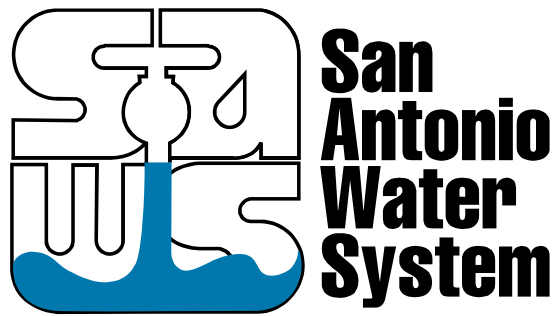


Annual Operating & Capital Budget



Fiscal Year Ending December 31, 2011





San Antonio, Texas

2011 Annual Operating and Capital Budget

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**CITY OF SAN ANTONIO
MAYOR AND CITY COUNCIL**



Left to right:

David Medina	District 5
Philip A. Cortez	District 4
Jennifer V. Ramos	District 3
Ivy R. Taylor	District 2
Mary Alice Cisneros	District 1
Julián Castro	Mayor
John G. Clamp	District 10
Elisa Chan	District 9
W. Reed Williams	District 8
Justin Rodriguez	District 7
Ray Lopez	District 6

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**SAN ANTONIO WATER SYSTEM
BOARD OF TRUSTEES**



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Samuel E. Luna, Jr.
Assistant Secretary



Willie A. Mitchell
Vice Chairman



Elizabeth M. Provencio



Roberto Anguiano
Secretary



Louis E. Rowe, P.E.



Mayor Julián Castro, ex Officio

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President / Chief Executive Officer



Steve Clouse
Senior Vice President
Chief Operating Officer



Doug Evanson, C.P.A.
Senior Vice President
Chief Financial Officer



Kelley Neumann, P.E.
Senior Vice President
Strategic Resources



Charles E. Ahrens
Vice President
Water Resources and Conservation



Jerry Bailey, P.H.R.
Vice President
Human Resources



Michael S. Brinkmann
Vice President
Operations Services



Gregorio Flores III
Vice President
Public Affairs



Stacey Isenberg, C.P.A.
Vice President
Customer Service



Valentin T. Ruiz, P.E.
Vice President
Distribution and Collection



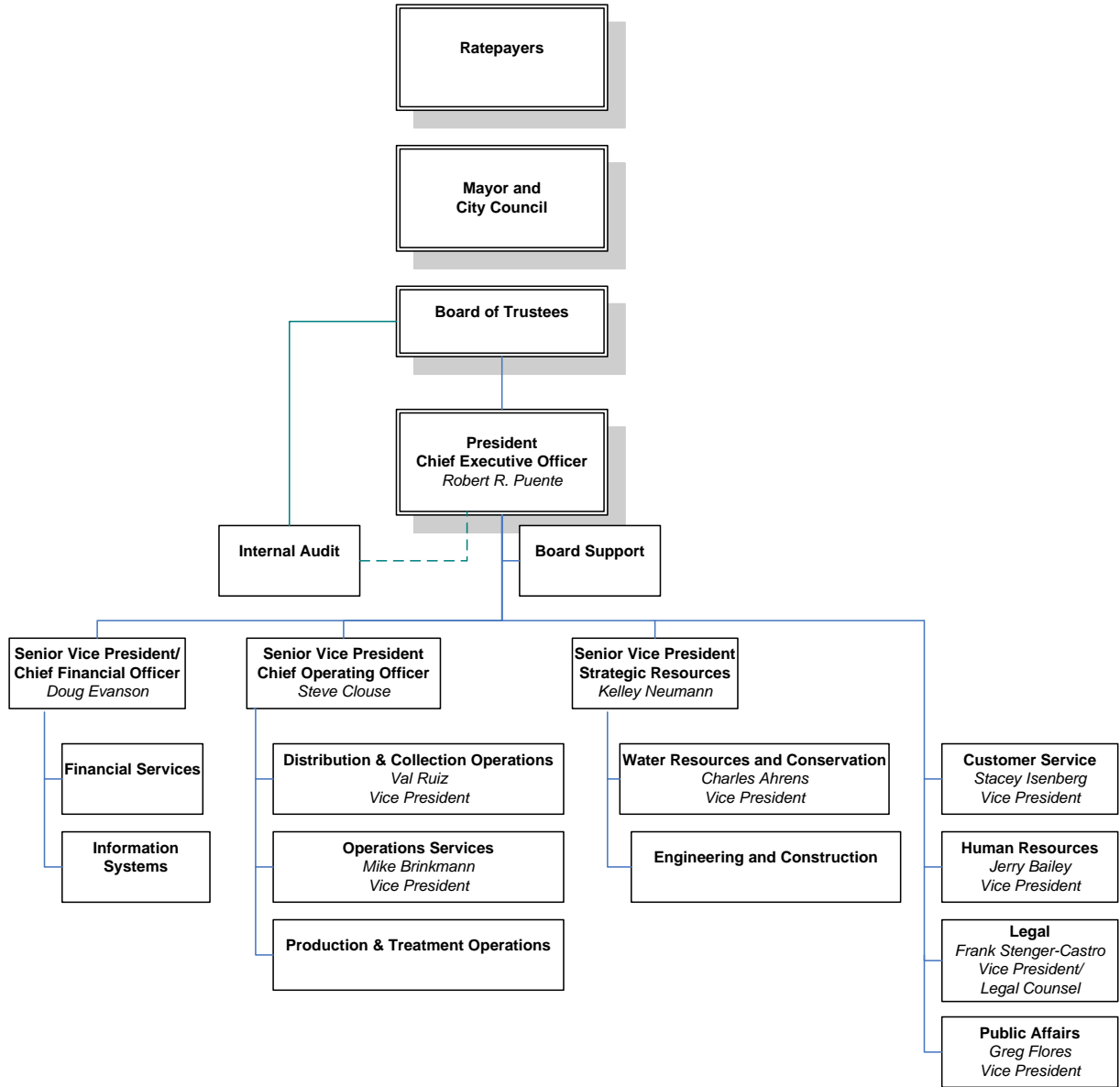
Frank Stenger-Castro
Vice President
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Stephanie Bocanegra Suarez
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SAN ANTONIO WATER SYSTEM





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
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PRESENTED TO

**San Antonio Water System
Texas**

For the Fiscal Year Beginning

January 1, 2010

A stylized signature in black ink, appearing to read 'HR'.

President

A signature in black ink, appearing to read 'Jeffrey R. Egan'.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Antonio Water System, Texas** for its annual budget for the fiscal year beginning **January 1, 2010**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

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

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June 17, 2010

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

Honorable Mayor and Trustees:

I am pleased to present the 2011 Annual Operating and Capital Budget of the San Antonio Water System (SAWS), which has been prepared in accordance with requirements of City Ordinance No. 75686.

Coming as it did in parallel with the completion of a major water rate redesign study, the process for developing the budget for 2011 was unprecedented. In order to fulfill the City Council's wish to consider at the same time both the rate restructuring and a rate increase needed to support the 2011 budget, the SAWS Board of Trustees and staff undertook an accelerated timetable to complete the budget several months earlier than in previous years.

Adding to the challenge of an expedited budget process has been the continuing contraction of local and national economic conditions along with a period of unusually heavy rainfall for the San Antonio area that has unfavorably impacted projected revenue for 2010. From March 2009 to March 2010, the national unemployment rate increased from 8.6% to 9.7%, while the San Antonio unemployment rate increased from 6.3% to 7.3%. With the heavy rain, water usage for the first quarter of 2010 decreased 15.8% relative to the same period in 2009 with a resulting decrease in first quarter operating revenues from \$87.3 million in 2009 to \$81.9 million in 2010. Nevertheless, pre-emptive budget reductions implemented early in the year once the scope of the heavy rainfall's impact on revenues became clear have significantly mitigated the otherwise adverse effects in 2010 of the lowered revenues. SAWS' continuing commitment to conservative fiscal practices was acknowledged in January 2010 when SAWS' bond ratings were reaffirmed by all three major rating agencies.

The total Operating Budget for 2011 is \$437.5 million, an increase of 4.1% over 2010, and the Capital Budget is set at \$254.9 million. To support the budget, a rates adjustment was approved by the Board of Trustees and the City Council effective November 1, 2010 with a combined effect of 6.5% for Water Delivery, Wastewater, and Water Supply Fee rates (2.2% for Water Delivery rates, 2.9% for Water Supply Fee rates and 11.9% for Wastewater rates). The rates adjustment, in turn, is built on the re-structuring of Water Delivery and Water Supply Fee rates recommended by the Rates Advisory Committee (RAC) and approved by the Board of Trustees

and the City Council at the same time the rates adjustment were considered. The new rate structure provides even greater incentives for water conservation with particular emphasis on encouraging more limited outdoor irrigation consumption. Under the changes, the highest water users will pay increasingly higher rates as levels of water usage beyond non-discretionary needs are exceeded.

Similar to previous years, the 2011 Budget has been designed to assist in achieving the goals detailed in SAWS' mission and vision statements. Included among these goals is a commitment to the customers and communities we serve to provide courteous, quality and timely service at an affordable price, as well as a further commitment to execute our 50-year conservation and water supply strategy to ensure sufficient supplies are available both during normal conditions and critical drought periods. The 2011 Budget provides for the resources to achieve SAWS' goals through many ongoing operating initiatives and capital projects. Among these projects and initiatives are:

- **Enterprise Resource Software System** - SAWS continues with the implementation of additional phases of the Enterprise Resource Software System (ERSS) delivering current information systems to replace numerous legacy systems. The project began in 2006 and successfully launched the Finance, Procurement, Human Resources and Payroll systems in 2007. During 2008, SAWS went live with additional applications including Work Order/Service Order, Asset Management and Budgeting and Planning. The remaining two applications, Customer Information System and phase two Permitting were originally scheduled to go-live in 2010. Due to a delay in software delivery and related vendor restructuring, both systems are now expected to launch in early 2011. While the setback does increase program costs in the near-term, the projected long-term cost of ownership remains well below industry average.
- **Meter Reading Enhancements** - The San Antonio area continues to experience considerable growth. Although growth has occurred throughout the area, the past 20 years has seen exponential growth to the north and northwest. Due to this concentrated growth, billing cycles have become disproportionate, therefore creating critical staff and billing challenges. The 2011 budget provides for increased meter reading staff, vehicles, and software which utilizes GPS technology to balance billing cycles and redesign meter reading routes. The enhancements will benefit the billing and customer-service operations through optimization of customer service staff, improved billing accuracy and reduced call-center traffic.
- **City of San Antonio Right-Of-Way Maintenance Requirements** - SAWS has experienced an exceptionally high amount of water and sewer main breaks due to the extreme climatic conditions over the past few years. The numerous street excavations have resulted in a backlog of streets that are in need of restoration. The City of San Antonio's (COSA) Right-Of-Way (ROW) Ordinance, section 29-143 mandates that a street with a pavement condition index (PCI) rating greater than 85 (new streets) will result in block to block, curb to curb pavement restoration. COSA has identified approximately 800 sites, through 2009, where street structural integrity has deteriorated due to the asphalt patches installed. The average cost to "mill and overlay" (pavement restoration) each

site is \$6,000. With a pending cost of approximately \$5.0 million, SAWS has provided for payment of an additional \$1.25 million for a total of \$2.2 million in the 2011 budget and is currently in negotiations with COSA to arrange a timeline for restoration of the remaining streets.

Along with those costs, the COSA will be inspecting 100% of SAWS' permit work. Currently, COSA inspects 45% of all SAWS permits. COSA has calculated a flat fee of \$130 for all permits which represents an additional \$0.5 million for SAWS' street cut permit budget. SAWS will continue to negotiate permit fees with COSA and determine more appropriate right-of-way ordinance requirements.

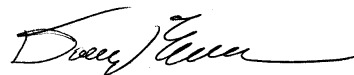
In summary, the 2011 Budget:

- Balances revenue requirements with available revenues and other funding sources
- Assumes 2011 billed water usage of 54.6 billion gallons based on normal weather conditions and combined customer growth of 1.85%: 1.7% for water and 1.9% for wastewater
- Provides for:
 - Continued planning and development of additional water resources to supplement and diversify our existing water supplies in accordance with the 2009 Water Management Plan Update, including funding for Regional Carrizo and Desalination projects, and the development of a pipeline to integrate new supplies into the system
 - Funding for operation and maintenance of existing production, distribution, collection and treatment facilities to support economic growth of the city
 - Adjustments for salaries and fringe benefits costs to include performance pay and a 2.5% salary increase effective April 1, 2011
 - A pass-through of the Edwards Aquifer Authority permit fee to recover an estimated \$10.5 million
 - Long-term financial stability
- Includes estimated total Sources of Funds of \$437.5 million, which is 4.1% higher than the prior year's Sources of Funds and comprised of:
 - Operating revenues and non-operating revenues totaling \$405.5 million
 - No draw on equity
 - Capital recovery fees of \$32.0 million
- Provides for full funding of \$246.1 million in operations costs, with \$34.8 million related to capitalized charges. For 2011, net Operations and Maintenance expenses are \$211.4 million, reflecting a \$7.7 million or 3.8% increase when compared to the 2010 Budget to include:
 - \$1.9 million for an average 2.5% performance pay increase effective April 1, 2011
 - \$1.6 million in increased utilities and fuel costs
 - \$1.25 million in increased street cut maintenance expenses
 - \$0.5 million in added Edwards Aquifer Authority fees
 - \$0.5 million in additional City of San Antonio street cut permit fees

- \$0.4 million in additional line cleaning expenditures
- Assumes funding sufficient for \$254.9 million of capital improvement projects
 - \$175.7 million in Water Delivery and Wastewater projects, consisting of approximately 55% replacement and growth related projects and 45% additional capacity projects
 - \$79 million in Water Supply projects including funding for the Desalination, Regional Carrizo, and integration pipeline projects
 - \$0.3 million in Chilled Water and Steam projects
- Provides for \$11.1 million in capital outlay funding for vehicles, equipment, and computer related capital
- Provides for \$144.4 million in funding for debt service and expenses, which is \$5.4 million or 3.9% higher than the prior year's budget for debt service and expenses
- Plans for senior lien debt coverage of 1.8 times, based on ordinance mandated flow of funds, which does not include non-cash expenses associated with post-retirement obligations
- Includes a transfer of \$10.4 million to the City of San Antonio

The annual budget process is an effort to strike the appropriate balance between ensuring that rates remain affordable for SAWS' customers and ensuring the ongoing operational and financial integrity of the organization. The 2011 Annual Operating and Capital Budget will allow the San Antonio Water System to continue providing high quality water, wastewater, recycled water and heating and cooling services at reasonable costs, while also maintaining a healthy financial position.

Respectfully submitted,



Douglas P. Evanson
Senior Vice President/Chief Financial Officer

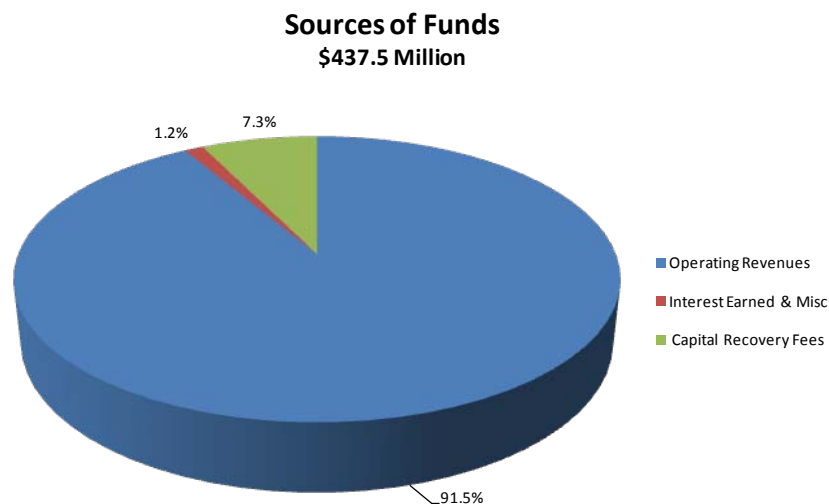
BUDGET SUMMARY

The 2011 Annual Operating and Capital Budget of the San Antonio Water System (SAWS) has been prepared in accordance with requirements of City of San Antonio Ordinance No. 75686. This ordinance mandates budgeting in accordance with prescribed funds flow requirements. The 2011 budget includes an annual operating budget and a capital budget. The budget is designed to present a comprehensive projection of the operation of the System from January 1, 2011 through December 31, 2011.

The operating budget increases from \$420.2 million budgeted in 2010 to \$437.5 million for an overall percentage increase of approximately 4.1%. The capital budget decreases from \$297.7 million in 2010 to \$254.9 million in 2011, with increased spending requirements forecast for wastewater construction initiatives and reduced spending requirements forecast for both water supply and water delivery construction projects.

ANNUAL OPERATING BUDGET OVERVIEW

SOURCES OF FUNDS



SAWS' total receipts from all sources are projected to be \$437.5 million, an increase of 4.1% over the 2010 budget level. The various sources of projected receipts are shown graphically in the chart above.

Operating revenues for 2011 are projected to be \$400.3 million or 91.5% of total receipts. This reflects an estimated increase of \$18.8 million or 4.9% over the 2009 budget. The increase in operating revenues reflects primarily a rate adjustment to be implemented in late 2010, which is anticipated to generate an additional \$20 million in revenues. Also serving to increase the forecasted revenue levels are projected increases in water and wastewater customers of 1.7% and 1.9%, respectively. SAWS' customer base continues to grow, but at a much slower rate than was experienced earlier this decade. Offsetting these projected revenue increases is a slight

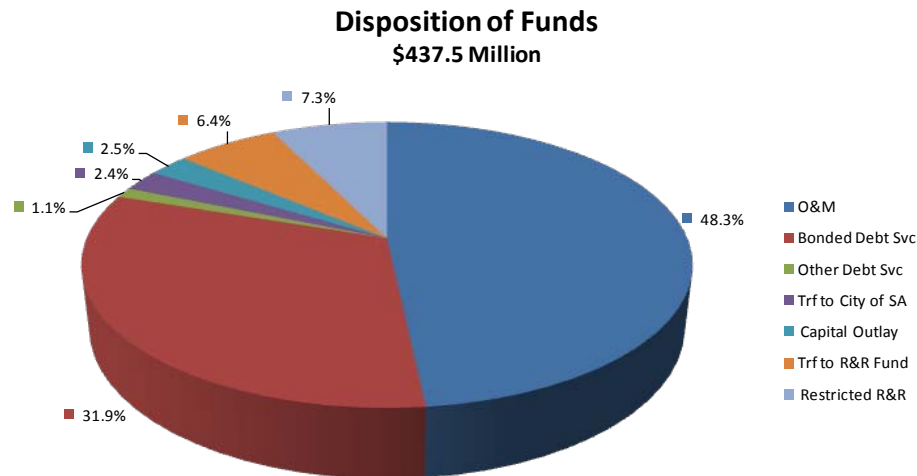
downward revision in the forecasted use per bill and average winter consumption estimates. These downward revisions reflect the impact of SAWS' ongoing conservation initiatives as well as changes in the rate structure designed to promote additional water usage efficiency.

Non-operating revenues, consisting primarily of interest earnings, are projected to be \$5.2 million, an increase of \$0.5 million compared to the 2010 budget. This increase reflects the anticipated \$1.9 million subsidy payment to be received on the Build America Bonds, which SAWS issued in late 2009. Partially offsetting this increase is a reduction in the assumed yield on SAWS' investment portfolio. This reduction reflects an anticipated continuation during 2011 of the extremely low interest rate environment of the last eighteen months.

Revenues from capital recovery fees are projected to increase by \$2.0 million or 6.7%. These fees, which represent payments from developers to connect new or expanded developments to SAWS water/wastewater systems, are estimated at \$32.0 million in 2011 compared to \$30.0 million budgeted for 2010. The slight increase in the projected level of these fees reflects an anticipated small uptick in development activity in San Antonio during 2011.

Finally, in 2011, the draw on equity, which had been utilized to fund the cost of conservation programs in excess of revenues generated from the portion of the water rate dedicated to conservation, has been eliminated. This budgeted draw on equity had been in place for the last several years and totaled \$4.0 million in the fiscal year 2010 budget.

DISPOSITION OF FUNDS



The 2011 Operating Budget projects a \$17.3 million increase in total disposition of funds. This increase is primarily attributable to a \$7.6 million increase in operating and maintenance costs and a \$6.5 million increase in bonded debt service.

Gross operating and maintenance costs are projected to increase to \$246.1 million, an increase of \$8.7 million or 3.7%. This increase is driven mainly by a \$3.1 million budgeted increase in retirement and medical insurance costs, a \$1.9 million increase in salaries associated with

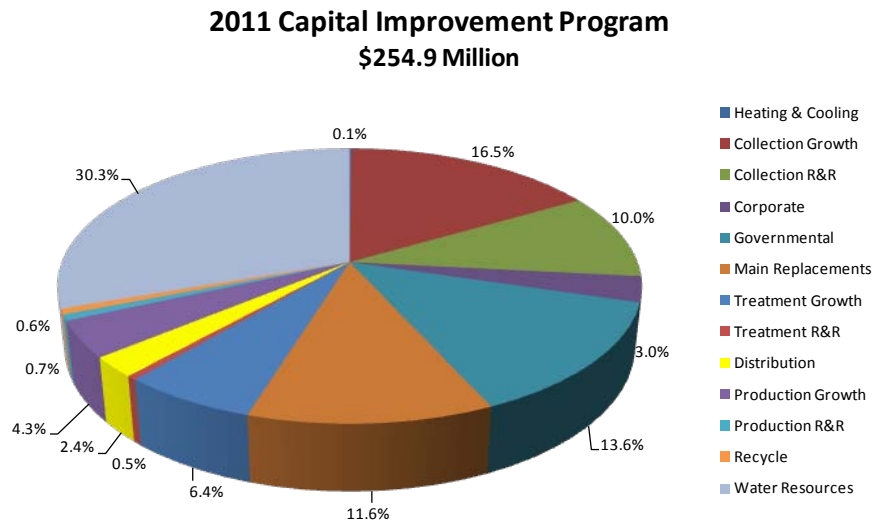
anticipated merit and performance pay adjustments, a projected \$1.7 million increase for expenses related to SAWS' street paving and permitting costs, and an estimated \$1.6 million increase in utility costs resulting primarily from a CPS Energy rate increase implemented in 2009.

The 2011 Operating Budget will also continue to support major capital initiatives, such as the desalination water supply project and the continuing implementation of the new system wide information system. Reflecting the increase in gross operating and maintenance costs, the amount of operating costs capitalized to construction initiatives is also projected to experience an increase from 2010 budget levels.

Debt service costs are projected to increase by \$5.4 million to \$144.4 million in 2011. This increase can be attributed to the anticipated increase in debt associated with funding the \$254.9 million Capital Improvement Program, partially offset by a projected decrease in tax exempt commercial paper (TECP) interest expense due to declining interest rates.

The 2011 Operating Budget also sets aside additional resources designated for capital outlay to continue efforts to upgrade the existing fleet of motorized vehicles and replace computer and other equipment.

ANNUAL CAPITAL BUDGET OVERVIEW



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

The Capital Improvement Program is comprised of separate programs for each of SAWS' four core business functions: Water Delivery, Wastewater, Water Supply, and Heating and Cooling. As part of the 2011 Capital Budget, the Water Delivery and Wastewater CIP's are funded at a

combined total of \$175.6 million, while Water Supply capital funding totals approximately \$ 79.0 million. The Heating and Cooling CIP is funded at \$0.3 million for infrastructure and SCADA upgrades. The chart above reflects all programs combined.

Funding for the entire \$254.9 million capital program is projected to be accomplished through a combination of bonds, revenues and impact fees with approximately 42.4% of the funding forecast to be done with cash and the remainder to be financed with debt proceeds.

The 2011 water delivery and wastewater CIP's consist of approximately 55.1% repair and replacement projects and 44.9% additional capacity projects designed to support new growth and development. Almost \$50.4 million of additional capacity will be added to the wastewater system, while \$16.9 million of growth related additions will be made to the water delivery system.

The \$79.0 million of projected Water Supply capital spending consists primarily of expenditures associated with the development of well fields to support both the Regional Carrizo project and the brackish desalination water supply initiative, and the construction of two pipelines and a booster pump station associated with the Regional Carrizo project. This amount also includes \$1.6 million worth of improvements and extensions to SAWS recycled water distribution network.

IMPACT OF THE COMPREHENSIVE COST OF SERVICE AND RATE DESIGN STUDY AND A RATE ADJUSTMENT ON THE 2011 BUDGET

The adoption of the 2011 Budget represented the culmination of a lengthy process that began in the fall of 2008 when work began on a new Comprehensive Cost of Service and Rate Design Study, a process that has been undertaken about every five years since the establishment of SAWS in 1992. In October 2008 the Rates Advisory Committee (RAC), composed of citizens representing different classes of customers appointed by the SAWS Board of Trustees, began meeting to conduct a thorough review of SAWS' water and wastewater rate structures. The purpose of the review was to ensure that the rate structures would continue to remain consistent with overall community priorities. This study, completed in December 2009, resulted in recommendations calling for a major restructuring of the Water Delivery and Water Supply Fee rates, and was approved by the Board of Trustees and the City Council with some amendments in June 2010. Consideration and approval of the rate restructuring was a City Council-stated prerequisite to the final authorization that same month of the 2011 Budget and of the 6.5% combined rates adjustment needed to support the budget. Consistent with the RAC's highest stated priority, the new rate structure has been designed to provide even greater incentives for water conservation with particular emphasis on encouraging more limited outdoor irrigation consumption. Under the structure changes, the highest water users will pay increasingly higher rates as levels of water consumption beyond non-discretionary needs are exceeded.

COMPREHENSIVE COST OF SERVICE AND RATE DESIGN STUDY

The Comprehensive Cost of Service and Rate Design Study was conducted with the assistance of a nationally-recognized rate consultant – Raftelis Financial Consultants, Inc. The results of the study were:

- Established with community input – inclusive and transparent: The RAC membership reflected a cross-section of the community; the committee held 16 public meetings in 2008 and 2009;
- Consistent with the Water Management Plan (approved by the SAWS Board and endorsed by the City Council in May 2009): The RAC-recommended conservation-oriented rate structures would reward efficient water usage - over 90% of residential water customers using less than 17,000 gallons per month would see decreases in their current monthly charges as a result of the recommendations; it was further estimated that the revised rate structure would encourage the reduction in discretionary water demand by 1.4 billion gallons (4,300 acre-feet) annually;
- Financially responsible and revenue neutral: All required revenues to operate the water and wastewater systems under 2009 operating budget assumptions would be recovered under the recommended rate changes; and,
- Competitive: For average levels of consumption, the recommended rates would result in combined charges that would remain among the lowest of the top Texas water utilities.

The RAC made its first major contribution in the rate setting process by identifying the policy priorities or pricing objectives the committee members felt were most important to consider. These priorities are shown in the below table. It was understood by the committee members, SAWS staff and the consulting firm that all viable alternative rate structures would need to exemplify the pricing objectives, with an emphasis on the top ranked objectives.

RAC Pricing Objectives

Top Three Rated Objectives

1. Conservation/Demand Management
2. Financial Sufficiency
3. Rate Stability

Other Rated Objectives

- Affordability to disadvantaged customers
- Cost of service based allocations
- Ease of implementation
- Economic development
- Equitable contributions from new customers
- Legality
- Minimization of customer impacts
- Revenue stability
- Simple to understand and update

After determining the pricing objectives, the RAC developed the following parameters to be used to develop various rate structure design options for consideration:

- Provide financial disincentives for excessive discretionary as opposed to non-discretionary* water consumption.
- Develop rates that reflect the cost of providing service to each class of customers.
- Implement multiple, tiered rate blocks for Residential and Irrigation class Water Supply Fee rates so that those customers using more water for discretionary purposes pay a greater share of the costs of developing new water sources.

