and/or secured by a lien on the System.

H. For the purpose of satisfying the covenants specified above, the City may consider debt service on any obligations secured by and payable from revenues of the Systems after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to any such obligations' having been irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any Senior Lien Obligations designated as "build America bonds" and "qualified bonds" under the Code).

SECTION 6.10 *Management of Systems.*

A. Pursuant to the authority contained in Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 1115b, as amended), except as otherwise specifically provided in this Ordinance, the complete management and control of the System during such

time as any Debt is outstanding shall be vested in a seven member board of trustees to be known as the "San Antonio Water System Board of Trustees". Such board is referred to in this Ordinance as the "Board." The Mayor of the City from time to time shall ex officio be one of the members of the Board, and the other current members of the Board as of the date of passage of this Ordinance are Heriberto "Berto" Guerra currently serving a term ending May 31, 2014, Willie A. Mitchell, currently serving a term ending May 31, 2010 (Mr. Mitchell remains in such position until his reappointment, or his replacement, is appointed by the City Council), Robert Anguiano currently serving a term ending on May 31, 2012 (Mr. Anguiano remains in such position until his reappointment, or his replacement, is appointed by the City Council), Samuel E. Luna, Elizabeth M. Provencio, and Louis E. Rowe all currently serving terms ending May 31, 2013 (each of which will remain in their current position until their reappointment, or their replacement is appointed, by the City Council). Notwithstanding the foregoing, the Members of the Board may be increased to a number greater than seven (7), to include the Mayor of the City as an ex officio member, as otherwise appointed by the City.

B. Members of the Board must be citizens of the United States and must either reside inside the corporate limits of the City or inside the area served by the System. No person who is related within the second degree of consanguinity or affinity (or as further restricted by the City's Home Rule Charter) to any Member of the Board or any member of the City Council shall be eligible for appointment as a Member of the Board. The term of office of each Member of the Board shall be four (4) years. All terms shall commence on a June 1 and shall terminate on May 31 four years later; provided, however, in the event a replacement for a Member has not been named by the City Council prior to the expiration of such Member's term, such Member shall serve until such Member's successor shall be appointed, and such successor's term shall terminate on May 31st of the year in which such term normally would have terminated if the City Council had appointed such successor prior to the termination of such Member's term. No person who has served as a Member of the Board for a total of two (2) terms shall be eligible for appointment as a Member of the Board. Any Member who is appointed to the Board to serve out an unexpired portion of another Member's term shall not be considered to have served a term unless the unexpired portion of the term so served is two (2) years or more.

C. Removal of residence from the area served by the System by any Member of the Board shall vacate such person's office as a Member of the Board, and any Member of the Board (other than the Mayor of the City) who shall be continuously absent from all meetings of the Board for a period of four (4) consecutive months shall, unless such person has requested and been granted leave of absence by the unanimous vote of the remaining Members of the Board, be considered to have vacated such person's office as a Member of the Board.

D. All vacancies in membership on the Board, whether occasioned by failure or refusal of any person to accept appointment or by resignation, failure to continue to qualify to serve, expiration of term of office, or otherwise, shall be filled by majority vote of all members of the City Council then holding office. Any Member of the Board other than the Mayor of the City may, by a two thirds (2/3) vote of all members of the City Council then holding office, be removed from office, with or without cause. For purposes of this Section 41, the term members of the City Council then holding office shall be the number of persons authorized from time to time by the City's Home Rule Charter to be members of the City Council, whether or not all such positions are filled at any particular time.

E. Except as otherwise specifically provided in this Ordinance, the Board shall have absolute and complete authority and power to control, manage, and operate the System and shall control the expenditure and application of the Gross Revenues of the System pursuant to this Ordinance. In connection with the control, management, and operation of the System and the expenditure and application of the Gross Revenues therefrom, the Board shall be vested with all of the powers of the City with respect thereto, including all powers necessary or appropriate for the performance of all the

covenants, undertakings, and agreements of the City contained in this Ordinance, and, with the exception of fixing rates and charges for service rendered by the System, shall have full power and authority to make rules and regulations governing the furnishing of services of the System to customers and for the payment of the same, and for the discontinuance of such services upon failure of customers to pay therefor and, to the extent authorized by law and by this Ordinance, shall have authority to make extensions, improvements, and additions to the System and to acquire by purchase or otherwise properties of every kind in connection therewith. The operational policies of the Board shall parallel those of the City Council insofar as practicable.