With these basic principles in mind and after a review of various alternatives, the RAC agreed to recommend the following changes to Residential, General/Wholesale, Irrigation, Wastewater and Recycled Water rates as outlined below.

WATER RATES

- **Residential Class**
 1. Modify existing Water Delivery block rates by reducing Block 1 and Block 2 rates to reward customers that use water efficiently and to encourage others to reduce water usage while pushing more costs to Blocks 3 and 4 to discourage higher discretionary usage and promote conservation.
 2. Extend Water Delivery seasonal rates from four months to six months (May to October) to promote conservation and reduce peak demand.
 3. Change the uniform Water Supply Fee to match the recommended, tiered Water Delivery block rate cut-offs and differentials to discourage higher discretionary usage and promote conservation.
 4. Revise Residential meter charges to better reflect the fixed costs of billing, service-on-demand availability, and fire protection availability, and to improve revenue stability.
 5. Retain the existing differential between non-seasonal and seasonal block rates since the seasonal rate was extended an additional two months.
- **General And Wholesale Class**
 1. Increase the first Block Rate or Base from 90 percent to 100 percent to represent the usage needed to operate a business.
 2. Reduce the number of Blocks from five to four since the usage difference between the existing 4th and 5th block rates is not significantly different.
 3. Revise General/Wholesale Class meter charges to better reflect the fixed costs of billing, service-on-demand availability, and fire protection availability, and to improve revenue stability.

* For the purposes of the Rate Study, non-discretionary water usage refers to a reasonable and responsible amount of outdoor irrigation per property. However, in the event of a severe water shortage, it was accepted that non-discretionary water usage would represent water needed for health and human safety.

4. Retain the single-tiered Water Supply Fee for these classes since there is less discretionary General class commercial or industrial usage as compared to Residential consumption.
- **Irrigation Class**
 1. Modify the Irrigation Block Rate structure to align the Irrigation Block Cut-Offs with the recommended changes in the Residential Block Rate structures. For example, the Block 3 Irrigation cut-off would include the difference between the Block 2 and Block 3 cut-offs for Residential customers to represent outdoor discretionary usage (Block 1 would include zero usage to align with residential rate structure).
 2. Added seasonal rates to Irrigation to promote more water conservation and peak demand management. To be consistent, the recommended seasonal period will cover the same period as modified for Residential rates (May through October).
 3. Revise Irrigation Class Meter Charges to better reflect the fixed costs of billing, service-on-demand availability, and fire protection availability, and to improve revenue stability.
 4. Change the current, uniform Water Supply Fee to match the Residential tiered block rate cut-offs and differentials to discourage higher discretionary usage and promote conservation.

It was recognized by the RAC, SAWS staff and the consultant that the proposed water rates structure changes would make annual revenue streams more susceptible to variations in weather patterns. Unusually dry weather would likely result in greater than normal revenue as customers use more water priced at higher amounts for outdoor irrigation, while excessively wet weather would have the probable effect of less revenue due to lower amounts of water being consumed at lower rates. As a result of this realization, and consistent with the Rate Stability pricing objective, the RAC-recommended rates were structured to mitigate the greater elasticity inherent in its design by assuming that up to 1.4 billion gallons of water would be conserved annually because of the rate changes.

WASTEWATER RATES

Retain the existing wastewater rate structure given that no changes are warranted at this time.

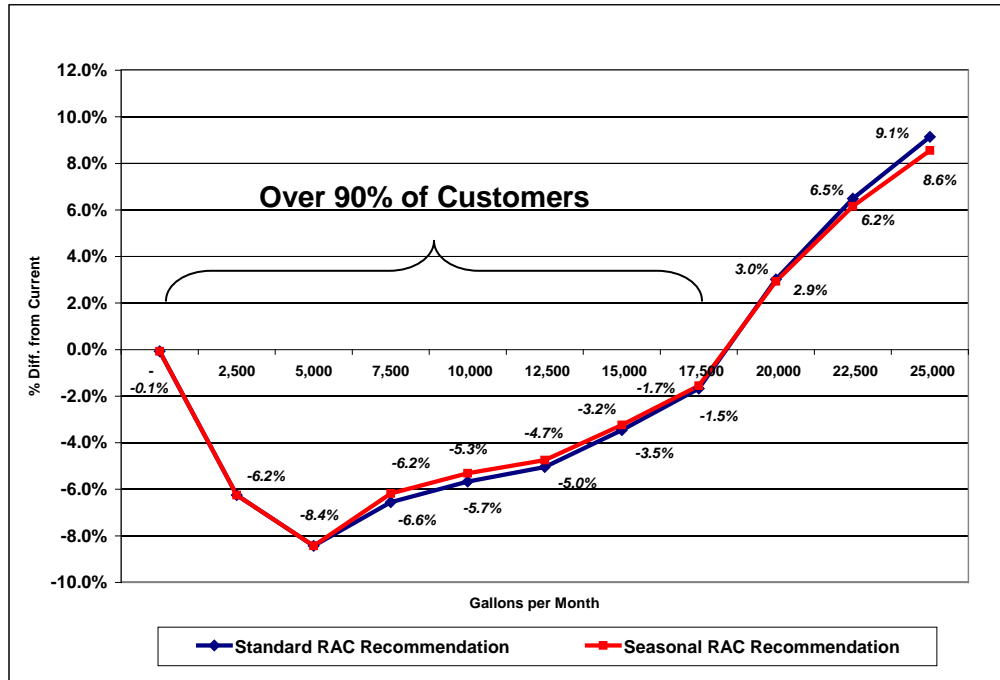
RECYCLED WATER RATES

1. Retain the existing Recycled Water rates given that no changes are warranted at this time.
2. In the future, consider Recycled Water rate increases at the same time adjustments to Water Delivery and Water Supply Fee rates are considered.

CUSTOMER IMPACTS

The exhibit below shows the percentage change impact that the RAC-recommended rate structure changes would have on a residential customer’s bill at various usage levels relative to the SAWS water rates in effect at the beginning of 2010. As shown, over 90% of residential customers would experience a decrease in their total water and wastewater monthly bill after implementation of the RAC-recommended Water Delivery and Water Supply rate structures.

Residential Combined Customer Impacts under RAC-Recommended Rates (5/8” Meter)



SAWS BOARD OF TRUSTEES AND CITY COUNCIL CONSIDERATION

The results of the Comprehensive Cost of Service and Rate Design Study were presented to the SAWS Board of Trustees and the City Council in the early spring of 2010 with a recommendation from SAWS staff that the changes be implemented effective June 1, 2010. Upon hearing the Rate Study’s recommendations, the Council members requested that they be presented the rate restructuring proposal at the same time with any rate adjustment proposal that would be needed to support the 2011 Budget. As a consequence, the SAWS Board and staff undertook an accelerated timetable to complete the proposed budget several months earlier than in previous years. The goal was to have both the rate restructuring and the rate adjustment proposals finalized for presentation to the City Council in June 2010.

RATE ADJUSTMENT

The 2011 Budget process resulted in the recommendation that SAWS rates be adjusted by an overall amount of 6.5 percent. Specifically, it was recommended that (1) water supply rates be increased by 2.9 percent; (2) water delivery service rates be increased by 2.2 percent; and (3)

wastewater service rates be increased by 11.9 percent. The below table provides a summary of the impact of the rate adjustment on an average residential monthly bill.

Rate Adjustment Impact

Item	Rate Change	Avg. Monthly Residential Bill Change
Wastewater	11.9%	\$2.07
Water Supply	2.9%	\$0.25
Water Delivery	2.2%	\$0.32
Combined Effect	6.5%	\$2.64

The rate adjustment was projected to generate an estimated \$20.3 million annually to SAWS beginning in 2011. The primary drivers for the proposed rate adjustment were:

- Continued planning and development of additional water resources to supplement and diversify existing water supplies in accordance with the 2009 Water Management Plan Update, including funding for Regional Carrizo and Desalination projects, and the development of a pipeline to integrate new supplies into the system
- Funding for operation and maintenance of existing production, distribution, collection and treatment facilities to support economic growth of the city
- Adjustments for salaries and fringe benefits costs to include performance pay and a 2.5% salary increase effective April 1, 2011
- Funding sufficient for \$254.9 million of capital improvement projects in 2011 to include:
 - \$175.7 million in Water Delivery and Wastewater projects, consisting of approximately 55% replacement and growth related projects and 45% additional capacity projects
 - \$79 million in Water Supply projects including funding for the Desalination, Regional Carrizo, and integration pipeline projects

PUBLIC OUTREACH

A comprehensive public outreach process was undertaken during the spring and early summer of 2010 to explain the proposed rate adjustment and the Rate Design Study recommendations. Specifically, SAWS staff participated in approximately 140 public outreach meetings. Staff hosted numerous open houses, community gatherings and neighborhood meetings throughout the City; met with several affected commercial parties; posted information concerning the proposed rate adjustment and Rate Design Study on the SAWS Internet site; and sent public notice inserts to all water delivery and wastewater customers.

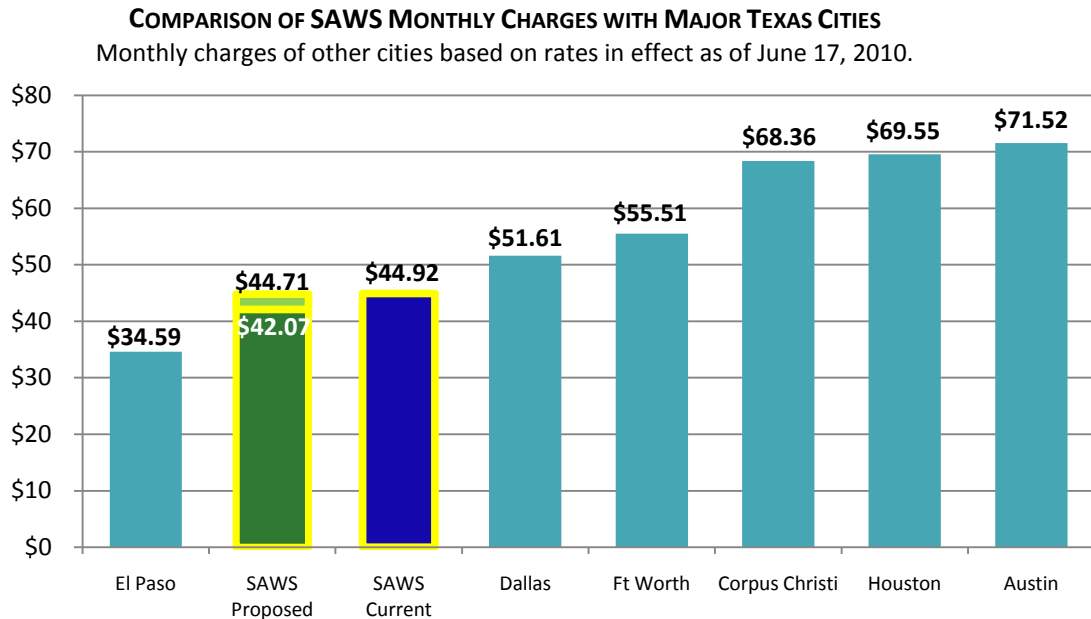
APPROVAL

On June 8, 2010, the SAWS Board of Trustees adopted a resolution accepting the recommended rate design changes found in the Rate Design Study. Additionally, the Board adopted a second resolution on the same day recommending that the City Council approve the proposed adjustments to SAWS rates to support the 2011 Budget which the Board also approved the same day.

Based on the feedback received from the extensive public outreach process and with input from the City’s Office of Public Utilities, the following additional revenue neutral adjustments were ultimately included in the rate structure modification proposals tabled before the City Council:

- The top usage block for Irrigation Class rates and Water Supply Fee Irrigation rates would start at 17,205 gallons instead of 11,220 gallons; the rates for Irrigation Class and Water Supply Fee Irrigation would be modified from the original RAC proposal accordingly to generate the same amount of projected revenue;
- The seasonal period for Irrigation and Residential classes would be modified as being increased to five months (May to September) instead of being increased to six months as originally proposed; the seasonal Irrigation and Residential rates would be modified from the original RAC proposal accordingly to generate the same amount of projected revenue;
- The proposed rate increase for the Recycled Water class which had been previously recommended would be eliminated; and
- The proposed rate increase and rate design adjustments would go into effect November 1, 2010, instead of June 1, 2010 as previously proposed.

With the above modifications made to the RAC-recommended proposal, the City Council approved the new rate structure along with the 6.5% overall rate adjustment at its regular meeting on June 17, 2010. The following chart shows the monthly charge impact of the final new rates for an average customer using 7,788 gallons per month of water (with a 5/8” meter) and 6,178 gallons of wastewater as compared to the monthly charges for the same usage among the largest Texas cities.



OPPORTUNITIES AND CHALLENGES IN 2011 AND BEYOND

IMPROVING INFRASTRUCTURE

As San Antonio continues to grow and expand, it becomes increasingly critical to properly maintain our water and wastewater infrastructure. The Capital Improvement Program (CIP) is one of the primary drivers in the establishment of SAWS' annual operating plan. As part of the CIP planning process, SAWS analyzes infrastructure needs for water delivery, water supply, wastewater and heating and cooling. It then prioritizes and schedules projects for implementation and funding through a multiyear plan, which continues to drive our budget.

With approximately 5,085 miles of sewer mains and 4,866 miles of water mains in place as of December 31, 2009, SAWS maintains one of the largest distribution and collection systems in the nation. The sheer size of the system, coupled with the age of some of the infrastructure, necessitates fairly significant levels of replacement spending each year.

Capital spending associated with maintaining and replacing existing infrastructure, as well as capital requirements associated with the acquisition and integration of additional water supplies will necessitate future rate adjustments. Over the next five years it is currently projected that SAWS will expend an additional \$950 million on maintaining, replacing, expanding and upgrading our water and wastewater infrastructure.

The \$126.9 million wastewater component of the CIP consists of projects to replace or upgrade aging components and processes at treatment plants, as well as adding collection capacity to the rapidly growing Far West area of San Antonio. The Medina River Sewer Outfall, a particularly large project which began construction in 2010, is projected to cost approximately \$69.4 million in 2011 through completion in 2012. This project will consist of 26 miles of sewer outfall main that will result in the future removal of numerous lift stations, eliminate the need for future expansions to two of SAWS smaller water recycling center and prevent proliferation of package treatment plants in the south San Antonio sewer shed. The Wastewater CIP program also funds improvements to the Dos Rios Water Recycling Center (WRC) which will increase the plant's wastewater treatment capacity of 125 million gallons per day (MGD) by 50%. This project, known as the Dos Rios WRC Re-Rating, is anticipated to be constructed in 8 phases, with a total projected cost of \$232 million through 2020.

The \$48.8 million water delivery CIP includes programs and projects designed to expand and improve water production, storage and transmission facilities within the SAWS service area. In 2010, the water component of the CIP includes projects addressing critical low-pressure and low-flow areas to assure continued sufficient flows for fire protection. In 2011, a major project in the water delivery CIP is the Anderson Pump Station Improvements project. This project involves the replacement of all major pumps at the pump station to increase system capacity for future growth. This project, with an estimated cost of \$10.9 million, is expected to require funding for 2011 only. The water delivery CIP also includes a multi-year program to rehabilitate primary and booster water production pump stations. This project, the Pump Station Rehab Program, is expected to begin in 2012 and extend through 2023. This extensive project will rehabilitate aging, obsolete and unserviceable equipment and components, including the upgrade of chlorination facilities at the primary stations to bring them into compliance with

current Fire Codes, as well as OSHA, TCEQ and AWWA standards and requirements. Although the 2011 CIP does not include any funding for this project, funding beginning in 2012 through 2023, is anticipated to be \$79 million.

FUTURE WATER SUPPLIES

The 2009 Water Management Plan continues SAWS' acknowledged role as a leader in the protection and development of water supplies for the San Antonio region. The SAWS Board of Trustees recognized and responded to the need for adjustments to the plan based on regulatory, legal, technical, demographic, and environmental changes since the last update in 2005.

SAWS continues to ensure plentiful, quality and affordable water supplies that fulfill the needs of our ratepayers and customers by:

- Continuing to be national leaders in conservation, recycling, water use management and water quality through progressive and innovative tools, programs and education
- Filling the calculated permitted supply gaps with the most readily available, economically feasible, and best cost/benefit value permitted supplies
- Actively pursuing regulatory changes that will facilitate the acquisition of permitted supplies
- Developing relationships with our neighbors that can result in partnerships of mutual benefit and risk
- Ensuring that our community and region understand the valuable impact of success in conservation, success in diversification, and the need to obtain additional permitted supplies

By implementing this policy through a Water Management Plan, SAWS will manage projected supply and demand; the mandated impact of drought restrictions to protect the environment; the current regulatory environment; and, the financial impact on our ratepayers.

EMPLOYEE COMPENSATION & BENEFITS

While water is one of our community's most valuable resources, SAWS' most valuable resource is its highly skilled workforce of more than 1,600 individuals. San Antonio Water System's vision of success is achieved through a dedicated staff of professionals. SAWS' investment in its employees goes beyond wages, and includes a significant investment in medical and retiree benefits each year. Wages, employee benefits and retiree benefits are all tools used to attract, motivate and retain high caliber employees.

In 2008, SAWS implemented the results of a compensation review program began in 2007 called Total Rewards. This program was designed to assess the total value of combined employee compensation and benefit programs at SAWS in comparison to the market. The Total Rewards program is being rolled out in three Phases. In Phase, I and II of the Total Rewards program base pay and short-term incentives were addressed, in Phase III the cost of benefits to employees are being reviewed and adjusted. Cost increases associated with the implementation of the findings of the Total Rewards program, combined with increased costs associated with SAWS' medical

and retirement benefits, have recently made employee compensation and benefits one of our fastest growing expense categories.

Rising health care costs are not unique to SAWS; increasing health care costs have been the subject of national debate, culminating in the passage of health care reform by the federal government. The effects of the health care reform act are expected to impact SAWS' health care costs in future years by an estimated additional \$400,000 per year.

The daunting challenge of meeting these cost increases without simply passing them on to our ratepayers or sacrificing on our level of customer service has been partially met by forgoing merit increases in 2010. The 2011 budget provides for some salary increases, but the overriding drivers of rising employee benefit costs are a forecasted 13.4% increase in combined medical and dental insurance rates and a projected 11.8% increase in employer contributions to employee retirement plans. SAWS is considering a range of employee contribution alternatives for implementation in 2011, including possible changes in co-pays for office visits and pharmaceutical costs. As SAWS benefits are evaluated, the overall goal is to continue to be the employer of choice, providing SAWS employees market competitive compensation and benefits while maintaining a commitment of accountability to the ratepayer.

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COMMUNITY PROFILE

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



LOCATION

San Antonio is located in south central Texas, approximately 140 miles northwest of the Gulf of Mexico and 150 miles northeast of the city of Laredo on the Mexican border. Geographically, San Antonio is 80 miles south of Austin (the state capital), 280 miles from Dallas, and 200 miles from Houston. The city encompasses 368.6 square miles and is the county seat of Bexar County.



POPULATION

The San Antonio Metropolitan Statistical Area (MSA) consists of Bexar, Comal, Guadalupe and Wilson Counties and has a population of approximately 2.1 million. The City of San Antonio has a population of more than 1.3 million, making it the seventh largest city in the United States and the second largest city in Texas. Over the past decade, the city’s population, buoyed by both robust economic growth and the net immigration trends experienced in many areas of Texas, has grown at an average annual rate of 1.2%. Population growth is expected to continue at approximately this same rate for the foreseeable future. According to the 2000 Census, Hispanics make up 58.7% of the population, followed by Anglos at 31.8% and an African American population of almost 7%. The median age in San Antonio is just under 33 years old.

City of San Antonio		
Year	Population	Annual % Growth
2009	1,340,549	0.87%
2008	1,328,984	1.27%
2007	1,312,286	-0.80%
2006	1,322,900	1.82%
2005	1,299,200	1.63%
2004	1,278,300	1.23%
2003	1,262,800	1.75%
2002	1,241,100	1.21%
2001	1,226,250	1.23%
2000	1,207,500	

Source: Planning Department, City of San Antonio, Texas

CLIMATE

San Antonio, in general, has warm seasons relative to communities in more northerly parts of the country. Winters are typically mild with average temperatures in January in the 50’s with temperatures below freezing occurring on an average of about 20 days per year. Summers are hot with daily temperatures above 90 degrees over 80% of the time. Extremely high temperatures (100 degrees and over) are relatively infrequent.

Humidity ranges from above 80% during the early morning hours most of the year, dropping to near 50% in the late afternoon. Heavier rainfall takes place during May and September with the normal annual rainfall measuring about 33 inches.

ECONOMIC CONDITIONS AND EMPLOYMENT

San Antonio continues to enjoy a favorable business environment and a well diversified economy headed by the following industries:

- ✓ Domestic and international trade
- ✓ Convention and tourism
- ✓ Medical and health care
- ✓ Government employment
- ✓ Manufacturing
- ✓ Information security
- ✓ Financial services
- ✓ Telecommunications
- ✓ Telemarketing
- ✓ Insurance
- ✓ Oil and gas refining

Support for these economic activities is demonstrated by the City’s commitment to its ongoing infrastructure improvements and development, and its dedicated work force.

While not immune to the challenges being faced within the global economy, the diversity of the San Antonio economy does provide some stability through economic cycles. San Antonio’s strategic position in key employment sectors contributes to this stability.

San Antonio MSA Non-Farm Employment by Industry										
as of December of each year	2009 *	2008	2007	2006	2005	2004	2003	2002	2001	2000
Government	158,300	154,600	154,100	150,000	146,900	144,300	144,000	144,600	141,900	140,000
Trade, Transportation and Utilities	150,800	153,000	155,600	152,700	145,500	141,200	139,900	141,200	142,100	145,600
Educational and Health Services	121,800	122,400	116,900	112,100	110,200	105,600	101,800	99,500	95,700	90,900
Professional and Business Services	102,400	107,000	107,300	104,000	101,100	89,400	88,400	87,800	85,500	90,300
Leisure and Hospitality	98,300	97,100	95,700	91,300	87,200	84,200	81,400	80,000	77,200	76,600
Financial Activities	66,900	66,800	65,800	64,900	63,700	61,800	61,100	61,200	59,300	57,600
Natural Resources, Mining and Construction	55,300	57,100	55,800	50,600	49,300	46,100	44,600	44,500	46,700	44,200
Manufacturing	42,000	46,200	49,000	49,800	47,400	45,700	46,000	48,400	51,300	56,100
Other Services	32,100	31,700	30,200	28,500	26,900	26,900	27,700	28,600	27,700	27,900
Information	19,800	20,800	21,500	21,900	21,100	21,000	22,500	22,400	24,900	25,300
Total Non-Farm Employment	847,700	856,700	851,900	825,800	799,300	766,200	757,400	758,200	752,300	754,500

Source: U.S. Bureau of Labor Statistics

* Preliminary

Contrary to national recessionary trends, employment growth in the San Antonio MSA will continue in 2011, albeit to a lesser extent than in prior years. San Antonio is less affected by the recession due to its diverse economy anchored by several key industries:

- The **healthcare and bioscience** industry remains one of the largest industries in the San Antonio economy. The industry is diversified, with related industries such as research, pharmaceuticals, and manufacturing contributing approximately the same economic impact as health services. According to the *San Antonio's Health Care and Bioscience Industry: Economic Impact Study* commissioned by the Greater San Antonio Chamber of Commerce, the total economic impact from this industry sector totaled approximately \$16.3 billion in 2007. The industry provided 116,417 jobs, or approximately 14.2% of the City's total employment. The healthcare and bioscience industry's annual payroll in 2007 approached \$4.8 billion. The 2007 average annual wage of San Antonio workers was \$38,251, compared to \$40,784 for healthcare and bioscience employees. These 2007 economic impact figures represent growth of 6.5% over the previous year, or approximately \$1 billion.
- More than 9,400 San Antonians work in San Antonio's emerging **aerospace and aviation** industry, which has a \$3.8 billion annual economic impact. San Antonio is home to the maintenance, repair and overhaul operations of some of the world's leading aerospace companies, such as Boeing, Lockheed Martin, and Standard Aero.
- The **manufacturing** industry in San Antonio employed 52,786 people in 2006, according to a recent economic impact study. Workers earned an average annual wage of \$41,496, and the industry registered an economic impact of \$14.4 billion.

Toyota Motor Corp, one of the largest manufacturing employers in San Antonio with an estimated workforce of 1,850, announced that it will be expanding local production to include the Tacoma truck. Toyota is shifting its Tacoma manufacturing from Fremont, California to San Antonio and is expected to create an additional 1,100 new jobs. Toyota also expects the suppliers to add about 1,000 jobs over the next two to three years, bringing the total number of jobs supporting Toyota's operations to approximately 5,500.

- The **finance** industry, led by the insurance and banking sectors, has the largest annual economic impact at \$20.5 billion. The industry employs over 50,000 people in the San Antonio MSA and pays an average wage of over \$52,612 per year.
- **Hospitality** - San Antonio is a top visitor and convention destination, with more than 21 million people choosing the Alamo City as their vacation or meeting site. There are over 103,000 persons employed in leisure and hospitality-related jobs in San Antonio. The industry contributes more than \$8.7 billion annually to the local economy.
- The **military** represents a major component of San Antonio's economy, providing an annual economic impact of over \$13 billion. Three major military installations are currently located in Bexar County: Lackland Air Force Base, Fort Sam Houston Army Base and Randolph Air Force Base.

San Antonio will also realize significant gains as a result of the 2005 Base Realignment and Closure (BRAC) actions. Fort Sam Houston is the major recipient of BRAC expansion and will gain approximately 12,500 new jobs and nearly 10,000 new family members. Construction at Fort Sam Houston (FSH) to accommodate the growth is projected to be approximately \$2.8 billion.

- Information Technology** - A study conducted in 2005, indicates that the Information Technology (IT) industry in San Antonio registered an overall economic impact of approximately \$5.3 billion and employs about 11,283 people with a total annual payroll of approximately \$632 million. These numbers only include the impact of IT-specific companies. There are also a substantial number of people employed in IT jobs in non-IT companies. The IT industry is particularly strong in the areas of information security and government contracting. The Center for Infrastructure Assurance and Security at UTSA is one of the leading research and education institutions in the area of information security in the country. In 2005, the U.S. National Security Agency re-designated the UTSA as a National Center of Excellence in Information Assurance for three academic years. Our Lady of the Lake University also received this designation over the past year. San Antonio is also home to the Air Intelligence Agency, which is the premier IT agency for the U.S. Air Force and the U.S. Department of Defense.

San Antonio is also home to the world's fastest-growing managed hosting and cloud computing company: Rackspace Managed Hosting. Among Rackspace's many accolades, the company had the distinction of being one of Fortune's "Best Companies to Work For" in 2008 and 2009. 40% of Fortune 100 companies host with Rackspace.

The following table reflects the 10 largest employers within the San Antonio area as of January 2009:

Employer	Business	Employees	Rank	Percentage of Total City Employment ¹
Lackland Air Force Base	Military	34,380	1	4.11%
Fort Sam Houston	Military	25,391	2	3.03%
H.E.B. Food Stores	Super Market Chain	14,588	3	1.74%
United Services Automobile Association	Financial Services and Insurance	14,000	4	1.67%
City of San Antonio	Municipal Government	13,862	5	1.66%
Northside Independent School District	School District	12,597	6	1.50%
Randolph Air Force Base	Military	11,790	7	1.41%
North East Independent School District	School District	8,900	8	1.06%
Methodist Health Care System	Health Care Services	7,800	9	0.93%
San Antonio Independent School District	School District	7,616	10	0.91%
Total		150,924		18.03%

Source: Economic Development Division, City of San Antonio, Texas, Greater San Antonio Chamber of Commerce, Economic Development Foundation, and San Antonio Business Journal Book of Lists as of January 2009.

¹ Percent based on an Employment Estimate of 837,300 of Non-Farm jobs in the San Antonio Metropolitan Statistical Area as of January 2009. Figure provided by the Texas Workforce Commission.

Table provided courtesy of City of San Antonio Finance Department

EDUCATION

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

Institution	Fall 2009
Texas A&M San Antonio	1,438
Our Lady of the Lake University	2,600
St. Mary's University	3,889
Texas State University	30,816
Texas Lutheran University	1,305
Trinity University	2,693
University of the Incarnate Word	7,000
University of Texas at San Antonio	29,100
University of Texas Health Science Center	3,223
Wayland Baptist University	1,450
Alamo Community College District (2-year)	
Northwest Vista College	14,555
Palo Alto Community College	8,304
San Antonio College	22,028
St. Philip's College	10,282
Northeast Lakeview College	5,197
	<u>60,366</u>
Total Enrollment	<u>143,880</u>

Source: San Antonio Economic Development Foundation

Interesting San Antonio Facts:

- ❖ **Thriving:** Third fastest-growing city in America and the seventh largest U.S. city.

- ❖ **Popular:** More than 26 million people visit San Antonio each year. The city is centrally located between the east and west coasts.

- ❖ **Venerable:** One of the American West's oldest cities settled in 1731 by sixteen Spanish families from the Canary Islands. San Antonio's rich history surfaces in its architecture, neighborhoods, food, culture and traditions. The King William neighborhood is one of the oldest historical districts in Texas.

- ❖ **Urban:** Hundreds of hotels, restaurants, night spots and shops line the city's urban core including the magical River Walk below street level.

- ❖ **Green:** Sixty-eight miles of urban hike and bike trails and over 11,000 acres of urban parks. The U.S.'s second oldest park, San Pedro Park, is in San Antonio.

- ❖ **Sunny:** Three hundred days of sunshine annually and an average temperature of 70 degrees.

- ❖ **Artsy:** One of the top 25 cities in the country for the arts, according to *American Style* magazine. *Travel Smart* magazine ranks San Antonio as one of the most culturally fascinating cities in the U.S.

- ❖ **Kid Friendly:** SeaWorld® San Antonio is the world's largest marine life adventure park, Schlitterbahn, nearby, is the world's best water park according to the Travel Channel, and Six Flags® Fiesta Texas® is one of the most visited attractions in the state.



- ❖ **Top Visitor City:** *Travel + Leisure* named San Antonio as one of America's favorite cities. San Antonio has some of the state's most visited attractions and festivals: The Alamo (1), The River Walk (2), SeaWorld® San Antonio (4), Six

Flags® Fiesta Texas® (13); San Antonio Zoo (14); Fiesta San Antonio (23).

- ❖ **Top Spa:** The Watermark Hotel and Spa was rated #2 in the U.S. by *Condé Nast Traveler* readers.

- ❖ **Top Restaurant:** Le Rêve was named Texas' best restaurant and one of the top 50 restaurants in America by *Gourmet* magazine. Biga on the Banks was named one of America's Best Restaurants by *Gourmet* magazine.

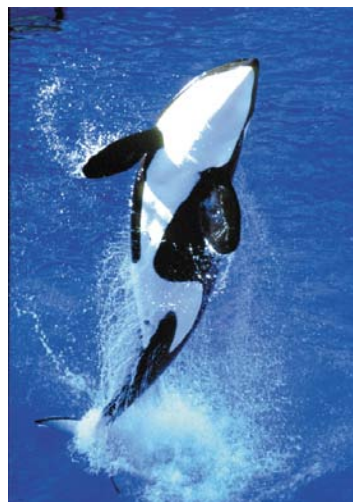
- ❖ **Top Golf:** More than 40 public and private golf courses. Tapatio Springs Golf Resort has ranked as a Texas top ten spot for over a decade. Toughest golf shot: Pecan Valley golf Course, No. 18, Par 4, 418 yards.

- ❖ **Top Basketball:** The San Antonio Spurs won the NBA Championship in 2007, 2005, 2003, and 1999.

- ❖ **Top Zoo:** Third largest zoo in the U.S. with over 3,500 animals. the San Antonio Zoo also shelters more than 230 endangered species.

- ❖ **Top Shopping:** San Antonio's El Mercado shopping district is the largest Mexican market outside Mexico. The nearby San Marcos Outlet Mall was ranked 3rd best shopping mall in the world by ABC's "The View."

Source: San Antonio Convention & Visitors Bureau Online, July 23, 2010



SAN ANTONIO WATER SYSTEM PROFILE

HISTORY

San Antonio Water System is a municipally owned utility providing potable water, recycled water, chilled water and steam services, and wastewater collection and treatment services.

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

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

BACKGROUND

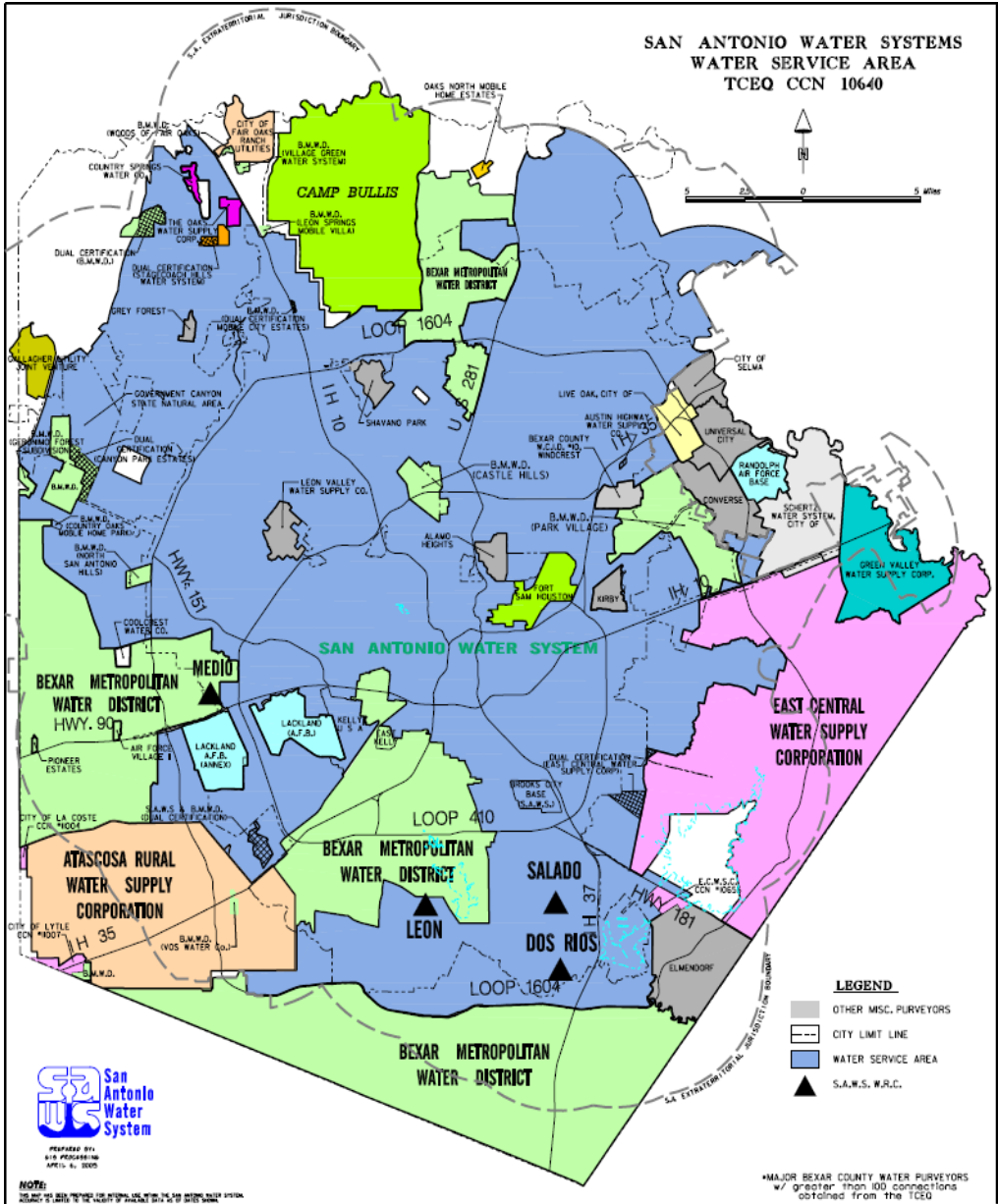
Complete management and control of SAWS is vested in a Board of Trustees consisting of the mayor and six members who are appointed by the San Antonio City Council, and serve staggered four-year terms. The mayor of San Antonio serves as an ex officio voting member. The general operations of the utility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

Today, the San Antonio Water System includes all water resources, properties, facilities, and plants owned, operated, and maintained by the city relating to supply, storage, treatment, transmission, and distribution of treated potable water; collection and treatment of wastewater; and treatment and recycling of wastewater. Additionally, SAWS owns and operates six thermal energy facilities providing chilled water and steam services to governmental and private entities. SAWS delivers potable groundwater from the Edwards, Trinity, and Carrizo aquifers and surface water from Canyon Lake to domestic, commercial, industrial, governmental and agricultural customers. SAWS also collects, conveys, and processes wastewater and recycled water generated in the service area.

SAWS currently provides potable water service to approximately 353,000 customer connections which represent about 80% of the water utility customers in Bexar County, while providing wastewater services to more than 395,000 customer connections representing approximately 92% of the wastewater customers in Bexar County. As of December 31, 2009, SAWS employed 1,696 personnel.

SERVICE AREA

WATER SYSTEM



SAWS' service areas are established by its permits from state regulatory authorities. The service area for water distribution includes large portions of the city of San Antonio, several suburban municipalities, and adjacent parts of Bexar County. SAWS' water service area currently extends over approximately 627 square miles, making it the largest water purveyor in Bexar County. SAWS serves more than 80% of the water utility customers in Bexar County. As of December 31, 2009, SAWS provides potable water service to approximately 353,000 customer connections.

Potable water service is provided to residential, commercial, multifamily, industrial and wholesale customers. The water system currently utilizes 28 elevated storage tanks and 30 ground storage reservoirs, of which 9 act as both, with combined storage capacities of 166 million gallons. As of December 2009, the water system had installed 4,866 miles of distribution mains, ranging in size from 4 inches to 60 inches in diameter, the majority of which are between 6 inches and 12 inches in diameter. As of December 31, 2009, SAWS had a total of 25,955 fire hydrants in service. These hydrants are well-distributed throughout the System and are a major factor in the City enjoying one of the lowest fire insurance rates of any Texas municipality.

A table summarizing some of the key operating and capital indicators of the water system for each of the years 2001-2009 is provided below:

Operating and Capital Indicators – Water System

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Rainfall (Inches)	30.69	13.76	47.25	21.34	16.45	45.34	28.45	46.27	25	37
Customers/Connections (b)	352,059	348,834	344,168	336,434	325,944	315,000	306,363	300,742	297,661	294,286
Water Pumpage (Million Gallons)										
Annual Water Pumped (e)	66,195	71,328	61,744	66,350	63,357	53,040	55,039	52,691	36,883	57,243
ASR Recharge (c) (e)	5,549	3,805	6,701	2,962	4,367	1,809	n/a	n/a	n/a	n/a
ASR Net Production (c) (e)	466	125	143	2,095	302	207	n/a	n/a	n/a	n/a
Annual Pumped for Usage (e)	60,646	67,523	55,043	63,388	58,990	51,231	55,039	52,691	36,883	57,243
Average Daily (e)	181.4	194.9	169.2	181.8	172.6	145.3	150.8	144.4	172.2	148.5
Maximum Daily (e)	243.5	299.1	224.0	269.0	278.1	197.9	304.8	229.5	274.0	270.4
Maximum Hour (Daily Rate) (e)	388.0	399.1	296.0	410.7	395.5	295.2	390.9	369.0	423.1	423.7
Metered Usage (Million Gallons)	55,295	58,828	49,511	57,724	55,005	49,366	50,576	51,850	34,716	53,047
Metered Water Sales										
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights (f)	81,923	71,738	69,505	69,505	65,007	67,799	n/a	n/a	n/a	n/a
Non-Edwards supply (g)	6,256	6,256	4,171	4,171	1,140	1,140	n/a	n/a	n/a	n/a
Stored in ASR (h)	21,832	16,772	13,092	6,534	5,667	1,602	n/a	n/a	n/a	n/a
Total water available for production	110,011	94,766	86,768	80,210	71,814	70,541	n/a	n/a	n/a	n/a
Number of Wells in Service	140	136	126	113	102	94	95	83	90	90
Overhead Storage Capacity (Million Gallons)	66.5	65.2	64.2	69.0	60.0	64.8	53.5	53.5	53.5	53.5
Total Storage Capacity (Million Gallons)	166.2	165.0	164.0	166.0	142.0	161.5	145.0	121.2	149.7	144.7
Miles of Water Main Installed	97	160.80	167	143	103	90	109	104	63	65
Miles of Water Main Replaced and Abandoned	34	32	19	22	23	17	20	17	20	26
Miles of Water Main in Place	4,866	4,802	4,673	4,525	4,404	4,324	4,251	4,162	4,076	4,032
Water Main Breaks (d)	3,212	2,594	1,392	3,073	2,577	1,305	1,480	1,395	n/a	1,665
New Services Installed	3,590	7,565	17,274	13,903	12,730	10,759	10,626	7,933	3,978	6,560
Fire Hydrants Installed (Net of Hydrants remove	644	971	1,040	752	521	574	654	648	375	401
Fire Hydrants in Place	26,599	25,955	25,004	23,964	23,212	22,691	22,117	21,463	20,815	20,440

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

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

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

(d) Amount reported is for the calendar year.

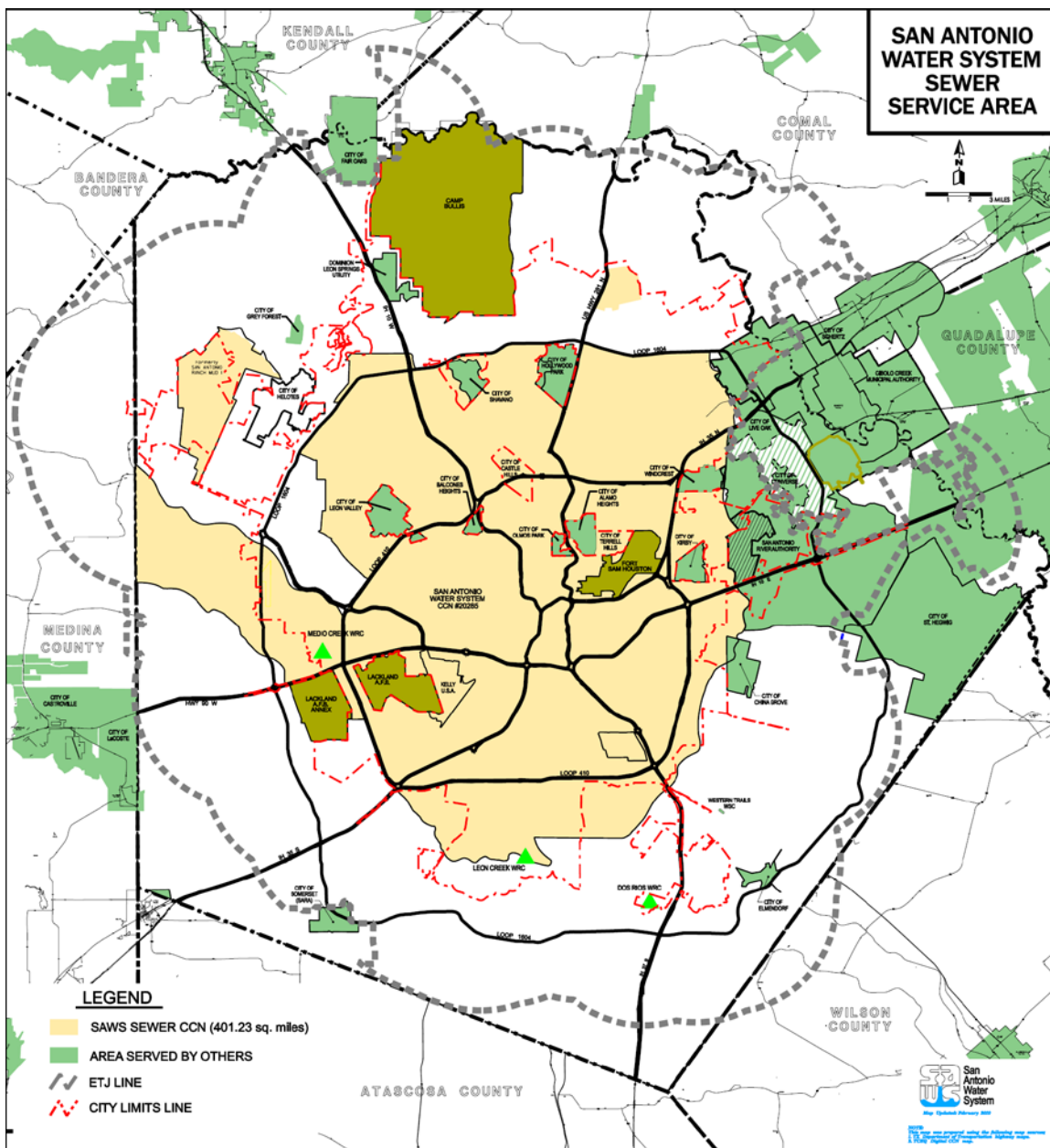
(e) Amounts have been revised from previously published data.

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

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

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

WASTEWATER SYSTEM



A larger and somewhat different area, following natural watersheds, is defined for wastewater collection and treatment. SAWS is the largest sewage treatment agency in this area providing wastewater collection and treatment services to a substantial portion of the residents of the City of San Antonio, 18 governmental entities and other customers outside the corporate limits of the City. SAWS has certain prescribed boundaries that currently cover an area of approximately 642 square miles. As of December 31, 2009, SAWS provides wastewater services to approximately 395,000 customers.

The Wastewater System is composed of approximately 5,085 miles of mains and three major treatment plants: Dos Rios, Leon Creek and Medio Creek. All three plants are conventional activated sludge facilities. SAWS holds Texas Pollutant Discharge Elimination System (TPDES)

wastewater discharge permits, issued by the TCEQ, for 187 million gallons per day (MGD) in treatment capacity and 46 MGD in reserve permit capacity. Permitted flows from the wastewater system’s three regional treatment plants represent approximately 98% of the municipal discharges within the City’s Extraterritorial Jurisdiction (ETJ).

A table summarizing some of the key operating and capital indicators of the wastewater system for each of the years 2001-2009 is provided below:

Operating and Capital Indicators – Wastewater System

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Customers/Connections (b)	395,161	389,894	379,962	368,401	354,878	342,813	330,072	334,434	297,661	325,154
Effluent Volumes For Major Facilities (million gallons per day)										
Dos Rios										
Permit Flow	125	125	125	125	125	125	125	125	125	125
Average Annual Flow	74.37	76.53	93.34	64.00	59.58	61.16	56.53	60.08	53.12	55.08
Maximum Monthly Average Flow	89.36	81.43	131.98	74.37	73.98	78.74	65.65	82.52	57.92	64.98
Leon Creek										
Permit Flow	46	46	46	46	46	46	46	46	46	46
Average Annual Flow (two outfalls)	34.99	34.71	40.26	32.63	34.48	35.34	33.81	37.56	35.58	36.89
Maximum Monthly Average Flow (two o	64.74	38.62	55.49	34.28	41.79	42.40	36.18	49.16	39.83	41.62
Medio Creek										
Permit Flow	16.0	16.0	8.5	8.5	8.5	8.5	8.5	8.5	6.5	6.5
Average Annual Flow	6.32	5.87	6.94	5.13	5.21	5.60	5.53	6.44	5.60	6.27
Maximum Monthly Average Flow	7.45	6.57	10.51	5.63	6.58	6.63	7.09	8.33	5.88	7.66
Salado (c)										
Permit Flow	n/a	n/a	n/a	46	46	46	46	46	46	46
Average Annual Flow	n/a	n/a	n/a	11.38	33.80	35.86	33.24	34.26	32.97	33.07
Maximum Monthly Average Flow	n/a	n/a	n/a	21.11	40.40	44.00	36.39	41.21	35.52	38.57
Total										
Permit Flow	187.0	187.0	179.5	225.5	225.5	225.5	225.5	225.5	223.5	223.5
Average Annual Flow	115.68	117.11	140.54	113.14	133.07	137.96	129.11	138.34	127.39	131.31
Maximum Monthly Average Flow	161.55	126.62	197.98	135.39	162.75	171.77	145.31	181.22	139.15	152.83
Amount Treated Annually (millions of gallons	51,987	50,347	49,218	53,268	49,287	49,593	49,669	52,180	29,561	52,344
Amount Treated Peak Day (millions of gallon	194	174	294	169	212	297	201	390	175	264
Miles of Sewer Main Installed	84	124.55	137	132	74	76	122	75	47	104
Miles of Sewer Main In Place (d)	5,085	5,001	4,877	4,739	4,607	4,533	5,088	4,967	4,892	4,845
Number of Manholes Installed	1,514	2,922	2,775	2,661	1,538	1,504	1,686	1,625	996	2,091
Number of Manholes in Place	95,541	94,027	91,105	88,330	85,669	84,131	67,277	65,591	63,966	62,970
Number of Lift Stations	164	162	167	164	150	150	150	150	150	147

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

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

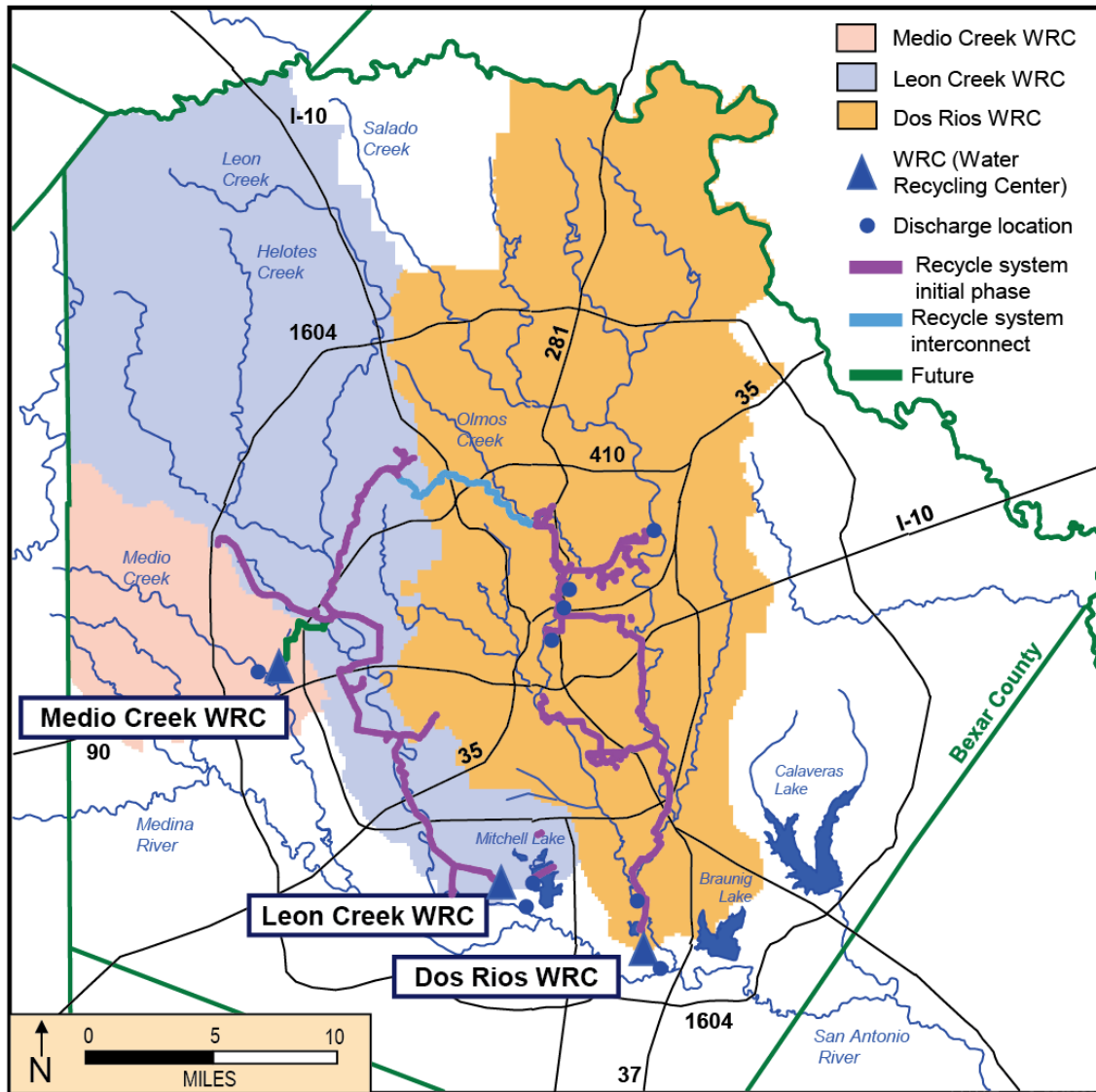
(c) The Salado treatment plant was closed in August 2006 and all wastewater flows diverted to the Dos Rios treatment facility.

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

To meet anticipated future growth in wastewater flows at the Dos Rios Water Recycling Center, a plan has been established for construction and rerating of the facility. This plan will increase the permitted annual average flow from the current 125 million gallons per day to 217 million gallons per day. The plan is designed to convert the plant from a two-stage, in series process to a single stage, parallel process - thereby maximizing the use of the available biological system capacity. A series of construction projects are currently planned to be conducted between 2011 and 2021. The total cost of the projects is anticipated to be \$202 million.

RECYCLED WATER SYSTEM

San Antonio Water System is permitted to sell Type I (higher quality) recycled water from its wastewater treatment plants and has been doing so since 2000. The SAWS water recycling program is designed to provide 35,000 acre-feet per year of recycled water to commercial and industrial businesses in San Antonio. This system is comprised of two north/south transmission lines. In 2008, an interconnection of these two lines was constructed at the north end of the lines, providing additional flexibility with respect to this valuable water resource. Currently, approximately 111 miles of pipeline deliver highly treated effluent to 82 customers consisting of golf courses, parks, and commercial and industrial customers throughout the city. The system was also designed to provide base flows in the upper San Antonio River and Salado Creek, and the result has been significant and lasting environmental improvements for the aquatic ecosystems in these streams.