F. The Board shall determine the rates, fees, and charges for services rendered and to be rendered by the System, with due consideration being accorded to the terms, covenants, and conditions contained in this Ordinance and the ordinances authorizing the issuance of any Additional Senior Lien Obligations. In the event any such determination reflects a necessity for the adjustment either by an increase or a reduction of such rates, fees, and charges, then the Board shall submit to the City Council a full report of the basis upon which such proposed adjustment is predicated, accompanied by a formal request from the Board for approval and adoption of the rates, fees, and charges recommended by the Board. If the City Council approves the adjustment thus recommended by the Board, it shall pass an appropriate ordinance placing such adjusted rates, fees, and charges in effect; provided, however, that the rates, fees, and charges for services rendered by the System shall never be reduced in such amounts as will impair the performance of any of the covenants contained in this Ordinance or in any ordinance authorizing the issuance of any Additional Senior Lien Obligations.

G. The Mayor, with the concurrence of the City Council, annually shall appoint one of the other Members of the Board as the Chairman of the Board. The Board annually shall elect one of its Members as Vice Chairman of the Board and shall appoint a Secretary and an Assistant Secretary, either or both of whom may, but need not be, a Member or Members of the Board. If a Member of the Board is not appointed as Secretary or Assistant Secretary, then an employee or employees of the Board may be so appointed. The Board may adopt rules for the orderly conduct of its meetings. The Board shall manage and conduct the affairs of the System in a manner consistent with practices ordinarily employed by the boards of directors of private utility corporations operating properties of a similar nature and with the same degree of prudence. The Board shall have at least one meeting monthly. All meetings of the Board shall be open to the public in accordance with the requirements of Chapter 551, as amended, Texas Government Code. The Board is authorized to adopt rules of procedure and standards of conduct for persons attending and participating in its meetings and any public hearings conducted by or on behalf of the Board.

H. The Board shall appoint and employ all officers, employees, and professional consultants which it may deem desirable, including, without limitation, a chief executive officer of the System, attorneys, auditors, engineers, architects, and other advisers; provided, however, that the City Attorney shall be the chief legal adviser of the Board. The selection of additional attorneys shall be made in consultation with the City Attorney, but the decision of the Board shall be final. The Board may delegate administrative duties and authority to its employees and consultants. No officer or employee of the Board may be employed who shall be related within the second degree of consanguinity or affinity (or as further restricted by the City's Home Rule Charter) to any Member of the Board or any member of the City Council.

I. The Board shall obtain and keep continually in force an employees' fidelity and indemnity bond ("blanket" form), or its equivalent, written by a solvent and recognized insurer and covering losses to the amount of not less than One Hundred Thousand Dollars (\$100,000.00).

J. The Board shall make such provision for an employee retirement plan or pensions for employees of the Board as it may in its discretion determine. The Board may continue in existence the retirement plans in effect on the date of adoption of the ordinance authorizing the issuance of the Series 1992 Bonds for the Waterworks System, the Wastewater Department of the City, and the Water Reuse Department of the City and may change the same from time to time as it may determine. The title to and ownership of funds set aside in accordance with an employee retirement plan shall be held in trust for the benefit of the members of such pension plan.

K. The Members of the Board, other than the Mayor of the City shall each receive annual compensation in the amount of \$2,500.00 or such additional amount as may be determined from time to time by the City Council. The Members of the Board shall be entitled to payment by the Board of their reasonable and necessary expenses for the discharge of their duties.

L. The Members of the Board shall not be personally liable, either individually or collectively, for any act or omission in the performance of their duties as Members of the Board not willfully fraudulent or in bad faith. The Board may authorize the use of Board funds to provide defense for its Members or its employees for civil actions brought against them for any such acts and may hold such Members and employees harmless from any damages awarded against them in any civil action.

M. The City Manager, or the City Manager's designee, shall be authorized to attend meetings of the Board, and the Board shall provide the City Manager with notice of such meetings in the same manner that such notice is given by the Board to its Members.