CHILLED WATER AND STEAM SYSTEM

The Chilled Water and Steam system owns and operates six thermal energy facilities providing chilled water and steam (heating and cooling) services to 29 governmental and private entities. Two of the facilities, located in the eastern part of downtown San Antonio, provide chilled water and/or steam to 23 customers in downtown San Antonio. Various City of San Antonio facilities, including the Henry B. Gonzales Convention Center and the Alamodome constitute approximately 75% of the downtown system's chilled water and steam annual production requirements. The remaining four thermal facilities provide chilled water to large industrial customers located in the Port Authority of San Antonio industrial area (formerly Kelly USA). SAWS' chilled water producing capacity places it as one of the largest producers of chilled water in south Texas

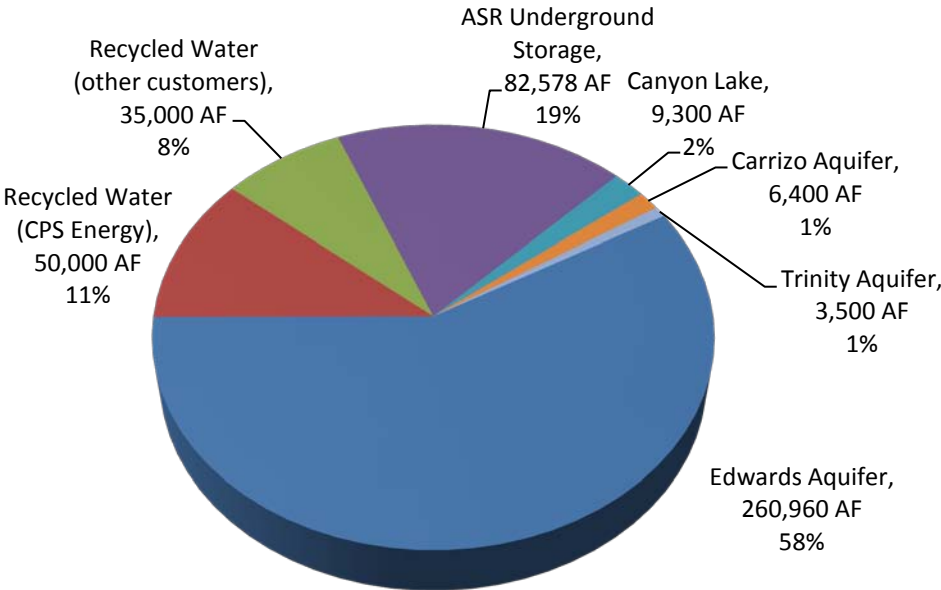
WATER SUPPLY

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

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

The 2009 Water Management Plan outlines a diversified portfolio of San Antonio’s current and future water supplies. While the Edwards Aquifer will always be the cornerstone of San Antonio’s water supply, SAWS has already successfully developed several alternative water sources, such as Canyon Lake, the Trinity Aquifer, and the Carrizo Aquifer. In addition, SAWS’ recycled water program provides highly treated wastewater to CPS Energy and other industrial and landscape customers who would otherwise use potable water. Lastly, SAWS’ underground Aquifer Storage and Recovery (ASR) reservoir allows for collection and storage of yearly surplus, Edwards Aquifer water for use during times of drought. The ASR defers the necessity to build more expensive water supply options in the short-term. Funded by SAWS customers through the Water Supply Fee, these successful projects represent an investment of more than \$644 million over the last 10 years.

The following chart illustrates SAWS’ current water supply sources under non-drought conditions as of June 2010:

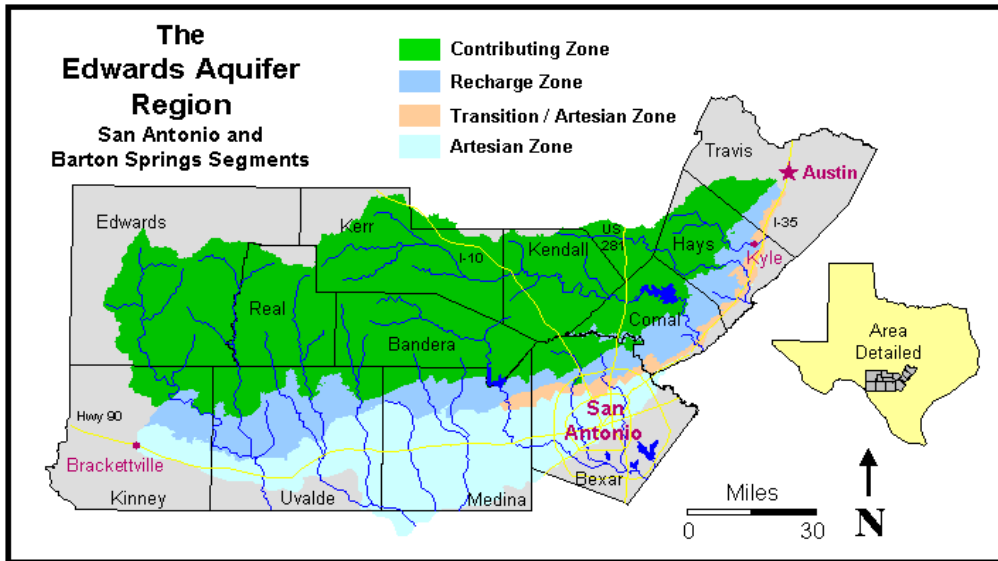


Existing water supplies under non-drought conditions

While during the last several months SAWS has made significant progress in reducing the permitted supply gaps through the acquisition and lease of additional Edwards Aquifer permits, the critical importance of the need for additional water supplies was accentuated by the fact that during the period September 2007 to August 2009, San Antonio experienced the driest 24 month period in recorded history.

CURRENT SOURCES OF WATER SUPPLY

EDWARDS AQUIFER



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

Much of the Edwards Aquifer region consists of agricultural land, but it also includes areas of population ranging from communities with only a few hundred residents to the City of San Antonio, which serves as a home for well over one million residents. In 2009, the Edwards Aquifer directly supplied 90% of the potable water for municipal, domestic, industrial, and commercial needs in the greater System’s service area. Naturally occurring artesian springs, such as the Comal Springs and the San Marcos Springs, are fed by Edwards Aquifer water and are utilized for commercial, municipal, agricultural, and recreational purposes, while at the same time supporting ecological systems containing rare and unique aquatic life.

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

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

In 1993, the Texas Legislature created the Edwards Aquifer Authority (EAA) to manage groundwater withdrawals from the Edwards Aquifer through a permitting system and to provide for appropriate spring flow during drought periods. As a consequence of the EAA's permitting regime, SAWS' access to Edwards Aquifer supplies is limited to its historic use, plus any additional supplies that SAWS can acquire by lease or purchase. All Edwards Aquifer supplies are subject to regulation, with more stringent use limitations applied during periods of drought.

In 2007, the Texas Legislature passed Senate Bill 3, which established a new pumping cap and placed restrictions on supply availability during drought periods into State statute. Senate Bill 3 established a regional pumping cap of 572,000 acre-feet. As of December 31, 2009, through permitting, purchases, and leases, SAWS has access to 251,411 acre-feet of Edwards Aquifer water rights, which is approximately 44% of the regional pumping cap. Senate Bill 3 incorporates restrictions on supply availability during drought periods into State statute, thus making these restrictions State law. Under current law, when aquifer levels and springflow fall to certain trigger points, pumping allocations are reduced by 20% to 40% depending on the severity of the drought. In February 2009, City ordinances were revised to ensure that restrictions on water usage commence in close proximity to the occurrence of these restrictions on pumping. In addition, to support ongoing efforts to identify and evaluate methods to protect threatened and endangered species, the Texas Legislature prescribed the Edwards Aquifer Recovery Implementation Program (EARIP) for the Edwards Aquifer region. The EARIP, which is being undertaken in coordination with the U.S. Fish and Wildlife Service, is intended to help the region meet the needs of endangered species, while respecting and protecting the legal rights of water users. This process could result in additional reduction on pumping during periods of drought.

As part of its Water Management Plan for 2009, SAWS committed itself to maintaining the extent of its leased water (37,000 acre-feet) through lease renewal or purchase during the period of 2009-2034. In addition, the System aims to acquire an additional 2,000 acre-feet per year beginning in 2009 and continuing through 2014.

The Plan also identifies the potential lease or purchase of an additional 11,700 acre-feet of Edwards Aquifer water in the period between 2014 and 2034 if alternate water sources such as the Regional Carrizo Project or additional Brackish Groundwater are not available as expected.

Throughout 2009 and early 2010, SAWS has been very active in acquiring additional Edwards Aquifer water rights through either lease or purchase. During 2009, a total of more than 26,000 acre-feet of Edwards Aquifer permits were added to the System's inventory with an additional 9,549 added during the first five months of 2010. While some of the permits acquired through lease will not be accessible until 2011, SAWS' total inventory of Edwards permitted rights will

stand at 260,960 acre-feet as of June 2010, with more than 220,000 acre-feet of this amount owned by the System and the remainder leased.

RECYCLED WATER

SAWS owns the treated effluent from its wastewater treatment plants and has the authority to contract to acquire and to sell non-potable water inside and outside its' water and wastewater service area. SAWS has developed a water reuse program utilizing the wastewater stream. Currently, approximately 23,000 acre feet per year are under contractual commitment and 12,600 acre feet per year are on-line. SAWS will deliver up to 35,000 acre-feet per year of reuse water for non-potable water uses including golf courses and industrial uses that are currently being supplied from the Edwards Aquifer. This represents approximately 20% of SAWS' current usage. Reuse water will be delivered for industrial processes, cooling towers, and irrigation, which would otherwise rely on potable quality water. SAWS currently is under contract with CPS Energy (CPS) through 2030 for provision of such reused water. Combined with the 45,000 – 50,000 acre-feet per year used by CPS, this is the largest reuse water project in the country.

AQUIFER STORAGE AND RECOVERY

An Aquifer Storage and Recovery (ASR) project involves injecting ground or surface water into an underground aquifer, storing it and later retrieving it for use. Essentially, it accomplishes storage that is traditionally provided through surface water reservoirs without the concern of evaporation. The ASR is primarily designed to optimize use of water from the Edwards Aquifer and may be expanded to inject water from currently planned future water supply projects. In December 2002, the Evergreen Underground Water Conservation District and SAWS approved an Aquifer Protection and Management Agreement. This agreement ensures operation of the ASR site if the property is annexed into the district, manages groundwater production, and commits SAWS to monitoring water levels and mitigation of potential negative impacts.

SAWS began study of an ASR project in 1996, acquired over 3,200 acres in southern Bexar County and has completed construction of Phase I of the \$125 million ASR project and the approximately \$60 million "integration facilities" to transport this water into the System's distribution system on the east side. Phase I of the project was dedicated on June 18, 2004 and gave SAWS the ability to inject or recover up to 30,000 acre-feet of Edwards Aquifer water per year.

In 2006, the ASR was an integral component of SAWS' drought management strategy. Approximately 5,800 acre-feet of supplies were withdrawn during the hot, dry summer months in order to reduce peak demand during the drought period. Effective scheduling and use of this additional inventory enables SAWS to ensure its compliance with the EAA's rules for groundwater withdrawals.

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

water was again recovered and returned to SAWS' distribution system when the Edwards Aquifer Authority implemented water restrictions. The ASR facility was recognized in 2007 by the National Groundwater Association as the "2007 Outstanding Groundwater Project."

In the 2009 Water Management Plan, ASR's role has been expanded with the decision to transition this facility to a long-term storage reserve. In addition, the 2009 Water Management Plan refers to expansion of ASR storage capability as a long-term strategy to optimize available water resources. A study commenced in 2009 to determine the total storage capability of the current ASR site and options for additional sites that would increase the ASR storage capability two times or more. Through May 2010, SAWS had amassed net storage of 76,286 acre-feet of water that will be used in long-term drought situations to help meet SAWS' water needs. SAWS will continue to store water when it is available and recover water when required during drought.

WESTERN CANYON PROJECT

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

SAWS began receiving water from this project in April 2006. In 2006, SAWS received 4,957 acre-feet of supplies from this project. In 2007, SAWS received approximately 7,597 acre-feet of supplies from this project, in addition to completing the addition of a storage tank and integration pipeline to facilitate delivery of this supply into a second delivery point within SAWS' distribution system. Approximately 8,700 acre-feet was delivered from this project in both 2008 and 2009. Pursuant to the terms of the contract with GBRA, this contract will terminate at the end of 2037, with an option to extend until 2077 under new payment terms.

CARRIZO AQUIFER

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

The approximately \$17 million Local Carrizo Water Supply program is comprised of two phases: an ASR onsite phase and an ASR offsite phase. The onsite phase began production in August

2008, with production of 383 acre-feet in 2008. Total production during 2009 was 5,934 acre-feet.

The offsite phase is anticipated to be complete by July 2010. While this additional phase will reduce the effects of this naturally occurring movement of water and provide increased operational flexibility of recovering the stored water, no additional production capacity accompanies the offsite phase.

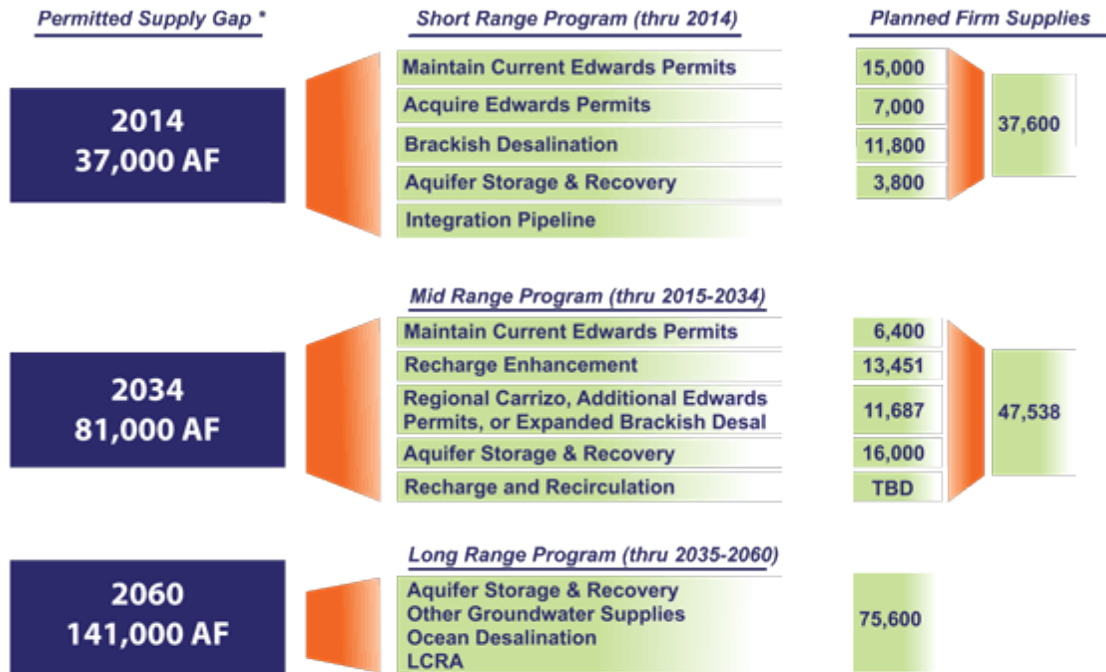
TRINITY AQUIFER

SAWS reached a milestone in February 2002 with the introduction of the first non-Edwards drinking water supply from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County. SAWS has wholesale contracts with Massah Corp. (“Oliver Ranch”) and Sneckner Partners, Ltd. (“BSR Water Company”) for delivery of up to 5,000 acre feet per year of non-Edwards groundwater from the Trinity Aquifer from two properties located in north-central Bexar County. The construction cost to produce and deliver this water supply was approximately \$15.8 million. Initial delivery of water from the Oliver Ranch project began on February 25, 2002 with BSR Water Company wells 1 and 2 production commencing in July 2003. The BSR Water Company project was fully operational in June 2004 with the connection of BSR Water Company wells 3 and 4 to the System's distribution system.

In 2007, production from Oliver Ranch and BSR Water Company projects was 3,126 acre-feet, while in 2008, production from these combined projects totaled 3,422 acre-feet. As a result of the severe drought conditions experienced across the region, 2009 production totaled 1,736 acre-feet. The 2009 Water Management Plan identifies that 3,500 acre-feet of water will be obtained from Trinity Aquifer sources in normal rainfall years. In severe drought, the 2009 Water Management Plan acknowledges that the Trinity Aquifer water will not be available.

FUTURE WATER SUPPLY PROJECTS

In addition to the existing sources of water supply previously discussed, SAWS continues to pursue other potential sources of water supply that will provide ratepayers with the most viable and affordable options to meet current and future demands. A summary of the potential permitted supply gaps identified in the 2009 Water Management Plan, as well as the projects identified to meet these gaps is summarized in the following chart.



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

SHORT TO MID-RANGE POTENTIAL FUTURE SUPPLIES

BRACKISH GROUNDWATER DESALINATION

This project involves the development of a water supply facility with the capacity to treat brackish groundwater to drinking water standard. Brackish groundwater developed close to San Antonio would provide SAWS with a potential new source of water. Such a project is well suited for the south central Texas region, which contains more than 300,000,000 acre-feet of brackish groundwater. Hydrologic research on the sustainability of supply and water quality parameters began in December 2005. The 2009 Water Management Plan calls for completion of a brackish water desalination plan to produce 11,800 acre-feet of potable water per year by 2015. The plan will rely on brackish water pumped from Bexar County. The plan also makes provision for the Project to include other water from Wilson and Atascosa Counties to potentially provide an additional 11,700 acre-feet by 2034, depending on how other mid-range Projects develop.

In 2007 and 2008, the System continued its hydrogeologic evaluation on four test sites in the saline portions of the Edwards and Wilcox Aquifers in Atascosa and Bexar Counties. The hydrogeologic evaluation involves the construction of test and monitoring wells that will provide an indication of the firm supply of water available for the project and the impacts of the System's production on the Carrizo-Wilcox Aquifer system. The data obtained from the tests and monitoring wells will support the evaluation of various pre-treatment, treatment, and concentrate management strategies.

The majority of feasibility work for the brackish groundwater desalination project was completed in 2008. Raw water quality is favorable for development of a desalination facility that

would be sustainable for over 50 years. The treatment plant would be a Reverse Osmosis plant and is projected to be located in southern Bexar County on property currently owned by the System. Water from the desalination plant would be integrated by pipeline for distribution into the northwest portion of San Antonio. Pilot testing of the reverse osmosis membranes that would be utilized in the treatment plant (required for facility permitting) is currently underway. It is currently anticipated that concentrate disposal will be accomplished using deep well injection. Further data will be developed in preparation for required permitting of the concentrate injection wells through the TCEQ. This technical analysis is being accompanied by an evaluation of the potential benefit and feasibility of applying innovative procurement methods. In 2007, the System supported efforts to enable Design Build to be used for brackish groundwater and wastewater projects. During the 80th Legislative Session (2007), the Texas Legislature passed HB 1886, which authorized design build and construction manager at risk for water and wastewater projects.

REGIONAL CARRIZO

The 2009 Water Management Plan includes the Regional Carrizo Project to obtain 11,687 acre-feet from the Carrizo Aquifer in Gonzales County in time to meet mid-term needs of the System.

In 2006, SAWS applied for permits from the Gonzales County Underground Water Conservation District to procure Carrizo Aquifer water in Gonzales County, but the permit was formally contested by several parties. Since that time, SAWS has worked cooperatively to reach settlement agreements with most of those parties to drop their opposition, including the Schertz-Seguin Local Government Corp., Canyon Regional Water Authority, Gonzales County Water Supply Corp., and the City of Nixon.



SAWS anticipates that by the 3rd quarter of 2010, the Gonzales County Underground Water Conservation District will grant a hearing and approve SAWS’ permits to produce and transport up to 11,687 acre-feet of Carrizo water from Gonzales County. The amount represents enough water to supply 40,000 households per year. This supply of water will be one of SAWS’ largest sources of non-Edwards water once the project comes online.

The SAWS Regional Carrizo Aquifer Project is projected to cost \$131 million to develop. The first supplies of water from Gonzales County are expected to start flowing into San Antonio in late 2013. SAWS officials have discussed the potential of purchasing surplus water from neighboring communities. Up to 5,500 acre-feet of additional water could be added to the total project as a result of potential agreements. If so, that could boost the amount of Carrizo water to 17,237 acre-feet per year.

SAWS continues to work with the Schertz-Seguin Local Government Corporation on a partnership to utilize the corporation's infrastructure to transport water from Gonzales to San

Antonio. Instead of building a new pipeline, SAWS would "rent" available capacity in an existing pipeline owned and operated by Schertz-Seguin Local Government Corporation.

EDWARDS AQUIFER RECHARGE INITIATIVES

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

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

The 2009 Water Management Plan calls for SAWS to continue to cooperate with other Regional entities to complete the studies and construct a Recharge Project to produce over 13,400 acre-feet of firm water by 2020.

INTEGRATION PIPELINE

The 2009 Water Management Plan addresses the operating challenge of co-locating the Brackish Groundwater Project, Local Carrizo and Aquifer Storage and Recovery Projects at a single site (Twin Oaks in Southern Bexar County) by expediting the Integration Pipeline Project. It will bring water to the Western part of the City to match the System's current capability to bring water to the Eastern part of the City. The Project is scheduled for completion by 2014.

RECHARGE AND RECIRCULATION

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

Increased Edwards Aquifer levels and springflow during drought periods could decrease the necessity of declaring drought restrictions by the Edwards Aquifer Authority through increased (higher) aquifer water levels and provide minimum springflow to help protect endangered species. SAWS could be rewarded for building a Recharge and Recirculation Project by receiving access to increased Edwards Aquifer water during drought periods.

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

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STRATEGIC PLAN

REVISITING VISION FIRST PLAN



SAWS Vision First Plan, which was developed in 2006, identified key focus areas and objectives for 2007 – 2009 with the goal of achieving the Board of Trustees’ vision for the future. Executive and senior management, following the direction of the Board, developed a framework that focused the entire organization’s efforts on specific objectives and outcomes that would help us achieve our long-term vision.

2008 was a transitional year for the San Antonio Water System with a change in leadership and the turnover of a majority of the Board. This transition resulted in a shift in certain priorities and the need to revisit the Vision First Plan.

Subsequent to the transition in leadership, the goal became establishing the framework for development of a strategic plan that would guide the utility through 2015 and beyond. Building upon the intended goals of Vision First, the Board and the executive management team reviewed SAWS previously created mission, vision and values statements and outlined an 18-month process to develop departmental plans and strategies. In 2010 further steps will be taken to align the budget, department plans and strategies, and performance management objectives.

ORIGINAL TIMELINE

The 18-month process involved *Thinking, Deciding, and Preparing* stages.

18 Month Planning Process (Original Timeline)																			
Thinking						Deciding				Preparing				Go					
J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	Jan
2009						2010								2011					
SWOT (Strengths, Weaknesses, Opportunities, Threats)						Define Roles				Approve 2011 Resourcing (Budget)									
Discuss Planning Roles and Responsibilities						Publish Strategies				Educate Internally on Plan, Measures and Implementation Disciplines									
Discuss Strategies with Board @ Monthly Policy & Planning Meetings						Define Communication Plan				Align Plan with 2011 Performance Management Objectives									
Affirm Mission, Vision, Values						Define Measures and Reporting Needs				Communicate									
						Develop Tactics and Department Plans													
						Develop Resourcing Requirements													

The first stage of the 18-month planning process began in 2009 with the Board and the executive management team identifying major successes of their partnership over the last two years. They acknowledged the significant progress made in several focus areas of the Vision First plan, including the adoption and roll-out of the 50-Year Water Management Plan, creation of a

safer workplace, and achievement of a solid financial position that resulted in the upgrade of SAWS' bond rating.

The Board and the executive management team then identified the roles and expectations of key players in the planning process and what they perceived to be the strengths, weaknesses, opportunities and threats (SWOT) that SAWS will face through 2015.

Six strategies were identified on which the 2015 plan will be based with these six strategies being:

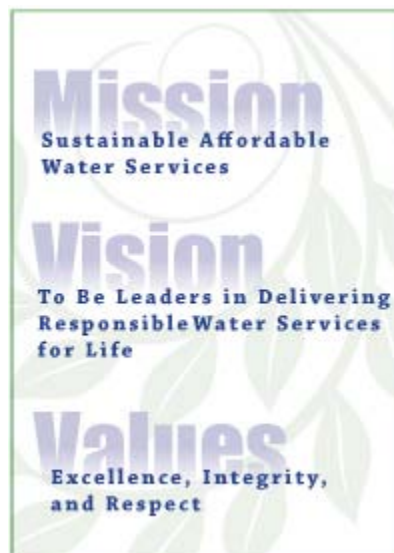
1. SAWS Growth Strategy
2. SAWS Financial Strategy
3. SAWS Water Supply Strategy
4. SAWS Operational Strategy
5. SAWS Human Resources Strategy
6. SAWS Technology/Innovation Strategy

The ultimate goal of these strategy statements is to facilitate the creation of tactical and operational plans within each of these areas that when executed will successfully move SAWS toward 2015.

PROGRESS TO DATE

MISSION-VISION-VALUES

One of the first key deliverables of this strategic planning process was achieved in December 2009, with formal adoption by the Board of Trustees of new mission and vision statements for the San Antonio Water System along with a reaffirmation of SAWS' existing values.



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

Our mission of sustainable affordable water services defines our purpose in serving our ratepayers. Our vision statement – to be leaders in delivering responsible water services for life – as well as our values of excellence, integrity and respect, make up our core philosophy, describing what we as an organization believe, where we stand today, and where we wish to be in the future.

STRATEGY STATEMENTS

In early 2010, City Council directed SAWS staff to seek approval of the Rate Structure Review changes along with any potential rate increase at the same time, as opposed to in two separate votes as had been originally planned. Given the significant support that SAWS had been able to enlist with respect to the proposed rate structure changes, it was decided that the best way to accommodate this request was to accelerate the annual budget cycle and seek approval of both the recommended rate structure changes and the 2011 rate adjustment in June 2010. Due to the acceleration in the budget process, much of the time during the first half of 2010 that was to be dedicated to the development and presentation to the Board of the strategy statements was instead devoted to the formal review of the 2011 budget and resultant rate increase request.

As a result, only two of the six strategy statements have been formally presented and adopted by the Board of Trustees as of June 2010.

SAWS Board of Trustees has approved official strategy statements on growth and water management that will drive strategic planning through 2015. The utility's strategy regarding future system growth encompasses the following policies:

- Support, consistent with SAWS mission, San Antonio Master Plan policies and other related City growth and development policies.
- Within reason, expand SAWS service area to the City of San Antonio's Extraterritorial Jurisdiction, seeking contiguous and cost effective expansion.
- Structure acquisitions to provide a positive, long-term financial impact.
- Assess the recovery of costs using impact fees, identify potential cost recovery gaps and seek to close them.
- Growth should pay for itself, consistent with other SAWS growth strategies.

A sixth policy on growth, expected to be adopted as the Board considers the Financial Strategy later this year, seeks for SAWS to continually invest to sustain, modernize and grow SAWS water services infrastructure based on a 50-year level of investment. The Board also approved a water management strategy that reaffirms SAWS' 50-Year Water Management Plan.

The Water Supply strategy mirrors the Water Management plan in achieving several goals and objectives within a five-year window, including attaining a normal per capita demand of 117 gallons per capita per day; maintaining 26,000 acre-feet of Edwards Aquifer leases; obtaining additional 12, 000 acre-feet of Edwards supplies; completing brackish desalination project (11,800 acre-feet); completing the Regional Carrizo project (11,687 acre-feet); and seeking out

and maintaining mutually beneficial regional partnerships. The water management strategy ensures a sustainable, affordable water supply to fulfill the needs of our ratepayers and customers by:

- Continuing to be national leaders in conservation, recycling, water use management and water quality.
- Filling the permitted supply gap with the most readily available, economically feasible, and best cost/benefit value permitted supplies.
- Actively pursuing regulatory changes that will facilitate the acquisition of permitted supplies
- Developing relationships with our neighbors that can result in partnerships of mutual benefit and risk.
- Ensuring that our community and region understand the valuable impact of success in conservation and diversification, and the need to obtain additional permitted supplies

ADJUSTED TIMELINE

As a result of some of the reprioritizations discussed previously, the original implementation timeline for this process has been adjusted, with formal role out and communication of the plan now scheduled for first quarter 2011.

18 Month Planning Process (Adjusted Timeline)																						
Thinking					Deciding					Preparing			Go									
J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	Apr
2009					2010					2011			2011									
SWOT (Strengths, Weaknesses, Opportunities, Threats)					Define Roles					Approve 2011 Resourcing (Budget)												
Discuss Planning Roles and Responsibilities					Publish Strategies					Educate Internally on Plan, Measures and Implementation Disciplines												
Discuss Strategies with Board @ Monthly Policy & Planning Meetings					Define Communication Plan					Align Plan with 2011 Performance Management Objectives												
Affirm Mission, Vision, Values					Define Measures and Reporting Needs					Communicate												
					Develop Tactics and Department Plans																	
					Develop Resourcing Requirements																	

FINANCIAL PLANNING PROCESS

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

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

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

MULTI-YEAR FINANCIAL PLAN

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

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

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

The fundamental structure of the MYFP is the calculation of the flow of funds and rate adjustment requirements based on the enabling ordinance of SAWS, Ordinance 75686 adopted in April 30, 1992. This ordinance outlines important financial requirements and calculations that SAWS uses in the financial model to calculate rates and charges, flow of funds, pledged

revenues toward debt service and rate requirements, minimum debt coverage ratios, and fund requirements. The financial model and MYFP incorporate forecasts and requirements by each core business of SAWS: Water Supply; Water Delivery; Wastewater; and Chilled Water and Steam.

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

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

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

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

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

ANNUAL BUDGET PROCESS

OPERATIONS AND MAINTENANCE BUDGET

The 2011 budget process timeline changed significantly from the norm when San Antonio City Council recently asked SAWS to combine a proposal to modify the water supply, water delivery, and wastewater rate structures with a proposed rate adjustment. In order to have a rate adjustment proposal ready for Board and City Council consideration in June, SAWS had to accelerate the 2011 budget process. While the rate structure change proposal made for a compressed timeline, the review and prioritization processes were not compromised, thus ensuring that the 2011 budget goals were met:

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

The budget development process involved the following phases:

- Operating and Maintenance (O&M) departmental budgets were developed from 2010 budgets and adjusted for known changes:
 - Current workforce
 - Employee benefits costs
 - Utility and fuel rates
- The executive management team (EMT) conducted a comprehensive review of O&M, Capital Outlay and CIP budget submittals. During this review, all requests for additional funding were prioritized and were approved or denied based on this prioritization. This review by Executive Management further ensured that departmental budgets were aligned with corporate goals and objectives.
- Financial Planning staff revised the Multi-Year Financial Plan to incorporate the final Operating and Maintenance budget and Capital Improvement Program budget.
- Several workshops were held with the Board of Trustees to review and discuss key budget issues.
- Review sessions were held with the City of San Antonio Public Utilities office to discuss the budget inputs and assumptions.

CAPITAL IMPROVEMENTS PROGRAM BUDGET

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

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

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

2011 FINANCIAL PLANNING TIMELINE

Action		2010												2011		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan		
Develop Multi-Year Financial Plan	Review financial outlook	■	■													
	Compile assumptions for Multi Year Financial Plan (MYFP)	■	■													
	Review budget and rates plan with key internal stakeholders	■	■													
	Review budget and rates plan with key internal stakeholders	■	■													
	Management review and approval of MYFP			■	■	■	■									
	Develop revenue forecast			■	■	■	■									
Strategic Planning	Define corporate priorities	■														
	Develop departmental business plans		■	■												
Establish Executive Directives	Review policy and guideline statements			■	■											
	Provide guidance on employee compensation issues			■	■											
	Establish O&M and CIP expectations			■	■											
Budget Development	Review and update CIP needs			■	■											
	Develop workforce budget from current workforce data			■												
	Develop base budget (Modified 2010 budget)			■	■											
Rate Development	Determine Water/Wastewater rate adjustments			■	■											
	Develop and implement communication outreach plan for ratepayers, elected officials and other stakeholders			■	■	■	■									
	Customer notification						■									
Review and Analysis	Review O&M and CIP budgets by Financial Planning staff			■	■	■										
	Review O&M and CIP budgets by Executive Mgt.				■	■										
	Briefings with individual Board members				■	■										
Develop Budget Documents	Prepare Budget / Rates presentation			■	■											
	Develop proposed Budget document			■	■											
	Prepare Board Resolutions and Memos				■	■										
Board Review and Approval	Budget review sessions for Board of Trustees				■	■										
	Formal Board approval of - Rate structure change - Water supply, water delivery, wastewater rate adjustments - 2011 annual budget						■									
	Submit Budget to City Council for review and consultation						■									
Rate Approval and Implementation	Brief City Council on proposed rate structure change and rate adjustments				■	■										
	City Council action on proposed rate structure change and rate adjustments						■									
	2011 O&M and CIP budgets become effective														■	
	Implement rate structure change and rate adjustments												■			

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FINANCIAL POLICIES

BASIS OF ACCOUNTING

San Antonio Water System's financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America for proprietary funds of governmental entities. SAWS applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principle's Board (APB) opinions and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements are prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method, all assets and liabilities of SAWS are reported in the balance sheet, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

REVENUE AND EXPENSE CLASSIFICATIONS

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. SAWS principal operating revenues are charges to customers for water supply, water delivery, wastewater, and chilled water and steam services. Operating expenses include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

RECOGNITION OF REVENUES

Revenues are recorded when earned. 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.

RATES AND CHARGES

In accordance with City of San Antonio, Texas Ordinance No. 70656 requirements, SAWS must establish and maintain rates and charges to produce sufficient Gross Revenues in each Fiscal Year:

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

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

FLOW OF FUNDS

In accordance with City of San Antonio, Texas Ordinance No. 70656 requirements, Gross Revenues shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown to:

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

TRANSFER TO THE CITY OF SAN ANTONIO'S GENERAL FUND

In accordance with City of San Antonio, Texas Ordinance No. 70656 requirements, SAWS will transfer to the City of San Antonio each month after making all other payments required by the Ordinance. The amount of the transfer is determined by City Council from time to time and cannot exceed 5%. Currently SAWS transfers 2.7% of Gross Revenues to the City. Transfers to the City are reported as non-operating expense in the financial statements.

ANNUAL BUDGET

Sixty (60) days prior to the beginning of each fiscal year, the SAWS' Board of Trustees approves an annual budget prepared on an accrual basis to serve as a tool in controlling and administering the management and operation of SAWS. The annual budget should be a balanced budget that projects Gross Revenues sufficient to fund estimated financial requirements. The annual budget is prepared on a comprehensive basis and includes all water supply, water delivery, wastewater and chilled water and steam operations as well as a capital budget. The Board of Trustees may subsequently modify its approved budget by giving notice thereof to the City.

The basis of budgeting used is the same as the basis of accounting, with the exception of budgeting for employee benefits. Employee benefits are budgeted on a pay-as-you-go basis, rather than accrual basis.

Encumbrances are not formally recorded in the accounting system, however, SAWS monitors and controls spending by utilizing budget variance reports for each accounting unit, which are formally reviewed by the President/CEO. Outstanding encumbrances lapse at year-end and must be re-appropriated in the following year.

FUND STRUCTURE

Within SAWS' enterprise fund accounts, separate self-balancing sub-funds are maintained to account for resources for various purposes, thereby distinguishing balances restricted by management of outside sources from unrestricted balances.

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

System Fund – All gross revenues shall be credited to this fund upon receipt, unless otherwise provided in City Ordinance No. 75686. All current expenses of operation and maintenance shall be paid from this fund as a first charge against the gross revenues so credited. Before making any deposits to other funds required to be made from the System Fund, the Board of Trustees shall retain in the System Fund at all times an amount at least equal to two months of the amount budgeted for the current fiscal year for current maintenance and operation expenses.

Debt Service Fund – The sole purpose of this fund is for the payment of principal and interest on all bonds which are payable from pledged revenues.

Reserve Fund – This fund shall be used to pay the principal and interest on any bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any bonds.

Project Fund – This fund shall be used to account for:

1. The proceeds of Senior Lien and Junior Lien Obligations and commercial paper notes
2. Any premium thereon
3. Investment earnings thereon issued for the purpose of paying the costs of capitalized interest on Senior Lien Obligations during the extension, construction, improvement or repair of the System, the costs of issuance of Senior Lien and Junior Lien Obligations
4. Any other lawful purpose

Renewal and Replacement Fund – This fund shall be used for the purpose of:

1. Paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures, or
2. Paying the costs of unexpected or extraordinary repairs or replacements for which System Funds are not available
3. Paying unexpected or extraordinary expenses of operation and maintenance for which System Funds are not otherwise available
4. Depositing any funds received by SAWS pursuant to the CPS Energy contract
5. Paying bonds or other SAWS' obligations for which other System revenues are not available
6. Making up any shortfall in the Payment to the City General Fund as required by Section 17 of Ordinance 75686, and
7. For any other lawful purpose

DEBT MANAGEMENT

CAPITAL PLANNING

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

CAPITAL FINANCING

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

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

DEBT LIMIT

There is no statutory debt limitation on the issuance of revenue indebtedness by the San Antonio Water System, acting on behalf of the City of San Antonio, Texas. SAWS has established its own policies regarding the utilization of debt instruments. Debt may be used for a variety of purposes and in a variety of ways. The principal use of debt by SAWS has been for funding capital improvements.

The currently outstanding bond ordinances impose conditions precedent on the issuance of additional revenue bonds and require Net Revenues of 125% of maximum annual debt service in

order to issue first lien revenue bonds and 100% of average annual debt service in order to issue junior lien revenue bonds in a public offering.

DEBT POLICY

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

RESERVE POLICIES

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

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ANNUAL OPERATING BUDGET

FINANCIAL PLAN SUMMARY

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

COMBINED SUMMARY OF SOURCES AND USES				
	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
SOURCES OF FUNDS				
Operating Revenues				
Sewer Service Charges	\$ 122,631,454	\$ 127,382,165	\$ 130,623,253	\$ 141,598,196
Metered Water Sales	121,201,332	110,660,988	114,880,189	115,333,730
Water Supply Fee	86,097,753	82,778,149	82,595,217	86,344,004
Chilled Water and Steam Sales	12,757,863	12,713,720	12,489,072	11,816,095
Edwards Aquifer Authority Fee	10,497,429	6,500,362	9,947,223	10,480,009
Special Services Fees and Customer Penalties	6,385,305	10,867,729	10,177,817	11,031,249
Conservation	7,601,428	6,970,105	7,103,256	9,826,022
Industrial Waste Surcharge	4,614,257	4,648,733	4,599,938	4,687,519
Stormwater Revenues	3,036,782	3,358,241	5,076,833	5,167,751
Recycled Water Sales	4,287,021	4,393,433	3,945,489	4,007,308
Recovery of TCEQ Fees	-	62,642	1,511,891	1,511,891
Reduction for Affordability	(1,201,139)	(1,283,411)	(1,410,688)	(1,500,000)
Total Operating Revenues	377,909,485	369,052,856	381,539,490	400,303,774
Nonoperating Revenues				
Interest Earned & Miscellaneous	14,376,458	4,510,338	4,699,999	5,194,076
Other Financing	-	-	-	-
Capital Recovery Fees	36,841,896	23,636,332	30,000,000	32,000,000
Total Revenues	429,127,839	397,199,526	416,239,489	437,497,850
Draw on Equity	657,350	2,184,292	3,956,939	-
Total Sources of Funds	\$ 429,785,189	\$ 399,383,818	\$ 420,196,428	\$ 437,497,850
DISPOSITION OF FUNDS				
Operations and Maintenance	\$ 196,083,656	\$ 201,656,536	\$ 203,732,106	211,362,827
Operating Reserve	2,689,839	2,392,260	1,373,071	1,260,935
Revenue Bond Debt Requirement	99,950,908	117,615,816	132,944,557	139,427,156
Other Debt Service Requirement	4,833,806	3,421,930	6,087,794	4,960,032
Transfer to the City of San Antonio	10,158,617	9,739,868	9,895,852	10,400,861
Balance Available for:				
Capital Outlay	13,474,269	13,213,632	9,418,619	11,135,591
Renewal and Replacement Fund	65,752,198	27,707,444	26,744,429	26,950,448
Restricted R&R	36,841,896	23,636,332	30,000,000	32,000,000
Total Disposition of Funds	\$ 429,785,189	\$ 399,383,818	\$ 420,196,428	\$ 437,497,850

FINANCIAL PLAN SUMMARIES BY CORE BUSINESS

The following schedule reflects the 2011 consolidating summary of Sources and Uses of Funds by core business:

SUMMARY OF SOURCES AND USES BY CORE BUSINESS					
	Water Supply	Water Delivery	Wastewater	Chilled Water & Steam	Total
SOURCES OF FUNDS					
OPERATING REVENUES					
Sewer Service Charges	\$ -	\$ -	\$ 141,598,196	\$ -	\$ 141,598,196
Metered Water Sales		\$115,333,730		-	115,333,730
Water Supply Fee	86,344,004	-	-	-	86,344,004
Chilled Water and Steam Sales	-	-	-	11,816,095	11,816,095
Edwards Aquifer Authority Fee	10,480,009	-	-	-	10,480,009
Special Services Fees and Customer Penalties	1,381,924	5,977,349	3,671,976	-	11,031,249
Conservation	9,826,022	-	-	-	9,826,022
Industrial Waste Surcharge	-	-	4,687,519	-	4,687,519
Stormwater Revenues	5,167,751	-	-	-	5,167,751
Recycled Water Sales	4,007,308	-	-	-	4,007,308
Reduction for Affordability	(410,156)	(410,156)	(679,688)	-	(1,500,000)
Recovery of TCEQ Fees	-	1,145,505	366,386	-	1,511,891
Intercompany Reallocations	5,630,000	(5,630,000)	-	-	-
Total Operating Revenues	\$ 122,426,862	\$ 116,416,428	\$ 149,644,389	\$ 11,816,095	\$ 400,303,774
NONOPERATING REVENUES					
Interest Earned & Miscellaneous	1,466,085	1,222,362	2,140,073	365,556	5,194,076
Other Financing	-	-	-	-	-
Capital Recovery Fees	9,411,764	11,294,118	\$11,294,118	-	32,000,000
Total Revenues	\$ 133,304,711	\$ 128,932,908	\$ 163,078,580	\$ 12,181,651	\$ 437,497,850
Draw on Equity	-	-	-	-	-
Total Sources of Funds	\$ 133,304,711	\$ 128,932,908	\$ 163,078,580	\$ 12,181,651	\$ 437,497,850
DISPOSITION OF FUNDS					
Operations and Maintenance	\$ 67,365,489	\$ 61,558,341	\$ 72,934,631	\$ 9,504,366	\$ 211,362,827
Operating Reserve	474,165	341,183	398,065	47,522	1,260,935
Revenue Bond Debt Requirement	39,159,743	37,134,617	61,371,732	1,761,064	139,427,156
Other Debt Service Requirement	1,132,163	1,392,880	2,293,487	141,502	4,960,032
Transfer to the City of San Antonio	2,836,002	3,161,010	4,075,931	327,918	10,400,861
Balance Available for:					
Capital Outlay	1,427,080	4,835,209	4,675,606	197,696	11,135,591
Renewal and Replacement Fund	11,498,305	9,215,550	6,035,010	201,583	26,950,448
Restricted R&R	9,411,764	11,294,118	11,294,118	-	32,000,000
Total Disposition of Funds	\$ 133,304,711	\$ 128,932,908	\$ 163,078,580	\$ 12,181,651	\$ 437,497,850

WATER SUPPLY CORE BUSINESS

The Water Supply core business is responsible for all functions related to the development and provision of additional water resources. In order to support the cost associated with these initiatives, SAWS implemented the Water Supply Fee, which is a separate funding mechanism for water supply development and water quality protection. The Water Supply core business also strives to extend SAWS' existing water supplies by promoting water conservation practices.

WATER SUPPLY				
	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
SOURCES OF FUNDS				
Operating Revenues				
Water Supply Fee	\$ 86,097,753	\$ 82,778,149	\$ 82,595,217	\$ 86,344,004
Edwards Aquifer Authority Fee	10,497,429	6,500,362	9,947,223	10,480,009
Special Services Fees and Customer Penalties	2,786,148	1,686,512	1,381,924	1,381,924
Conservation	7,601,428	6,970,105	7,103,256	9,826,022
Stormwater Revenues	3,036,782	3,358,241	5,076,833	5,167,751
Recycled Water Sales	4,287,021	4,393,433	3,945,489	4,007,308
Reduction for Affordability	(315,593)	(308,935)	(385,735)	(410,156)
Intercompany Reallocations	9,830,004	9,830,004	9,830,000	5,630,000
Total Operating Revenues	123,820,972	115,207,871	119,494,207	122,426,862
Nonoperating Revenues				
Interest Earned & Miscellaneous	5,123,592	1,043,661	1,044,444	1,466,085
Other Financing	-	-	-	-
Capital Recovery Fees	10,614,411	6,565,015	8,823,530	9,411,764
Total Revenues	139,558,975	122,816,547	129,362,181	133,304,711
Draw on Equity	657,350	2,184,292	\$3,956,939	\$0
TOTAL SOURCES OF FUNDS	\$ 140,216,325	\$ 125,000,839	\$ 133,319,120	\$ 133,304,711
DISPOSITION OF FUNDS				
Operations and Maintenance	\$ 62,969,632	\$ 61,828,564	\$ 66,828,037	\$ 67,365,489
Operating Reserve	598,134	806,179	472,552	474,165
Revenue Bond Debt Requirement	30,843,922	34,571,275	41,525,384	39,159,743
Other Debt Service Requirement	2,201,634	1,198,288	1,375,460	1,132,163
Transfer to the City of San Antonio	3,439,770	2,871,170	2,772,621	2,836,002
Balance Available for:				
Capital Outlay	-	-	1,433,127	1,427,080
Renewal and Replacement Fund	29,548,822	17,160,348	10,088,409	11,498,305
Restricted R&R	10,614,411	6,565,015	8,823,530	9,411,764
TOTAL DISPOSITION OF FUNDS	\$ 140,216,325	\$ 125,000,839	\$ 133,319,120	\$ 133,304,711

WATER DELIVERY CORE BUSINESS

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

WATER DELIVERY				
	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
SOURCES OF FUNDS				
Operating Revenues				
Metered Water Sales	\$ 121,201,332	\$ 110,660,988	\$ 114,880,189	\$ 115,333,730
Special Services Fees and Customer Penalties	1,769,149	5,745,241	5,195,893	5,977,349
Recovery of TCEQ Fees		48,308	1,145,505	1,145,505
Reduction for Affordability	(327,012)	(319,803)	(385,735)	(410,156)
Intercompany Reallocations	(9,830,004)	(9,830,004)	(9,830,000)	(5,630,000)
Total Operating Revenues	112,813,465	106,304,730	111,005,852	116,416,428
Nonoperating Revenues				
Interest Earned & Miscellaneous	1,790,451	804,456	1,044,444	1,222,362
Other Financing	-	-	-	-
Capital Recovery Fees	14,554,986	8,803,286	10,588,235	11,294,118
Total Revenues	129,158,902	115,912,472	122,638,531	128,932,908
Draw on Equity	-	-	-	-
TOTAL SOURCES OF FUNDS	\$ 129,158,902	\$ 115,912,472	\$ 122,638,531	\$ 128,932,908
DISPOSITION OF FUNDS				
Operations and Maintenance	\$ 59,053,523	\$ 61,095,762	\$ 58,496,471	\$ 61,558,341
Operating Reserve	736,717	785,135	379,021	341,183
Revenue Bond Debt Requirement	26,974,248	31,984,258	35,909,962	37,134,617
Other Debt Service Requirement	1,359,028	887,904	1,769,055	1,392,880
Transfer to the City of San Antonio	3,033,582	2,819,782	2,991,609	3,161,010
Balance Available for:				
Capital Outlay	-	-	3,528,415	4,835,209
Renewal and Replacement Fund	23,446,818	9,536,345	8,975,763	9,215,550
Restricted R&R	14,554,986	8,803,286	10,588,235	11,294,118
TOTAL DISPOSITION OF FUNDS	\$ 129,158,902	\$ 115,912,472	\$ 122,638,531	\$ 128,932,908

WASTEWATER CORE BUSINESS

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

WASTEWATER				
	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
SOURCES OF FUNDS				
Operating Revenues				
Sewer Service Charges	\$ 122,631,454	\$ 127,382,165	\$ 130,623,253	\$ 141,598,196
Special Services Fees and Customer Penalties	1,830,008	3,435,976	3,600,000	3,671,976
Industrial Waste Surcharge	4,614,257	4,648,733	4,599,938	4,687,519
Recovery of TCEQ Fees		14,334	366,386	366,386
Reduction for Affordability	(558,534)	(654,673)	(639,218)	(679,688)
Intercompany Reallocations	-	-	-	-
Total Operating Revenues	128,517,185	134,826,535	138,550,359	149,644,389
Nonoperating Revenues				
Interest Earned & Miscellaneous	6,536,430	1,927,256	2,088,889	2,140,073
Other Financing	-	-	-	-
Capital Recovery Fees	11,672,499	8,268,031	\$10,588,235	\$11,294,118
Total Revenues	146,726,114	145,021,822	151,227,483	163,078,580
Draw on Equity	-	-	-	-
Total Sources of Funds	\$ 146,726,114	\$ 145,021,822	\$ 151,227,483	\$ 163,078,580
DISPOSITION OF FUNDS				
Operations and Maintenance	\$ 64,322,509	\$ 69,666,995	\$ 69,014,496	\$ 72,934,631
Operating Reserve	1,511,386	864,680	465,455	398,065
Revenue Bond Debt Requirement	40,463,029	49,294,319	53,745,282	61,371,732
Other Debt Service Requirement	1,078,884	1,216,444	2,775,717	2,293,487
Transfer to the City of San Antonio	3,604,428	3,685,499	3,781,727	4,075,931
Balance Available for:				
Capital Outlay	-	-	4,303,739	4,675,606
Renewal and Replacement Fund	24,073,379	12,025,854	6,552,832	6,035,010
Restricted R&R	11,672,499	8,268,031	10,588,235	11,294,118
Total Disposition of Funds	\$ 146,726,114	\$ 145,021,822	\$ 151,227,483	\$ 163,078,580

CHILLED WATER AND STEAM

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

Chilled Water and Steam				
	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
SOURCES OF FUNDS				
Operating Revenues				
Chilled Water and Steam Sales	\$ 12,757,863	\$ 12,713,720	\$ 12,489,072	\$ 11,816,095
Total Operating Revenues	12,757,863	12,713,720	12,489,072	11,816,095
Nonoperating Revenues				
Interest Earned & Miscellaneous	925,985	734,965	522,222	365,556
Other Financing	-	-	-	-
Capital Recovery Fees	-	-	-	-
Total Revenues	13,683,848	13,448,685	13,011,294	12,181,651
Draw on Equity	-	-	-	-
TOTAL SOURCES OF FUNDS	\$ 13,683,848	\$ 13,448,685	\$ 13,011,294	\$ 12,181,651
DISPOSITION OF FUNDS				
Operations and Maintenance	\$ 9,737,992	\$ 9,065,215	\$ 9,393,102	\$ 9,504,366
Operating Reserve	(156,398)	(63,734)	56,043	47,522
Revenue Bond Debt Requirement	1,669,709	1,765,964	1,763,929	1,761,064
Other Debt Service Requirement	194,260	119,294	167,562	141,502
Transfer to the City of San Antonio	80,837	363,417	349,895	327,918
Balance Available for:				
Capital Outlay	-	-	153,338	197,696
Renewal and Replacement Fund	2,157,448	2,198,529	1,127,425	201,583
Restricted R&R	-	-	-	-
TOTAL DISPOSITION OF FUNDS	\$ 13,683,848	\$ 13,448,685	\$ 13,011,294	\$ 12,181,651

CHANGE IN EQUITY (FUND BALANCE)

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

The following schedule reflects the projected change in equity for 2011:

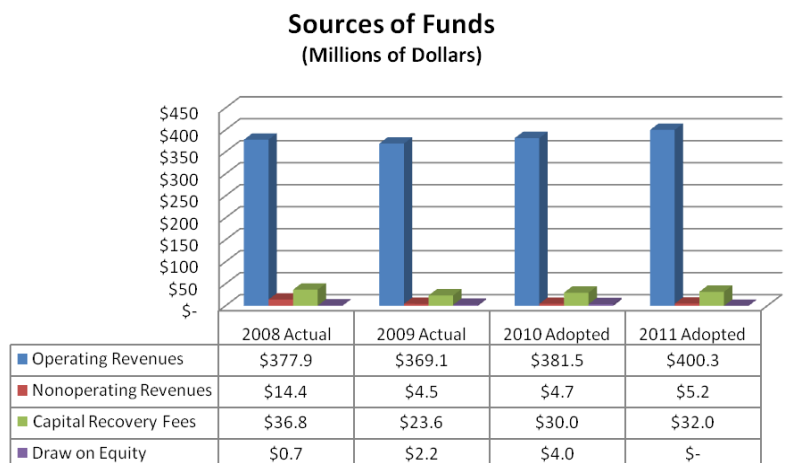
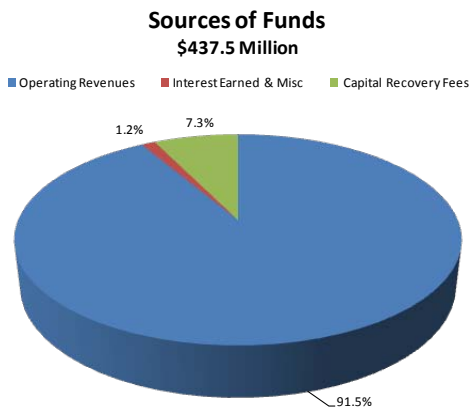
	<u>System Fund</u>	<u>Debt Service Fund</u>	<u>Debt Reserve Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Project Fund</u>	<u>Combined Total</u>
Equity, Projected @ December 31, 2010	\$1,423,179,011	\$31,139,886	\$51,014,778	\$236,253,494	\$83,111,135	\$1,824,698,304
CHANGE IN EQUITY - 2011	58,440,048	(86,437,626)		87,298,431	329,000	59,629,853
Transfers in (out)	(140,447,155)	140,447,155	9,294,813	(9,294,813)		-
Commercial paper notes issued	(19,814,091)				19,814,091	-
Proceeds from Bond Issue	(137,118,846)		8,012,004		129,106,842	-
Bond Issue Costs	2,026,387				(2,026,387)	-
Retirement of Bonds	45,745,000	(45,745,000)				-
Commercial paper retired	-				-	-
Expenditures for plant additions	254,893,823	-		(107,858,277)	(147,035,546)	-
Equity, projected @ December 31, 2011	\$1,486,904,177	\$39,404,415	\$68,321,595	\$206,398,835	\$83,299,135	\$1,884,328,157

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SOURCES OF FUNDS

The following table summarizes the Sources of Funds:

	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
SOURCES OF FUNDS				
Operating Revenues				
Sewer Service Charges	\$ 122,631,454	\$ 127,382,165	\$ 130,623,253	\$ 141,598,196
Metered Water Sales	121,201,332	110,660,988	114,880,189	115,333,730
Water Supply Fee	86,097,753	82,778,149	82,595,217	86,344,004
Chilled Water and Steam Sales	12,757,863	12,713,720	12,489,072	11,816,095
Edwards Aquifer Authority Fee	10,497,429	6,500,362	9,947,223	10,480,009
Special Services Fees and Customer Penalties	6,385,305	10,867,729	10,177,817	11,031,249
Conservation	7,601,428	6,970,105	7,103,256	9,826,022
Industrial Waste Surcharge	4,614,257	4,648,733	4,599,938	4,687,519
Stormwater Revenues	3,036,782	3,358,241	5,076,833	5,167,751
Recycled Water Sales	4,287,021	4,393,433	3,945,489	4,007,308
Recovery of TCEQ Fees	-	62,642	1,511,891	1,511,891
Reduction for Affordability	(1,201,139)	(1,283,411)	(1,410,688)	(1,500,000)
Intercompany Reallocations	-	-	-	-
Total Operating Revenues	377,909,485	369,052,856	381,539,490	400,303,774
Nonoperating Revenues				
Interest Earned & Miscellaneous	14,376,458	4,510,338	4,699,999	5,194,076
Other Financing	-	-	-	-
Capital Recovery Fees	36,841,896	23,636,332	30,000,000	32,000,000
Total Revenues	429,127,839	397,199,526	416,239,489	437,497,850
Draw on Equity	657,350	2,184,292	3,956,939	-
TOTAL SOURCES OF FUNDS	\$ 429,785,189	\$ 399,383,818	\$ 420,196,428	\$ 437,497,850



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REVENUES

Sources of funds consist of operating revenues, non-operating revenues, draw on equity, and capital recovery fees. Of the \$437.5 million sources of funds budgeted for 2011, 91.5% are recovered from operating revenues, primarily through metered sales and special services fees.