N. The Board when expending funds for improvements and materials and supplies shall be governed by the then current provisions of applicable City policy and the laws of the State of Texas relating to notices to bidders, advertisement thereof, requirements as to the taking of sealed bids based upon specifications for such improvements or purchase, the furnishing of surety bonds by contractors, and the manner of letting contracts.

O. The City Council reserves the right to require the Board, at the System's expense and payable from the Renewal and Replacement Fund, to conform its installations in the streets, alleys, and public ways of the City to any changes created by City construction projects; provided, however, such City ordered relocation of System facilities at System expense shall be limited, in any Fiscal Year, to an amount not to exceed 5% of the Board's annual budget for Maintenance and Operating Expenses in such Fiscal Year. Relocation costs exceeding such 5% limitation shall be funded through direct payment of such excess costs by the City, through payment to the Board of such excess cost by the City, or through the issuance of Debt.

P. No Member of the Board, or any officer, agent, or employee of the Board shall have a financial interest, direct or indirect, in any contract with the Board or shall be financially interested, directly or indirectly, in the sale to the Board of any land, materials, supplies, or services except on behalf of the Board as an officer or employee or as permitted by the provisions of Chapter 171, as amended, Local Government Code, or any other similar general Texas law in effect from time to time, or the City's Home Rule Charter, whichever is most restrictive.

Q. The Board shall prepare an annual budget to serve as a tool in controlling and administering the management and operation of the System. The annual budget shall reflect an estimate of Gross Revenues and an estimate of the disposition of these revenues in accordance with the funds flow requirements of this Ordinance. The annual budget shall be presented and approved by the Board at least sixty (60) days prior to the beginning of the Board's Fiscal Year. Immediately following approval of the

annual budget by the Board, it shall be submitted to the City Council for review and consultation. The Board may subsequently modify its approved budget by giving notice thereof to the City.

R. The Board shall prepare and administer, and may amend from time to time, a master plan for the System (the Master Plan), addressing the water resource and capital improvement projects required to accommodate the projected growth and development of the service area of the System. The Master Plan (and any amendment thereof) shall be approved by the Board and submitted for consideration and approval by the City Council in accordance with applicable provisions of the City's Home Rule Charter then in effect.

S. The Board shall provide the City Council with a complete briefing on any matter of litigation which is being contemplated involving the Board as a plaintiff against the City or any of its agencies, and City Council approval shall be obtained by the Board prior to the formal initiation of any such matter of litigation. Unless the City Attorney recommends City Council approval with respect to a particular matter of litigation proposed to be initiated by the Board, all other matters of litigation initiated by the Board may be approved by the Board without approval of the City Council.

T. The Board shall establish an appeals process for disciplinary actions involving its employees. An appeals committee composed of at least three (3) persons who are neither employees nor Members of the Board shall be appointed by the Board, and such committee shall operate under rules established by the Board from time to time. Such committee shall make recommendations to the chief executive officer of the System, with the final determination concerning disposition of a disciplinary action being made by the chief executive officer of the System. The Board shall further establish Equal Employment Opportunity and Affirmative Action programs in compliance with applicable federal and State of Texas guidelines. All personnel policies established by the Board shall parallel those of the City in effect from time to time insofar as practicable.

U. During each Fiscal Year, the Board shall prepare and formally present to the City Council a minimum of two (2) reports regarding the status of water resource planning and development, other water related issues being undertaken or contemplated by the Board, and other matters previously requested by the City Council.

V. The City Council reserves the right, by ordinance, to abolish the Board and thereafter transfer control, maintenance, and operation of the System to a department of the City in accordance with the provisions of the laws of the State of Texas and the City's Home Rule Charter. The City Council may so abolish the Board at any regular or special meeting of the City Council upon the affirmative vote of 3/4 of the members of the City Council then holding office. Such vote must be preceded by at least two (2) public hearings conducted by the City Council at least 30 days apart. Notice of such public hearings and the subject matter to be discussed shall be published at least one (1) time prior to each such hearing in a newspaper of general circulation within the City at least 15 days prior to the hearing. Such hearings may be conducted at a regular or special meeting of the City Council or in some other location designated by the City Council, and the calling of such hearings and the authorization of the publication of such notices may be by majority vote of all members of the City Council then holding office at any regular or special meeting of the City Council. The ordinance abolishing the Board shall name the effective date of the abolition of the Board and the transfer of maintenance, control, and operation of the System to the City. By the same procedure, the City Council may subsequently reconstitute the Board and thereafter transfer control, maintenance, and operation of the System to such Board as otherwise set forth in this Ordinance.