Revenues derived from metered sales comprise 90.8% of total operating revenues and include revenues from water, water supply, and wastewater services accounted for through metered billings. Special Services fees recover costs associated with providing services that typically benefit a particular customer or type of service. These services include various permit, sampling or laboratory fees, and account services.

CUSTOMER GROWTH AND WATER USAGE

Significant drivers of the metered water and wastewater sales forecasts are customer growth and usage trends. Comprehensive forecasts are made on water, irrigation, and wastewater customer growth and usage demand for each rate block and rate class of SAWS: inside and outside city customers for residential, general, wholesale, and irrigation rate classes. By tracking data and analyzing trends on customer and usage statistics by each rate block, SAWS has been able to identify developing shifts in usage patterns and underlying trends in the uses of the resources of the System.

The projected growth in metered customers is directly affected by the health of the regional economy as well as the national economy. On a local level, the diversity of the San Antonio economy has been a stabilizing factor through national economic contractions and expansions. Although San Antonio's economy has been affected by the national economic downturn, the impact has been much less significant than most other major metropolitan areas. This is due to San Antonio's strategic position in key growth sectors including government and military, biomedical sciences, medical services, financial and information services, and hospitality. These sectors tend not to contract or expand as dramatically as the national economy during the business cycle and as a result provide relative stability for the regional economy. Full economic recovery is anticipated to be slow with modest growth forecast for 2011.

The customer growth forecast is supported by an analysis of the single family housing permits for the San Antonio metropolitan statistical area as shown below. Typically, the level and changes in single family permits are good 6 to 12 month leading indicators of housing growth. Recent permit units have remained low compared to historical standards but have seen an increase during the last twelve months as compared to the preceding 12 month period one year ago.

Water and wastewater customer growth patterns are different as a result of the two business units encompassing different service areas. Inclusion of other water purveyors for which SAWS treats the wastewater expands the SAWS wastewater service area beyond the water service area. In the last several years, the service areas of these other water purveyors have exhibited slightly higher growth than that of the SAWS water service area. 2011 customer growth for water and wastewater is forecasted to be 1.85% or on pace with the 2010 year-to-date growth

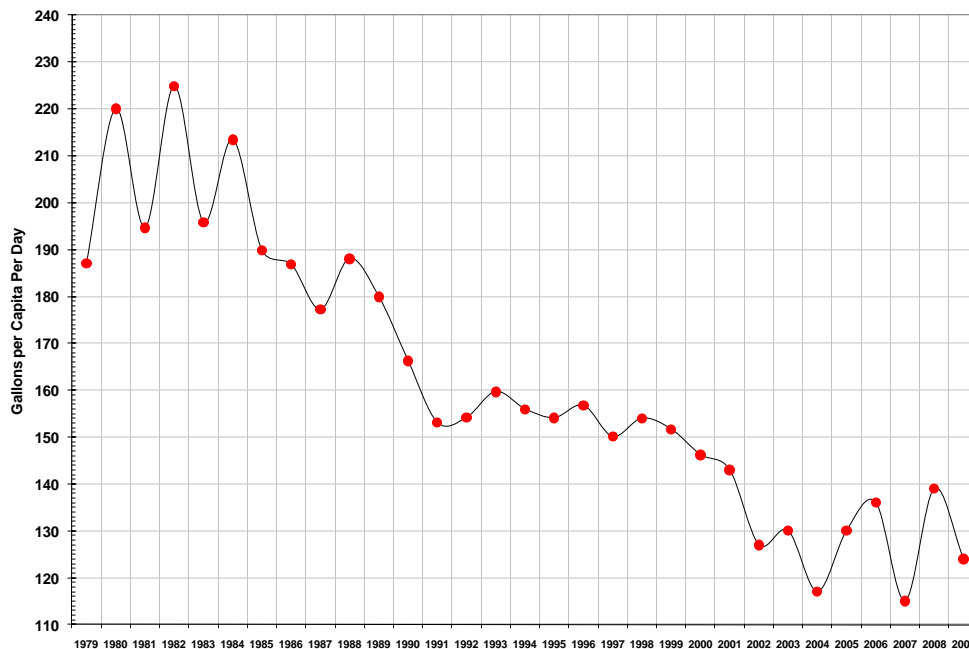
rate as of April 2010. Water customer growth is estimated to be 1.7% while wastewater growth is budgeted at 1.9%.

WATER AND WASTEWATER USAGE

The water usage forecast is a function of the multiplication of two factors: the number of customers and the average usage per customer. To develop the 2011 water usage projection, each rate class and sub-classification of customers: residential, commercial, apartment, industrial, wholesale, municipal, and irrigation were analyzed for any changes in the level or trend for the number of customers and average usage per customer. Average usage per customer typically is driven by weather, seasonal, cyclical, price elasticity, and conservation effects, thus the modeling of the usage per customer incorporates multivariate regression statistical forecasting to incorporate these variables.

As shown in the chart below, water gallons pumped for consumption, per capita per day or (GPCD) exhibits a significant downward trend and demonstrates volatility around the trend due to weather variations. Recent extreme weather highlights the significant fluctuations in GPCD that can occur due to weather. During the very wet year of 2007, with 47.25 inches of rain or the fourth highest annual rainfall amount recorded since 1885, per capita water usage fell to its lowest level ever recorded of 115 gallons per person per day. In contrast, 2008 was a drought year with precipitation of 13.76 inches of rain or the third lowest annual rainfall amount, which served to increase the per capita usage to 139 gallons per capita per day.

San Antonio Water System
Gallons Per Capita Per Day (GPCD)
1979 - 2009



Billed water usage per customer is different from GPCD as billed water is used to forecast revenues, not pumped water which includes unbilled water in the GPCD calculation. Additionally, the billed water usage per customer statistic uses billed meter connections in the

denominator, not populations that are used for the GPCD statistic. However, billed water usage per customer is similar to GPCD in that both follow the basic historical pattern of a downward trend with volatility around the trend due to weather fluctuations.

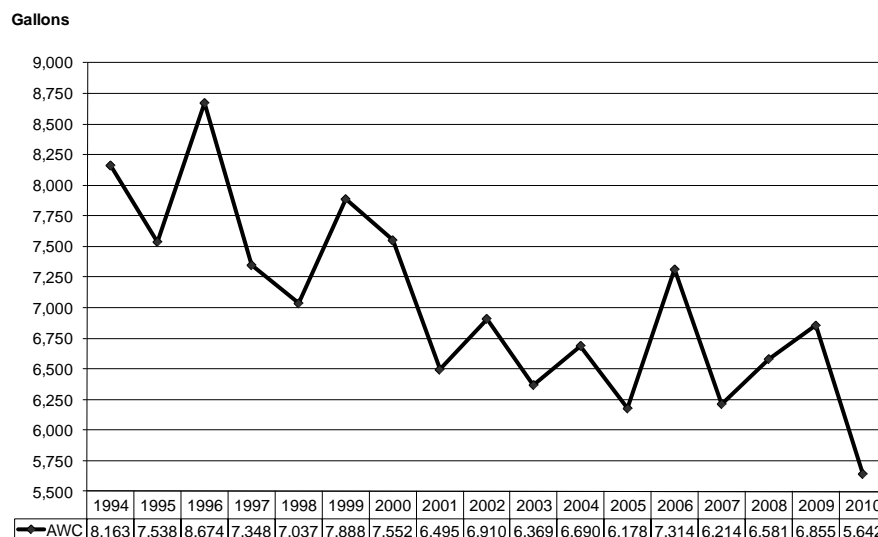
2007 and 2008 were extreme opposite weather years, with 2007 a very rainy year and 2008 an extremely dry year. Thus the average billed water usage per customer for 2007 and 2008 provides the range of potential usage per customer values under extremely opposite weather conditions. The 2011 use per customer forecast is at the 22nd percentile of the 2007-2008 range, an indication of the conservative nature and mitigated revenue risk of the water revenue forecast.

The 2011 use per bill forecast includes a price elasticity factor of 0.4 on the top rate tiers of residential and irrigation rate gallon blocks and adjustments. As discussed previously regarding the 2010 rate restructuring and rate adjustments, price elasticity is expected to result in a water usage savings of 1.4 billion gallons. Thus, with customer growth and use per bill conservatively forecasted to include price elasticity due to the rate restructuring and increase, 2011 billed water usage is expected to be 54.561 billion gallons under normal weather conditions.

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

The AWC, as shown in the chart below, has declined dramatically over the last decade as a result of indoor conservation efforts and public awareness about the winter averaging method and measurement period. The 2010 AWC was 5,642 gallons or 8.7% lower than the previous low of 6,178 gallons in 2005. The 2010 AWC will remain in effect through March 2011 significantly affecting the 2011 first quarter revenues. The budgeted 2011 AWC is 6,224 gallons, or slightly lower than the median value of 2009 - 2010 average winter consumption.

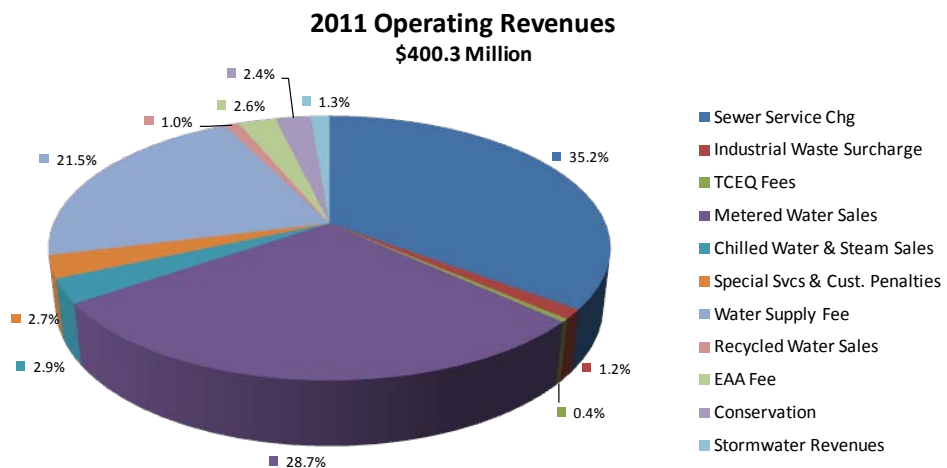
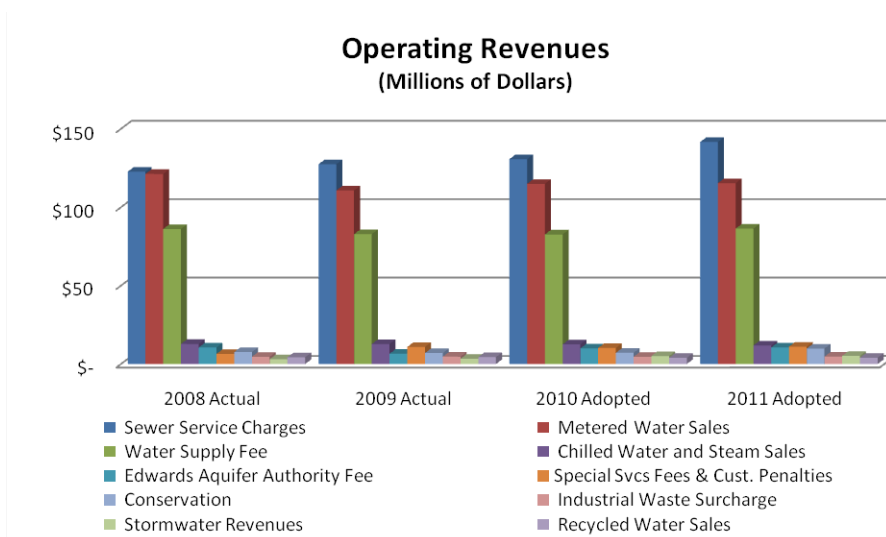
Average Winter Consumption



OPERATING REVENUES

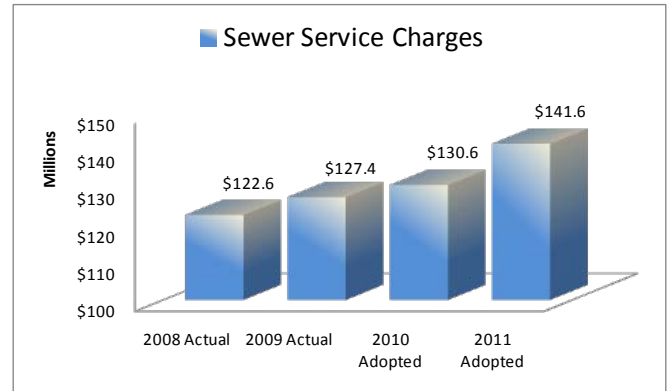
Operating revenues are generated primarily from metered water sales, sewer service charges, and the Water Supply Fee. Of the 2011 budgeted operating revenue of \$400.3 million, over 90% is from metered services including water sales, wastewater sewer service charges including surcharges, water supply fees, the Edwards Aquifer Authority Fee, and chilled water and steam sales.

The 2011 revenue budget is based on the restructuring of the water delivery and water supply fee rates and includes a rate adjustment sufficient to generate approximately \$20M in additional revenues for 2011.

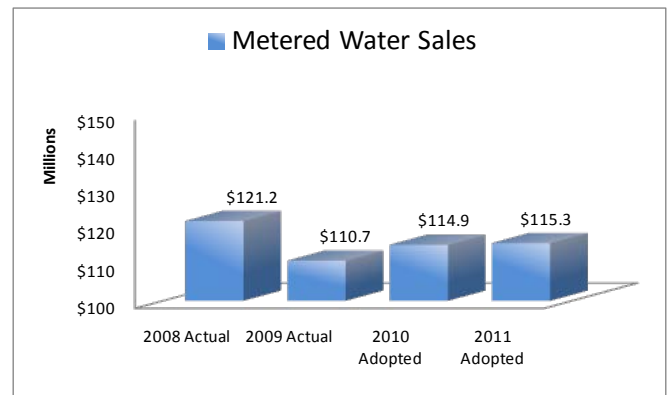


SEWER SERVICE CHARGES

Sewer service charges are fees for the collection and treatment of residential, commercial, and industrial sewage. As discussed previously, metered sewer revenues consist of residential revenues, which are assessed based upon a customer's average winter water consumption. For all other customers, actual monthly water usage, excluding any amount measured through an irrigation meter, is used to calculate contributed wastewater usage. For 2011, net metered wastewater revenues are forecast at \$141.6 million, which includes a wastewater rate adjustment of 11.9% projected to generate \$15.3M in additional revenue. This increase is forecast to be partially offset by the relatively low level of the AWC which will be in effect for the first twelve months of 2011, as well as a fairly conservative forecast of the AWC for the period April 2011 through March 2012.

**METERED WATER SALES**

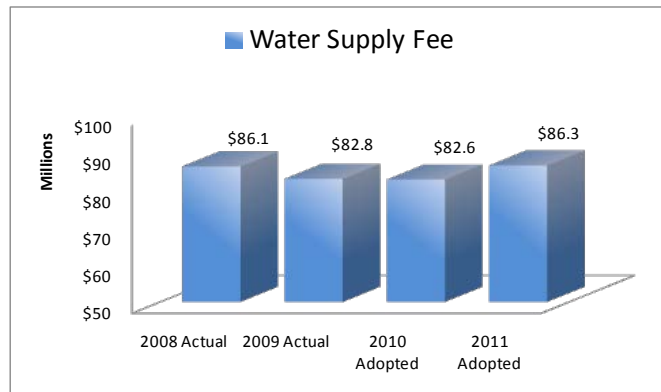
Water charges are designed to recover the costs associated with the production, transmission, and distribution of water to the customer. 2011, net metered water revenues are forecast at \$115.3 million, including a water rate adjustment of 2.2% projected to generate \$2.6M in additional revenue. As discussed previously, it is anticipated that SAWS will continue to experience a reduction in the use per bill, with the revenue forecast being based on 54.561 billion gallons of billed water usage as discussed previously.



From the metered water sales revenues, \$5.63 million is budgeted to be transferred to the Water Supply Core business to transfer a portion of the water delivery rate schedule that continues to fund those Water Supply programs implemented before the water supply fee was developed in 2001. The resulting net water revenue of \$109.7 million is available to fund Water Delivery uses of funds.

WATER SUPPLY FEE REVENUES

The water supply fee was adopted in 2000 to support one of SAWS fundamental responsibilities; developing and procuring additional water supplies. For 2010, the water supply fee was assessed as a flat charge per 100 gallons on all potable water usage a rate of \$0.1529 per 100 gallons. Under the revised rate structure for 2011, the water supply fee is to be assessed utilizing an inclining block rate structure for the residential and irrigation rate classes. For the general and wholesale rate classes, the water supply fee is proposed to remain a flat rate charge per 100 gallons.



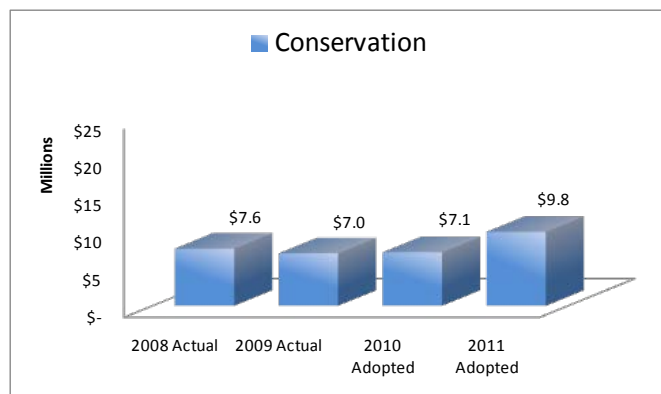
In 2011, net metered water supply fee revenues are projected at \$86.3 million, including a water supply fee rate adjustment of 2.9% projected to generate \$2.5M in additional revenue. Consistent with Water Delivery, the revenue forecast is based on 54.6 billion gallons of billed water usage. With the \$5.6 million transfer from the Water Delivery core business as previously discussed, total 2011 water supply fee revenues are budgeted at \$92.0 million.

RECYCLED WATER REVENUES

Metered recycled water revenues are projected to account for \$4.0 million or 3.3% of Water Supply operating revenues. Revenues of \$2.4 million from the CPS Energy contract contribute 60% of recycled water metered revenues. There is no adjustment to recycled water rates incorporated into the 2011 budget.

CONSERVATION REVENUES

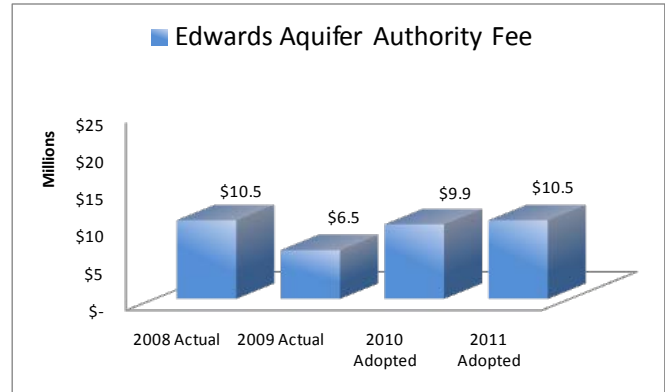
Conservation revenues are used to fund residential and commercial conservation programs. Revenues are derived from a portion of the residential revenues generated for monthly usage in excess of 17,205 gallons and irrigation rate usage over 17,205 gallons. Additionally a set portion of the monthly meter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



For 2011, conservation revenues have been budgeted at \$9.8 million and include approximately a \$2.7 million increase in revenues due to increased revenues generated from the water delivery rate restructuring and adjustment.

EDWARDS AQUIFER AUTHORITY FEE

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



The 2011 permit fee charge from the EAA is projected to be \$10.5 million, based on 262,000 acre feet at a cost of \$40 per acre foot. The increase in this projected fee level reflects an increase in the quantity of acre-feet of Edwards Aquifer water owned and leased, as well as a projected \$1 per acre-foot increase in the fee level assessed to SAWS. The recovery of the permit fee and rate charged is set for January 2011 based on the billable water gallons projected for 2011 adjusted for an over or under recovery of the permit fee during 2010.

STATE-IMPOSED TCEQ FEE

The TCEQ Fee is a monthly pass-through fee charged by SAWS to its water and wastewater customers necessary to recover approximately \$1.5 million in fees assessed to SAWS by the Texas Commission on Environmental Quality (TCEQ). During 2009, TCEQ adopted rule changes to amend Texas Administrative Code Chapter 21, Water Quality Fees, and Chapter 290, Public Drinking Water, to become effective July 30, 2009. These annual fees are necessary to cover the costs of the TCEQ water program activities and provide for annual fee adjustments by the TCEQ.

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

The TCEQ Fee shall apply to all billed retail water and wastewater accounts of SAWS, excluding irrigation and recycled water only accounts. Additionally, the TCEQ Fee is structured so that the San Antonio Water System is delegated the authority to administratively adjust such TCEQ Fee pass-through on an annual basis. Currently the TCEQ Fee is \$0.19 per water customer per month and \$0.05 per wastewater customer per month. The 2011 TCEQ Fee is not expected to change materially.

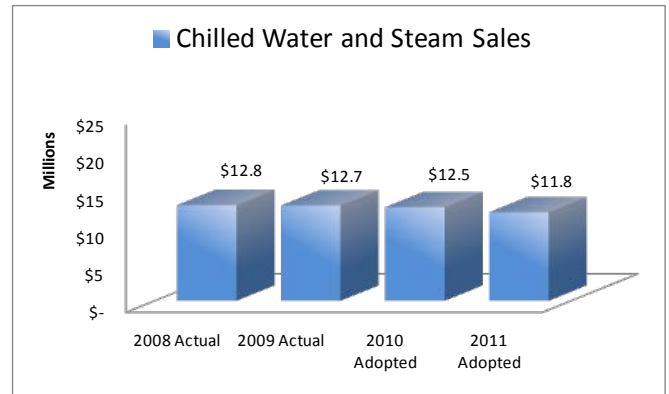
STORMWATER FEE

The San Antonio Water System bills stormwater charges for the city of San Antonio. SAWS retains collections of the billing to support its costs for billing and for additional stormwater services it provides. For 2011, \$5.2 million in stormwater expenses are budgeted to be recovered from revenues retained through the stormwater billings.

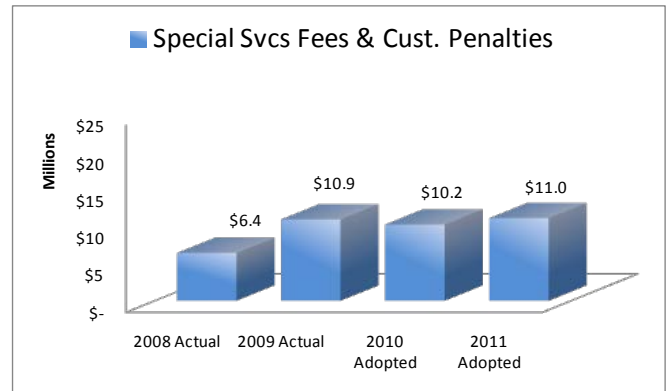
CHILLED WATER AND STEAM

SAWS provides chilled water and steam for heating and cooling purposes primarily to commercial customers located in downtown San Antonio and the Port Authority of San Antonio, formerly Kelly USA.

Revenues for 2011 are projected at \$11.8 million, or 2.9% of total operating revenues. The projected revenues are positively affected by the addition of some additional downtown services, while being negatively impacted by the loss of the Brooks City Base contract, which was discontinued in 2010.

**SPECIAL SERVICES FEES AND CUSTOMER PENALTIES**

2011 revenues from special services fees and customer penalties are planned at \$11.0 million or 2.5% of the total \$437.5 million sources of funds for 2011. Customer penalties are additional billing charges for late payment and are budgeted at \$5.0 million for 2011. Miscellaneous revenues are primarily time and service charges, fire protection rental income, and various meter and testing charges. These fees are budgeted at \$6.0 million.

**AFFORDABILITY SERVICES**

The San Antonio Water System provides a number of affordability services to its customers. One such program, the Affordability Discount, provides a sliding scale bill discount based on the level of need for those certified under the affordability program. For 2011, \$1.5 million has been set aside for the discount, which is a 6.3% increase from the amount budgeted in 2010 and commensurate with the blended 2011 general rate adjustment level for the water supply fee, water delivery, and wastewater rates.

NON-OPERATING REVENUE

2011 non-operating revenues, budgeted at \$5.2 million, are comprised of \$3.3 million of interest earnings on available cash funds and a \$1.9 million subsidy to be received on Build America Bonds issued in 2009. In total, non-operating revenues account for 1.2% of the total sources of funds for 2011.

For the 2011 budget, the average investment base is assumed to be \$470 million, while the interest earnings rate is estimated to be a 0.7% annual rate. As of March 2010, SAWS' investment portfolio yield was 0.3%, continuing the historical low interest return environment. Interest rates are expected to remain low for 2011 due to expectations of low inflationary pressures and slow rebounding national and international economies.

CAPITAL RECOVERY FEES

Capital recovery fees are codified in Chapter 395 of the Texas Local Government Code and provide for collection of fees to recover capital improvement costs necessary to serve new development. Through the city ordinances that formed the San Antonio Water System, capital recovery fees are not an eligible revenue for cost recovery in the flow of funds, and as such flow through to the renewal and replacement fund for funding of eligible projects in the capital improvement program.

For 2011, \$32.0 million in capital recovery fees are planned, slightly above the 2010 budget of \$30 million. The increase in capital recovery fees is consistent with the forecast for customer growth which is anticipating a slight increase over the 2010 growth rate. In total, capital recovery fees account for 7.3% of the total sources of funds for 2011.

DRAW ON EQUITY

The draw on equity, which had been utilized to fund the cost of conservation programs in excess of revenues generated from the portion of the water rate dedicated to conservation, has been eliminated. This budgeted draw on equity had been in place for the last several years and totaled \$4.0 million in the fiscal year 2010 budget.