* * * *

APPENDIX E

ORIGINAL OPINION OF ORIGINAL CO-BOND COUNSEL

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Fulbright & Jaworski LLP
300 Convent Street, Suite 2100
San Antonio, Texas 78205

Escamilla & Poneck, LLP
700 North St. Mary's, Suite 850
San Antonio, Texas 78205

NOV 06 2013

FINAL

IN REGARD to the authorization and issuance of the "City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund)" (the *Bonds*), dated October 1, 2013, in the aggregate principal amount of \$100,000,000 we have reviewed the legality and validity of the issuance thereof by the City of San Antonio, Texas (the *City*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof, and have a Stated Maturity of May 1, 2043, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meaning ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the City's obligations being refunded by certain proceeds of the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City or the City's utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the City in connection with the issuance of the Bonds, including the Ordinance, the Paying Agent/Registrar Agreement between the City and U.S. Bank National Association, Dallas, Texas, and the Escrow Deposit Letter (the *Escrow Agreement*) between the City and U.S. Bank National Association, Dallas, Texas, as escrow agent (the *Escrow Agent*), the Remarketing Agreement between the City and Piper Jaffray & Co., San Antonio, Texas, as remarketing agent (the *Remarketing Agent*), the certification (the *Sufficiency Certificate*) of Public Financial Management, Inc., as co-financial advisors to SAWS (defined below), of the sufficiency of cash deposited with the Escrow Agent; and a resolution adopted by the Board of Trustees (the *Board*) of the San Antonio Water System (SAWS); (2) customary certifications and opinions of officials of the City and SAWS; (3) certificates executed by officers of the City and SAWS relating to the expected use and investment of proceeds of the Bonds and certain other funds of the City and SAWS, and to certain other facts within the knowledge and control of the City and SAWS; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the City, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Fulbright & Jaworski LLP of San Antonio, Texas, a member of Norton Rose Fulbright, and Escamilla & Poneck, LLP in connection with the authorization and issuance of "CITY OF SAN ANTONIO, TEXAS WATER SYSTEM VARIABLE RATE JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2013F (NO RESERVE FUND)"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the City and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded and to be discharged, paid, and retired with certain proceeds of the Bonds are regarded as being outstanding for purposes of the ordinance authorizing their issuance only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate of the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding special obligations of the City enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from and equally and ratably secured, together with the currently outstanding Junior Lien Obligations, solely by a lien on and pledge of the Net Revenues, derived from the operation of the System that is junior and inferior to the lien thereon and pledge thereof securing the payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, but prior and superior to the lien on and pledge thereof securing the payment of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations or Inferior Lien Obligations hereafter issued by the City. The Bonds are issued as Junior Lien Obligations—No Reserve Fund and, as such, are not additionally secured by a lien thereon and pledge of the Reserve Fund. In the Ordinance, the City retains the right to issue Additional Senior Lien Obligations, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, and Inferior Lien Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the City or SAWS, except with respect to the Net Revenues. The holders of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the City and the Board with the provisions of the Ordinance and in reliance upon the Sufficiency Certificate as to the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the City and SAWS made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and (2) interest on the Bonds will not be included in computing the alternative

Legal Opinion of Fulbright & Jaworski LLP of San Antonio, Texas, a member of Norton Rose Fulbright, and Escamilla & Poneck, LLP in connection with the authorization and issuance of "CITY OF SAN ANTONIO, TEXAS WATER SYSTEM VARIABLE RATE JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2013F (NO RESERVE FUND)"

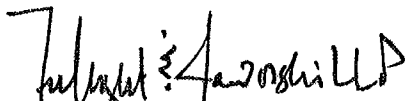
minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

WE CALL YOUR ATTENTION TO THE FACT THAT, with respect to our opinion in clause (2) above, interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION concerning the effect on excludability of interest of subsequent action which under the terms of the Ordinance may be taken only upon receipt of an opinion of counsel of nationally recognized standing in the field of municipal bond law.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.


Fulbright & Jaworski LLP


Escamilla & Poneck, LLP

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