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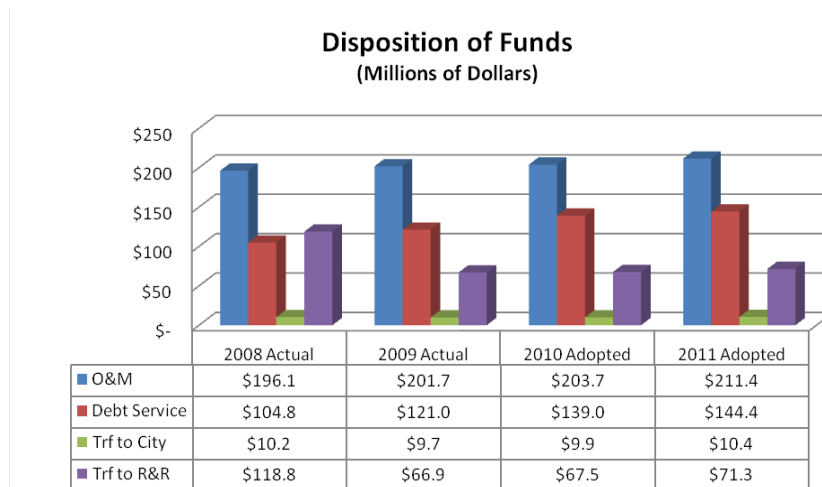
DISPOSITION OF FUNDS

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

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

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

	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
DISPOSITION OF FUNDS				
Operations and Maintenance	\$ 196,083,656	\$ 201,656,536	\$ 203,732,106	\$ 211,362,827
Operating Reserve	2,689,839	2,392,260	1,373,071	1,260,935
Revenue Bond Debt Requirement	99,950,908	117,615,816	132,944,557	139,427,156
Other Debt Service Requirement	4,833,806	3,421,930	6,087,794	4,960,032
Transfer to the City of San Antonio	10,158,617	9,739,868	9,895,852	10,400,861
Balance Available for:				
Capital Outlay	13,474,269	13,213,632	9,418,619	11,135,591
Renewal and Replacement Fund	65,752,198	27,707,444	26,744,429	26,950,448
Restricted R&R	36,841,896	23,636,332	30,000,000	32,000,000
TOTAL DISPOSITION OF FUNDS	\$ 429,785,189	\$ 399,383,818	\$ 420,196,428	\$ 437,497,850



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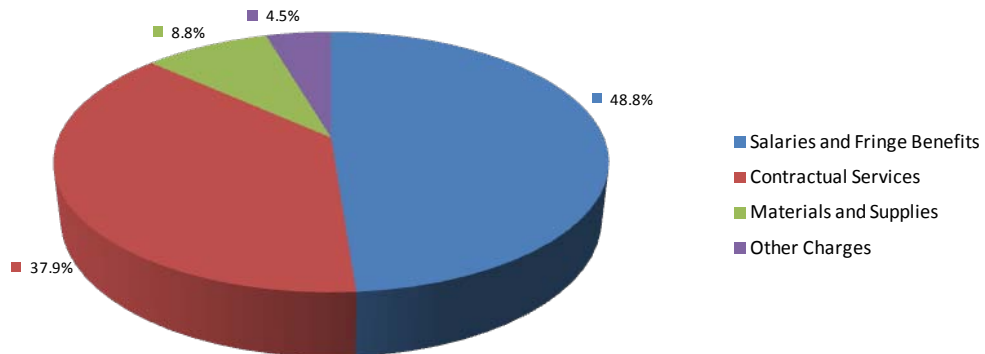
OPERATING AND MAINTENANCE EXPENSE

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

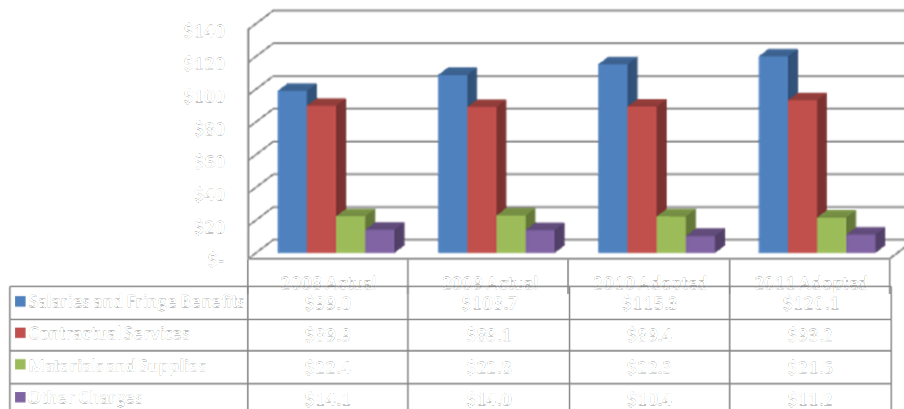
- Planning and development of water resources
- Production and delivery of quality drinking water
- Collection and treatment of wastewater
- Repair and maintenance of distribution mains and pumping facilities
- Billing and collection of customer accounts
- Responding to customers inquiries
- Maintaining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

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

**Operating and Maintenance Expense
(Before Capitalization)
\$246.1 Million**



**Operating and Maintenance Expense
(Millions of Dollars)**



OPERATING AND MAINTENANCE BY EXPENSE CLASSIFICATION

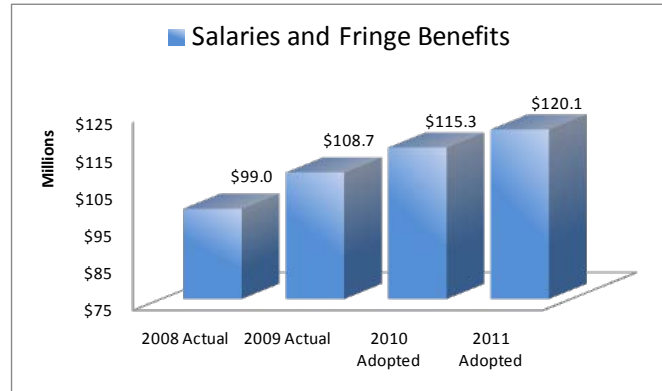
	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
Salaries and Fringe Benefits				
Net Salaries	\$ 69,946,714	\$ 76,071,557	\$ 77,343,778	\$ 78,943,619
511140 Overtime Pay	2,726,446	3,475,714	2,456,219	2,503,456
511150 On-Call Pay	510,587	526,833	494,812	503,768
511160 Employee Insurance	10,619,873	11,334,209	13,894,895	16,299,323
511162 Retirement	8,213,298	9,183,093	10,125,776	10,718,530
511163 Retirement-Principal	4,939,505	6,035,405	6,996,899	7,132,377
511164 Unused Sick Leave Bonus	49,907	38,366	73,029	74,397
511166 Personal Leave Bonus	774,579	846,064	790,387	805,230
511168 Accrued Vacation leave	1,085,215	1,088,228	895,933	912,810
511169 Longevity Pay	-	-	-	-
511170 Incentive Pay	146,394	64,079	239,000	239,000
511175 Other Post Employment Benefits	0	-	2,000,000	2,000,000
Total Salaries and Fringe Benefits	99,012,517	108,663,550	115,310,729	120,132,511
Contractual Services				
511210 Operating Expense	1,832,142	2,972,511	2,305,745	2,016,971
511211 Rental of Facilities	238,163	282,986	326,600	326,605
511212 Alarm and Security	1,043,431	1,338,711	1,545,000	1,545,008
511213 Collection Expense	233,280	245,037	337,000	337,000
511214 Shoe Allowance	68,685	86,224	95,367	95,501
511216 Catering Svcs & Luncheons	174,001	169,106	195,574	151,249
511219 Program Rebates	560,590	918,562	1,156,000	1,109,213
511220 Maintenance Expense	8,499,980	9,561,961	8,402,236	8,534,222
511221 Street Cut Permit Admin Fee	666,836	1,154,051	636,076	1,086,076
511222 St Pave/Repair Fee	920,447	1,060,728	946,494	2,196,489
511223 Preventive Maintenance	46,751	49,324	66,612	66,612
511224 Corrective Maintenance	1,004,840	1,035,892	977,120	1,025,120
511225 Damage Repair	155,781	226,003	160,000	115,000
511230 Equipment Rental Charges	169,670	139,170	461,717	461,717
511235 Equipment Rental - WC Fund	9,686	-	-	-
511240 Travel	303,824	241,998	248,744	186,669
511245 Training	623,603	820,643	739,000	639,000
511247 Conferences	95,369	104,474	119,750	90,897
511250 Membership/Subscription	439,382	391,855	408,726	398,754
511260 Utilities	23,257,320	22,616,728	21,103,020	22,695,715
511261 Water Options	14,124,135	14,752,687	15,647,917	15,041,151
511262 Wholesale Water Purchases	33,196	-	-	-
511265 Ground Water District Pay	8,145,732	7,198,404	9,947,223	10,480,009
511270 Postage	1,935,362	1,850,498	1,969,535	1,969,532
511280 Telemetering Charges	46,501	42,852	50,000	50,000
511309 Educational Assist-Books	309	20,107	20,000	20,000
511310 Educational Assistance	156,138	175,277	150,000	150,000
511311 Sludge Removal and Haul	-	-	-	-
511312 Contractual Prof Svcs	17,153,836	13,671,033	12,842,170	13,042,327
511313 Inspect & Assessment Fees	392,464	539,066	1,607,129	1,607,120
511315 Temporary Employees	1,294,508	1,421,835	581,874	581,870
511320 Legal Services	2,187,586	2,696,669	2,387,265	3,294,165
511330 Revenue Recovery Expense	275,965	32,607	-	-
511370 Communications	990,144	1,070,569	1,277,042	1,216,739
511371 Communications - Radios & PA System	2,241	-	-	-
511380 Data Processing Charges	59	-	-	-
511381 Software and Hardware Maintenance	2,811,803	2,224,531	2,696,565	2,646,012
511390 Teleprocessing Charges	-	-	-	-
Total Contractual Services	89,893,761	89,112,098	89,407,500	93,176,743

OPERATIONS AND MAINTENANCE BY EXPENSE CLASSIFICATION (CONTINUED)

	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
Materials and Supplies				
511410 Small Tools	425,893	748,922	656,985	554,996
511415 Expensed Asset	659,328	463,561	-	-
511416 Inventory Adjustment	-	-	-	-
511417 Copy and Printing Expense	288,057	249,288	34,632	34,632
511420 Operating Materials	2,371,150	2,351,115	2,438,091	2,298,560
511421 Heating Fuel	90,972	48,506	77,000	77,000
511422 Chemicals	5,139,620	5,925,028	6,436,010	6,388,027
511425 Education of School Children	27,319	15,297	25,000	25,000
511426 Public Awareness-WQEE	1,383	-	1,000	1,000
511427 Enforcement-WQEE	(1,995)	2,500	20,000	20,000
511428 Program Materials	2,251,987	2,147,080	2,533,808	1,766,351
511430 Maintenance Materials	6,971,620	7,483,427	6,733,994	6,766,400
511440 Safety Materials & Supplies	843,665	955,318	780,460	780,560
511441 Inventory Variances	9,697	45,885	30,000	30,000
511450 Tires and Tubes	462,405	332,198	231,204	231,204
511451 Motor Fuel & Lubricants	2,897,408	2,000,893	2,308,455	2,594,240
Total Materials and Supplies	22,438,509	22,769,017	22,306,639	21,567,970
Other Charges				
511510 Judgements and Claims	1,027,878	533,009	500,000	500,004
511511 AI & GI Claims CI Adjust	(132,097)	22,849	75,000	75,000
511520 Bank Charges	840,186	957,703	1,030,652	980,653
511530 Employee Relations	355,081	278,768	307,508	305,315
511540 Dep & Retiree Insurance	4,746,662	5,092,091	5,799,756	6,738,494
511560 Uncollectible Accounts	3,288,218	3,711,244	-	-
511570 Casualty Insurance	1,213,440	1,205,924	1,305,000	1,305,000
511580 Unemployment Compensation	28,052	69,301	30,000	30,000
511590 Workers Comp Medical	863,178	973,001	1,000,000	1,000,000
511600 WC-Contigent Liab Adjust	221,021	80,601	-	-
511610 Workers Comp Benefits	242,942	287,439	275,000	275,000
511620 WC-Misc Claims Expense	25,225	83,901	40,000	40,000
511650 Expensed CIP Projects	1,345,193	688,953	-	-
Total Other Charges	14,064,978	13,984,784	10,362,916	11,249,466
Total Expenditures	225,409,765	234,529,450	237,387,784	246,126,690
Capitalized Cost				
511710 Reimbursement of Services	(93,481)	(89,474)	-	-
511720 Interfund Transfers	(29,206,281)	(32,732,684)	(33,655,679)	(34,763,863)
Intercenter Transfers	(26,347)	(50,755)	-	-
Net Operating and Maintenance Expense	\$ 196,083,656	\$ 201,656,536	\$ 203,732,106	\$ 211,362,827

SALARIES AND FRINGE BENEFITS

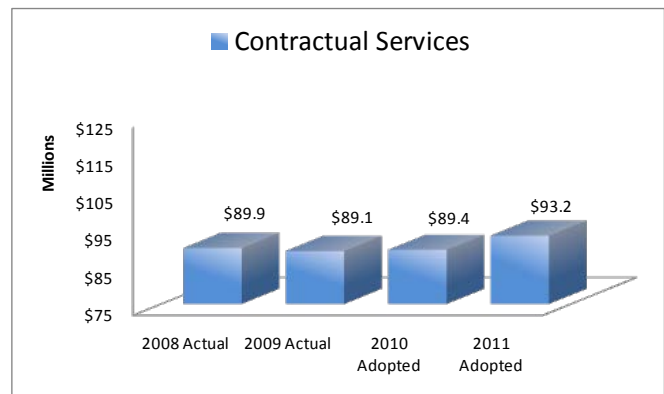
Salaries and fringe benefits are the single largest operating and maintenance expense. This category includes full time and part time salaries, overtime, on-call pay, employees' insurance and retirement benefits, and other post employment benefits. These costs are estimated at \$120.1 million in 2011, or 48.8% of gross Operation and Maintenance expenditures, and reflect a 4.2% increase over the prior year budget.



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

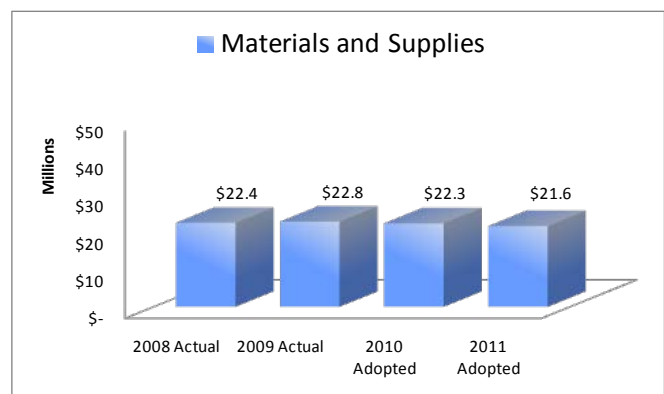
CONTRACTUAL SERVICES

Contractual services costs are generally expenditures for services that are obtained by express or implied contract. Total Contractual Services for 2011 are budgeted at \$93.2 million, which is 37.9% of gross Operating and Maintenance expenditures. The 2011 Operating Budget amount reflects a \$3.8 million increase from the 2010 Adopted Budget. This increase is primarily attributable to a projected \$1.6 million rise in utility costs driven by a CPS Energy rate increase in late 2009, \$1.3 million in additional budgeted street cut maintenance expenditures and, a \$1.0 million increase in Water Supply legal fees associated with some anticipated litigation



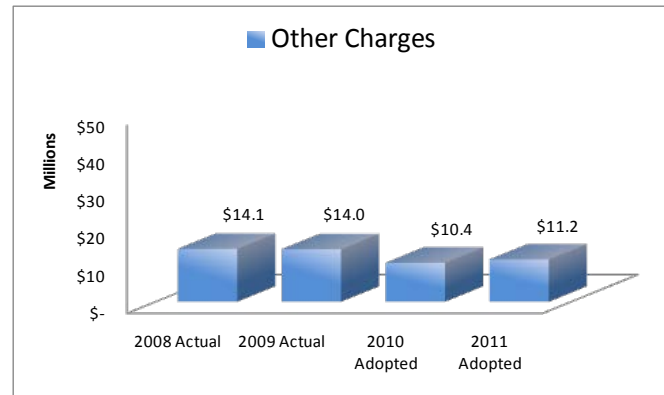
MATERIALS AND SUPPLIES

The Materials and Supplies budget of \$21.6 million (8.8% of gross operating and maintenance expenditures) reflects costs necessary to support the repair and construction efforts of the production, distribution, collection and treatment crews, in addition to operating supplies and materials for all administrative functions. The budget for this category reflects a decrease from the prior year driven primarily by projected decreases in expenditures for program materials supporting SAWS' conservation efforts.



OTHER CHARGES

Other Charges, totaling \$11.2 million, consist of costs associated with liability, property, and workers' compensation risk exposures. Also budgeted in this category are bank charges and retirees' health insurance costs. The 8.6% increase in this expense category reflects primarily the increase in the projected cost of medical benefits for SAWS' retirees.

**CAPITALIZED COSTS**

Operating and maintenance costs that support functions related to capital acquisitions are reflected as reductions to the gross Operations and Maintenance costs and are transferred to funds with other financing sources. In 2011, Capitalized Costs are estimated at \$34.8 million, which is a 3.3% increase from 2010.

OPERATING AND MAINTENANCE EXPENSE BY ORGANIZATIONAL UNIT

	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
Board of Trustees and President/CEO				
Board of Trustees	\$ 50,866	\$ 41,674	\$ 63,434	\$ 58,037
Office of the President-CEO	774,164	898,231	913,267	875,787
Board of Trustees Support	497,863	356,001	386,159	387,923
Internal Audit Dept	328,013	435,090	537,324	549,952
Total Board of Trustees Group	1,650,907	1,730,995	1,900,184	1,871,698
Distribution and Collection Group				
Office of the VP - Distribution and Collection	270,755	294,163	286,521	679,648
Construction and Maintenance	8,026,393	10,632,920	11,364,412	13,362,933
Eastern Service Centers	9,686,725	13,502,332	10,777,803	10,683,092
Distribution and Collection Support Services	1,178,661	856,707	697,413	718,655
Western Service Centers	8,271,383	11,288,724	9,473,449	9,682,977
Total Distribution and Collection Group	27,433,917	36,574,846	32,599,599	35,127,304
Operations Services Group				
Office of VP - Operations Services	344,882	57,843	(262,803)	(262,877)
Corporate Real Estate	811,909	815,105	995,455	952,019
Laboratory Services	1,714,689	1,993,864	2,108,210	2,056,915
Facilities Maintenance	2,197,179	2,264,871	2,474,967	2,448,928
Facilities Management	1,747,648	1,824,728	1,978,626	1,920,618
Fleet Management	7,460,937	6,630,078	6,806,224	7,509,956
Resource Protection and Compliance	4,703,536	4,953,787	6,108,924	5,949,011
Security	1,624,420	1,976,187	2,148,193	2,652,697
Service Center Facility Plan	175,268	57,843	6,225	107,676
Total Operations Services Group	20,780,467	20,974,702	22,364,022	23,334,944
Production and Treatment Operations Group				
Office of the VP - Production and Treatment	286,495	156,468	64,036	57,192
Office of Chief Operating Officer	176,722	481,029	525,404	524,913
Production Department	23,590,459	23,694,184	25,158,711	26,462,590
Environmental Services	4,061,171	5,218,939	5,365,468	5,364,223
Heating and Cooling Department	8,053,295	7,730,991	7,791,347	7,617,150
Treatment Operations Management	14,295,014	14,808,944	14,729,549	14,980,312
Treatment Maintenance Management Department	7,975,547	8,269,502	8,199,909	8,386,330
Maintenance Planning Department	503,658	1,612,132	1,845,340	1,940,647
Total Production and Treatment Operations Group	58,942,361	61,972,188	63,679,766	65,333,357
Information Systems				
Information Services Programs	81,025	969,348	861,326	859,803
Strategic Planning (Inactive)	48,747	48,015	-	-
Administration	843,174	566,752	467,619	488,205
Database Administration (Inactive)	323,753	228,659	-	-
Program Management Office (Inactive)	1,158,030	139,842	-	-
Application Services Section	2,574,966	2,664,906	1,844,744	1,829,484
Information Technology	6,453,039	6,730,836	8,431,997	8,689,062
Total Information Services	11,482,734	11,348,359	11,605,686	11,866,555
Financial Services				
Purchasing	534,469	619,570	613,335	618,574
Office of the CFO	445,449	330,789	304,682	304,980
Accounting Div	760,535	1,099,369	1,099,202	1,141,198
Financial Planning	731,697	844,438	740,235	691,674
Treasury	404,479	451,142	512,264	463,991
Accounts Payable	283,280	326,006	315,439	319,646
Supply	830,566	970,004	981,042	980,136
Risk Management	1,311,991	1,316,308	1,427,792	1,428,150
Contracting Department	800,924	968,249	1,190,965	1,128,542
Total Financial Services	6,103,390	6,925,874	7,184,955	7,076,891

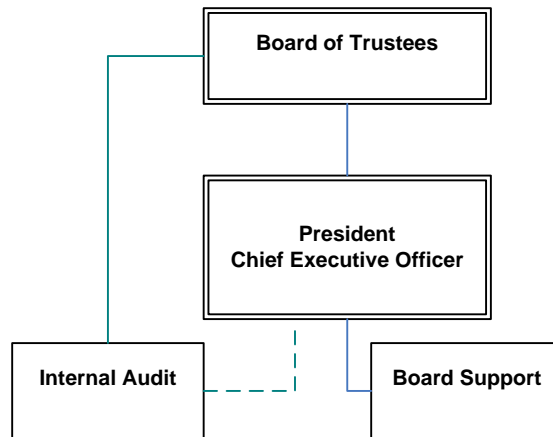
OPERATING AND MAINTENANCE EXPENSE BY ORGANIZATIONAL UNIT (CONTINUED)

	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
Public Affairs				
Communications Administration	423,217	413,989	301,155	293,627
Public Affairs Administration	159,584	171,371	173,797	175,176
Communications and External Relations	3,195,845	3,999,361	4,237,768	3,782,995
Total Public Affairs	3,778,647	4,584,722	4,712,720	4,251,799
Customer Service				
VP - Customer Service	294,840	470	-	-
Customer Service Administration	250,061	339,820	344,319	261,929
Field Operation	5,388,683	9,956,086	6,120,061	6,192,510
Customer Care	3,851,644	5,397,909	4,872,856	5,070,759
Quality	551,712	415,619	531,831	467,061
Total Customer Service	10,336,940	16,109,904	11,869,066	11,992,259
Engineering and Construction				
Office of the VP - Strategic Resources	478,695	465,790	(411,569)	(354,463)
Utility Services (Inactive)	62,930	-	-	-
Operations and Maintenance Eng.	854,187	873,411	896,689	875,021
Collection and Distribution Department	935,611	1,152,672	1,204,048	1,307,746
Governmental Engineering Department	1,537,445	1,905,332	2,024,348	2,102,707
Infrastructure Planning Department	4,468,424	4,765,229	4,998,974	4,876,077
Pipeline Inspections Department	3,315,438	3,827,633	4,278,750	4,206,631
Production, Recycle, Treatment Engineering Department	1,816,570	2,051,716	2,337,272	2,314,024
Total Engineering and Construction	13,469,301	15,041,781	15,328,513	15,327,742
Human Resources				
Safety and Environmental Health	1,095,093	1,003,310	1,146,549	1,143,796
Human Resources Div	1,708,283	1,925,199	2,137,477	2,194,243
Corporate Training	1,150,775	1,571,970	1,597,999	1,506,993
Claims	441,149	521,579	526,906	502,329
Office of the VP - Human Resources	451,612	614,086	528,507	524,940
Total Human Resources	4,846,912	5,636,143	5,937,438	5,872,300
Legal Group				
Records Management	201,739	237,351	260,189	263,192
Legal Department	3,292,831	4,094,590	3,710,165	4,671,543
Total Legal Group	3,494,570	4,331,941	3,970,355	4,934,734
Water Resources and Conservation				
VP - Water Resources	275,162	233,935	250,054	247,881
Regional Initiatives and Special Projects	-	226,394	528,727	471,787
Conservation Department	5,047,252	5,799,328	6,641,634	5,372,004
Water Resources Department	31,661,622	26,674,809	29,061,433	28,915,586
Total Water Resources and Conservation	36,984,036	32,934,466	36,481,849	35,007,258
Other Requirements Group	26,105,583	16,363,529	19,753,632	24,129,846
Total Operations and Maintenance Before Capitalizati	225,409,765	234,529,450	237,387,784	246,126,690
Capitalized Costs and Intercenter Transfers	(29,326,109)	(32,872,913)	(33,655,679)	(34,763,863)
Net Operating and Maintenance Expense	\$ 196,083,656	\$ 201,656,536	\$ 203,732,106	\$ 211,362,827

BOARD OF TRUSTEES AND PRESIDENT/CEO

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

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



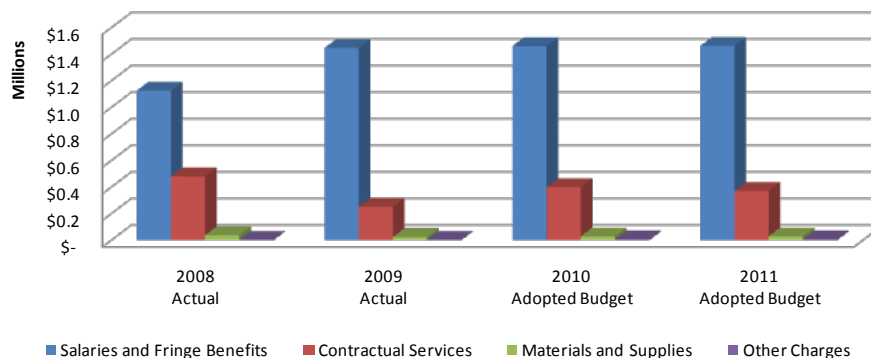
Board of Trustees and President/CEO

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 1,126,895	\$ 1,448,543	\$ 1,462,291	\$ 1,463,328
Contractual Services	481,356	252,991	400,473	370,950
Materials and Supplies	38,709	25,385	30,120	30,120
Other Charges	3,946	4,077	7,300	7,300
Total Before Transfers	1,650,907	1,730,995	1,900,184	1,871,698
Interfund/Intercompany Transfers	68	(296)	-	-
Net O&M Expenditures	\$ 1,650,975	\$ 1,730,700	\$ 1,900,184	\$ 1,871,698
Capital Outlay	\$ -	\$ 2,417	\$ -	\$ -

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Board of Trustees	\$ 50,866	\$ 41,674	\$ 63,434	\$ 58,037
Office of the President / CEO	774,164	898,231	913,267	875,787
Board of Trustees Support	497,863	356,001	386,159	387,923
Internal Audit Dept	328,013	435,090	537,324	549,952
Total Before Transfers	1,650,907	1,730,995	1,900,184	1,871,698
Interfund/Intercompany Transfers	68	(296)	-	-
Net Expenditures	\$ 1,650,975	\$ 1,730,700	\$ 1,900,184	\$ 1,871,698

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Board of Trustees	-	-	-	-
Office of the President / CEO	5	5	6	6
Board of Trustees Support	2	2	2	2
Internal Audit Dept	5	5	5	5
Total Authorized Positions	12	12	13	13

**ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Board of Trustees and President/CEO**



PRODUCTION AND TREATMENT OPERATIONS (INCLUDES MAINTENANCE PLANNING)

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

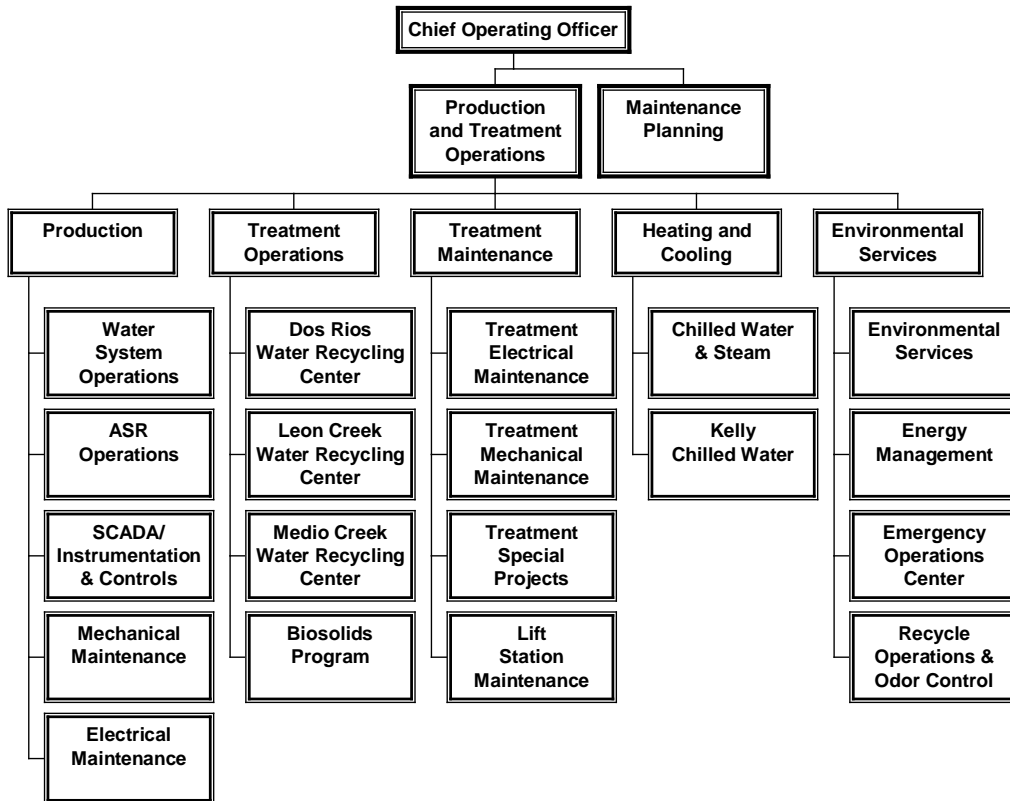
Production – Manages, controls and operates the production of potable water for SAWS’ customers.

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

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

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

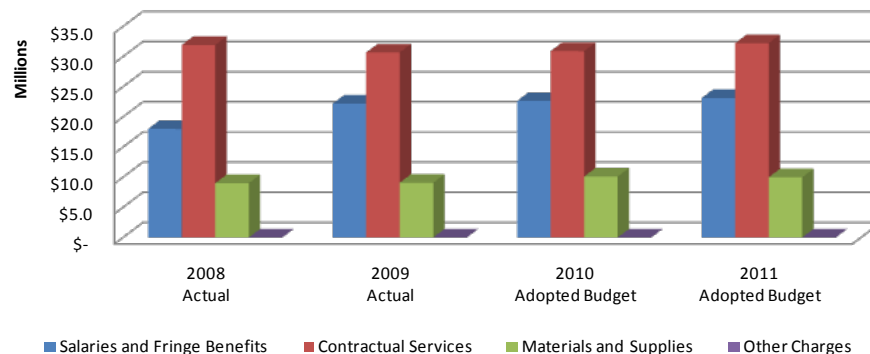
Maintenance Planning - The Maintenance Planning Department oversees work order data, plans maintenance schedules, and provides overall data management and reporting pertaining to field and plant operations. In addition, the department is responsible for performing predictive maintenance and failure analysis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



Production and Treatment Operations (Includes Maintenance Planning)

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 18,005,852	\$ 22,188,600	\$ 22,643,864	\$ 23,111,831
Contractual Services	31,924,131	30,684,926	30,906,717	32,227,924
Materials and Supplies	9,009,070	9,090,165	10,120,480	9,985,094
Other Charges	3,308	8,497	8,706	8,508
Total Before Transfers	58,942,361	61,972,188	63,679,766	65,333,357
Interfund/Intercompany Transfers	(1,813,904)	(4,333,702)	(5,116,874)	(5,055,345)
Net Expenditures	\$ 57,128,458	\$ 57,638,486	\$ 58,562,892	\$ 60,278,012
Capital Outlay	\$ 871,892	\$ 1,167,809	\$ 2,192,028	\$ 791,000
Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Office of Chief Operating Officer	\$ 176,722	\$ 481,029	\$ 525,404	\$ 524,913
Office of the VP - Production and Treatment	286,495	156,468	64,036	57,192
Environmental Services	4,061,171	5,218,939	5,365,468	5,364,223
Heating and Cooling Department	8,053,295	7,730,991	7,791,347	7,617,150
Production	23,590,459	23,694,184	25,158,711	26,462,590
Treatment Operations Management	14,295,014	14,808,944	14,729,549	14,980,312
Treatment Maintenance Management	7,975,547	8,269,502	8,199,909	8,386,330
Maintenance Planning	503,658	1,612,132	1,845,340	1,940,647
Total Before Transfers	58,942,361	61,972,188	63,679,766	65,333,357
Interfund/Intercompany Transfers	(1,813,904)	(4,333,702)	(5,116,874)	(5,055,345)
Net Expenditures	\$ 57,128,458	\$ 57,638,486	\$ 58,562,892	\$ 60,278,012
Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Office of Chief Operating Officer		3	4	4
Office of the VP - Production and Treatment	5	3	-	-
Environmental Services	39	35	34	34
Heating and Cooling Department	34	29	29	29
Production	85	99	100	100
Treatment Operations Management	80	80	78	78
Treatment Maintenance Management	119	107	104	105
Maintenance Planning	-	12	29	29
Total Authorized Positions	362	368	378	379

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Production and Treatment Operations Group



DISTRIBUTION AND COLLECTION OPERATIONS

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

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

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

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

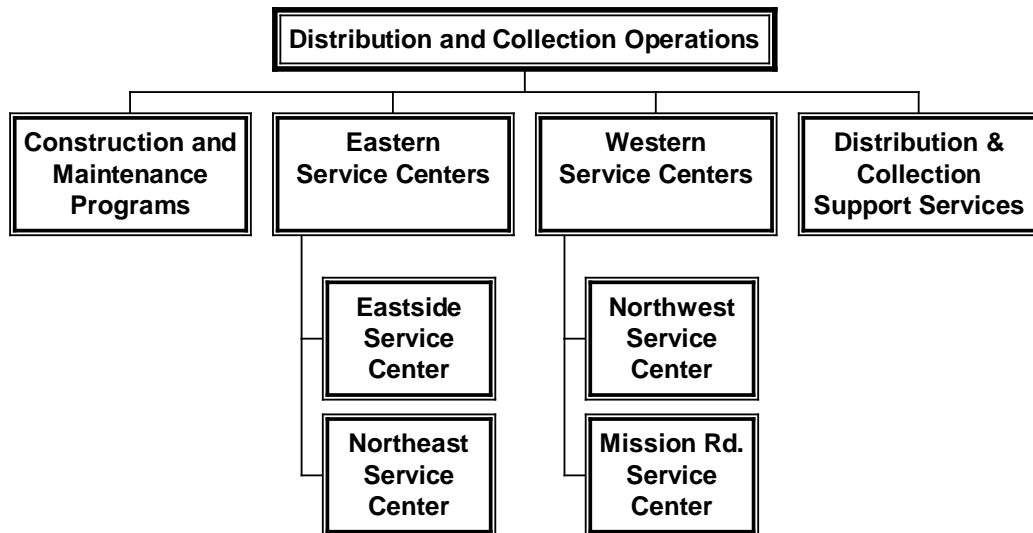
Construction Crews – Offers in-house construction expertise, including asphalt and concrete services, to improve service restoration and increase customer satisfaction.

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

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

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

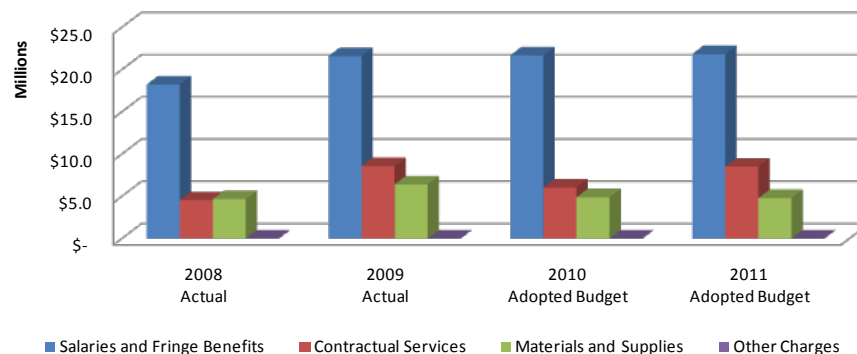
SAWS distribution and collection crews are mobilized from four strategically located service centers throughout the city: Eastside, Mission Road (south central), Northeast and Northwest.



Distribution and Collection Operations

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 18,215,951	\$ 21,592,671	\$ 21,682,365	\$ 21,830,824
Contractual Services	4,533,012	8,570,537	6,034,854	8,514,096
Materials and Supplies	4,668,883	6,406,514	4,882,380	4,782,384
Other Charges	16,072	5,124	-	-
Total Before Transfers	27,433,917	36,574,846	32,599,599	35,127,304
Interfund/Intercompany Transfers	(4,184,655)	(3,977,010)	(3,701,763)	(3,701,763)
Net Expenditures	\$ 23,249,262	\$ 32,597,836	\$ 28,897,836	\$ 31,425,541
Capital Outlay	\$ 14,843	\$ 691,083	\$ -	\$ 691,000
Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Office of the VP - Distribution and Collection	\$ 270,755	\$ 294,163	\$ 286,521	\$ 679,648
Construction and Maintenance Programs	8,026,393	10,632,920	11,364,412	13,362,933
Distribution and Collection Support Services	1,178,661	856,707	697,413	718,655
Eastern Service Centers	9,686,725	13,502,332	10,777,803	10,683,092
Western Service Centers	8,271,383	11,288,724	9,473,449	9,682,977
Total Before Transfers	27,433,917	36,574,846	32,599,599	35,127,304
Interfund/Intercompany Transfers	(4,184,655)	(3,977,010)	(3,701,763)	(3,701,763)
Net Expenditures	\$ 23,249,262	\$ 32,597,836	\$ 28,897,836	\$ 31,425,541
Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Office of the VP - Distribution and Collection	2	2	2	2
Construction and Maintenance Programs	105	105	117	131
Distribution and Collection Support Services	20	21	12	13
Eastern Service Centers	159	159	157	154
Western Service Centers	153	153	149	149
Total Authorized Positions	439	440	437	449

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Distribution and Collection Operations Group



OPERATIONS SERVICES

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

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

Individual departments within the Operations Services Group are:

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

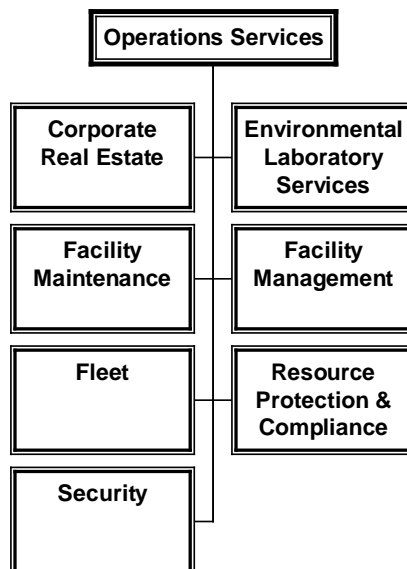
Environmental Laboratory Services – Provides analytical services to internal business groups and one external client. Activities include sample testing, environmental and safety tests, regulatory reporting, analytical planning, training and quality assurance. The Lab was certified by the National Environmental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

Facilities Management & Maintenance – Provides building and maintenance services including space planning, office reconfigurations, building and ground issues, repairs, and oversight of facility construction projects. This area also handles the collection and delivery of SAWS mail, and manages the corporate cafeteria.

Fleet – Provides vehicles, equipment and maintenance service, and fuel for company employees. Maintains corporate vehicle pool program and ensures that vehicles and heavy equipment are properly maintained and in good working condition.

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

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



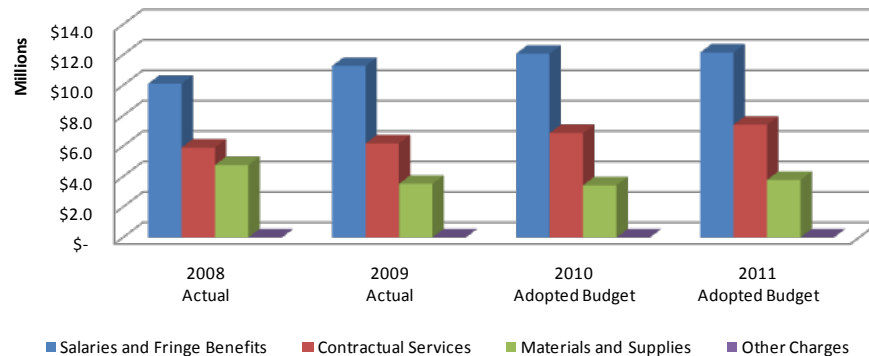
Operations Services

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 10,101,494	\$ 11,270,104	\$ 12,074,240	\$ 12,148,768
Contractual Services	5,910,944	6,179,982	6,861,427	7,408,127
Materials and Supplies	4,760,113	3,524,293	3,428,355	3,778,050
Other Charges	7,917	323	-	-
Total Before Transfers	20,780,467	20,974,702	22,364,022	23,334,944
Interfund/Intercompany Transfers	(958,814)	(1,657,225)	(1,750,155)	(1,897,342)
Net Expenditures	\$ 19,821,653	\$ 19,317,477	\$ 20,613,867	\$ 21,437,602
Capital Outlay	\$ 9,621,783	\$ 9,142,932	\$ 4,697,750	\$ 7,573,000

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Office of VP - Operations Services	\$ 344,882	\$ 57,843	\$ (262,803)	\$ (262,877)
Corporate Real Estate	811,909	815,105	995,455	952,019
Laboratory Services	1,714,689	1,993,864	2,108,210	2,056,915
Facilities Maintenance	2,197,179	2,264,871	2,474,967	2,448,928
Facilities Management	1,747,648	1,824,728	1,978,626	1,920,618
Fleet Management	7,460,937	6,630,078	6,806,224	7,509,956
Resource Protection and Compliance	4,703,536	4,953,787	6,108,924	5,949,011
Security	1,624,420	1,976,187	2,148,193	2,652,697
Service Center Facility Plan	175,268	57,843	6,225	107,676
Total Before Transfers	20,780,467	20,574,306	22,364,022	23,334,944
Interfund/Intercompany Transfers	(958,814)	(1,657,225)	(1,750,155)	(1,897,342)
Net Expenditures	\$ 19,821,653	\$ 18,917,080	\$ 20,613,867	\$ 21,437,602

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Office of VP - Operations Services	3	3	3	3
Corporate Real Estate	10	9	9	8
Laboratory Services	25	24	23	22
Facilities Maintenance	25	28	28	28
Facilities Management	11	7	7	7
Fleet Management	46	48	47	49
Resource Protection and Compliance	70	71	72	69
Security	6	7	8	8
Service Center Facility Plan	5	1	-	1
Total Authorized Positions	201	198	197	195

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Operations Services Group



ENGINEERING AND CONSTRUCTION

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

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

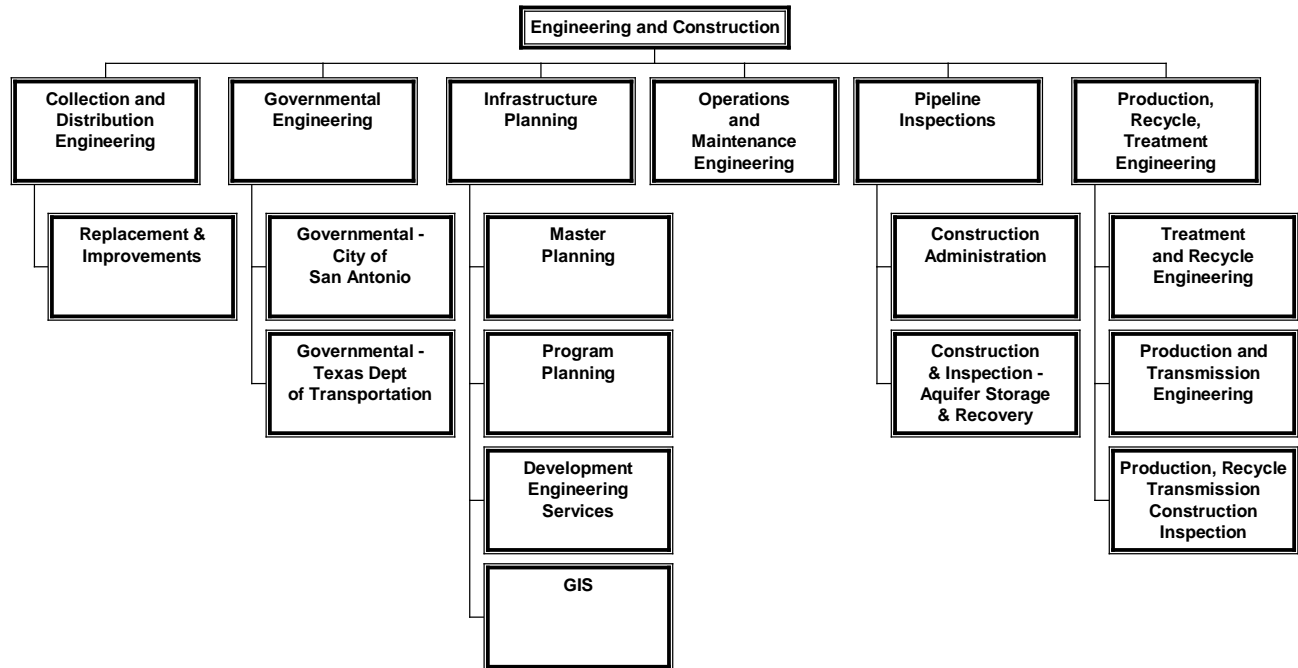
Governmental Engineering – Plans and designs water distribution and wastewater collection systems that support intergovernmental capital projects.

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

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

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

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



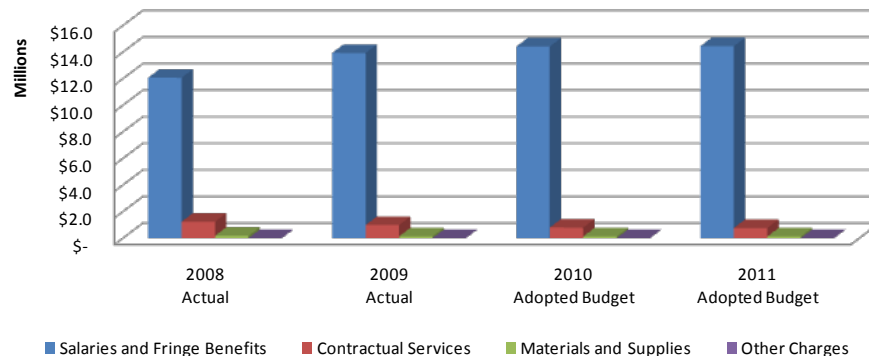
Engineering and Construction

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 12,064,695	\$ 13,928,537	\$ 14,409,142	\$ 14,438,754
Contractual Services	1,230,161	980,688	794,408	764,025
Materials and Supplies	173,021	130,675	122,755	122,755
Other Charges	1,423	1,881	2,208	2,208
Total Before Transfers	13,469,301	15,041,781	15,328,513	15,327,742
Interfund/Intercompany Transfers	(12,885,637)	(14,455,338)	(14,684,242)	(14,786,680)
Net Expenditures	\$ 583,664	\$ 586,443	\$ 644,270	\$ 541,062
Capital Outlay	\$ 173,386	\$ 52,274	\$ 6,000	\$ -

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Office of the Sr VP - Strategic Resources	\$ 541,626	\$ 465,790	\$ (411,569)	\$ (354,463)
Collection and Distribution Engineering	935,611	1,152,672	1,204,048	1,307,746
Governmental Engineering	1,537,445	1,905,332	2,024,348	2,102,707
Infrastructure Planning	4,468,424	4,765,229	4,998,974	4,876,077
Operations and Maintenance Engineering	854,187	873,411	896,689	875,021
Pipeline Inspections	3,315,438	3,827,633	4,278,750	4,206,631
Production, Recycle, Treatment Engineering	1,816,570	2,051,716	2,337,272	2,314,024
Total Before Transfers	13,469,301	15,041,781	15,328,513	15,327,742
Interfund/Intercompany Transfers	(12,885,637)	(14,455,338)	(14,684,242)	(14,786,680)
Net Expenditures	\$ 583,664	\$ 586,443	\$ 644,270	\$ 541,062

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Office of the Sr VP - Strategic Resources	4	6	4	3
Collection and Distribution Engineering	15	14	15	16
Governmental Engineering	23	24	26	26
Infrastructure Planning	71	66	67	62
Operations and Maintenance Engineering	13	11	11	10
Pipeline Inspections	57	61	62	60
Production, Recycle, Treatment Engineering	29	27	28	27
Total Authorized Positions	212	209	213	204

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Engineering and Construction Group

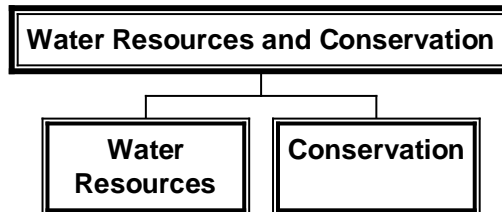


WATER RESOURCES AND CONSERVATION

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

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

Conservation – Delivers nationally recognized programs that achieve cost-effective water savings while enhancing quality of life. San Antonio's cheapest source of water is conservation — water we don't use. To help keep rates affordable, SAWS aggressively promotes more efficient landscape water use through education, outreach, drought ordinance rules, and inverted block structure pricing, while continuing to encourage indoor conservation via high-efficiency fixtures for homes and businesses.



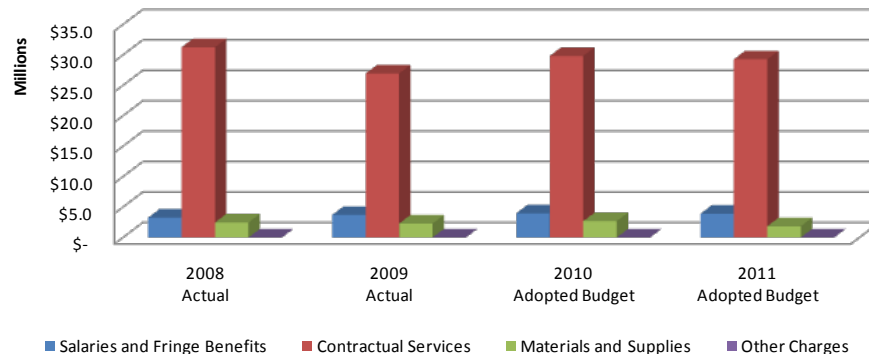
Water Resources and Conservation

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 3,246,639	\$ 3,703,751	\$ 3,973,847	\$ 3,883,929
Contractual Services	31,267,899	26,942,360	29,829,345	29,274,730
Materials and Supplies	2,469,384	2,288,355	2,678,657	1,848,599
Other Charges	114	-	-	-
Total Before Transfers	36,984,036	32,934,466	36,481,849	35,007,258
Interfund/Intercompany Transfers	(1,135,882)	(1,023,566)	(1,083,614)	(992,087)
Net Expenditures	\$ 35,848,154	\$ 31,910,900	\$ 35,398,235	\$ 34,015,171
Capital Outlay	\$ 6,256	\$ 20,134		\$ -

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Water Resources Administration	\$ 275,162	\$ 233,935	\$ 250,054	\$ 247,881
Regional Initiatives and Special Projects	-	226,394	528,727	471,787
Conservation	5,047,252	5,799,328	6,641,634	5,372,004
Water Resources	31,661,622	26,674,809	29,061,433	28,915,586
Total Before Transfers	36,984,036	32,934,466	36,481,849	35,007,258
Interfund/Intercompany Transfers	(1,135,882)	(1,023,566)	(1,083,614)	(992,087)
Net Expenditures	\$ 35,848,154	\$ 31,910,900	\$ 35,398,235	\$ 34,015,171

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Water Resources Administration	3	2	2	2
Regional Initiatives and Special Projects	-	2	3	2
Conservation	23	27	28	27
Water Resources	34	33	25	24
Total Authorized Positions	60	64	58	55

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Water Resources and Conservation



FINANCIAL SERVICES

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

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

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

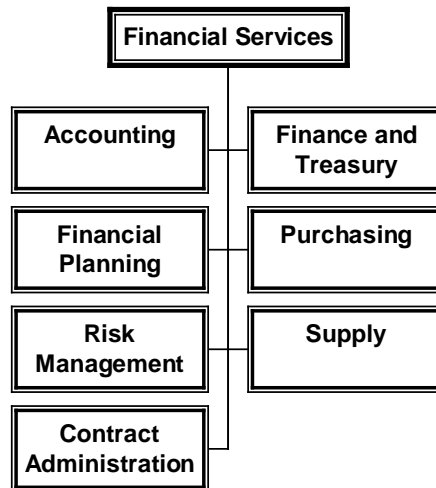
Financial Planning – Responsible for short and long-range financial plans and developing and implementing the budget.

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

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

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

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



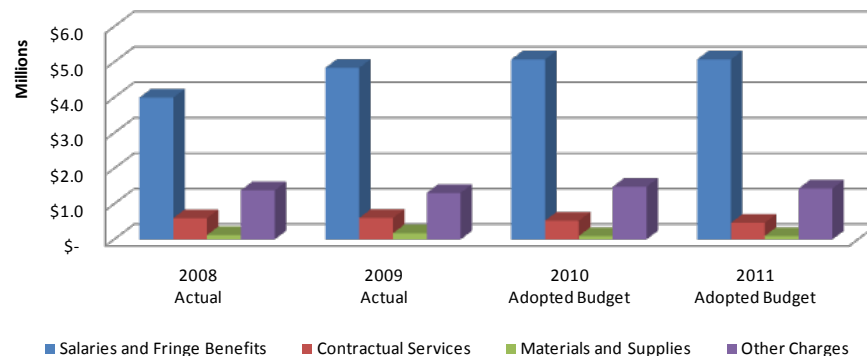
Financial Services

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 3,997,573	\$ 4,836,849	\$ 5,075,387	\$ 5,075,831
Contractual Services	600,308	604,018	528,118	469,042
Materials and Supplies	122,435	174,405	97,100	97,668
Other Charges	1,383,074	1,310,602	1,484,350	1,434,350
Total Before Transfers	6,103,390	6,925,874	7,184,955	7,076,891
Interfund/Intercompany Transfers	(1,174,474)	(1,375,653)	(1,781,737)	(1,949,550)
Net Expenditures	\$ 4,928,916	\$ 5,550,221	\$ 5,403,217	\$ 5,127,341
Capital Outlay	\$ 366,452	\$ 3,481	\$ -	\$ -

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Office of the Sr VP/CFO	\$ 445,449	\$ 330,789	\$ 304,682	\$ 304,980
Accounting	760,535	1,099,369	1,099,202	1,141,198
Accounts Payable	283,280	326,006	315,439	319,646
Financial Planning	731,697	844,438	740,235	691,674
Purchasing	534,469	619,570	613,335	618,574
Risk Management	1,311,991	1,316,308	1,427,792	1,428,150
Supply	830,566	970,004	981,042	980,136
Finance and Treasury	404,479	451,142	512,264	463,991
Contracting	800,924	968,249	1,190,965	1,128,542
Total Before Transfers	6,103,390	6,925,874	7,184,955	7,076,891
Interfund/Intercompany Transfers	(1,174,474)	(1,375,653)	(1,781,737)	(1,949,550)
Net Expenditures	\$ 4,928,916	\$ 5,550,221	\$ 5,403,217	\$ 5,127,341

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Office of the Sr VP/CFO	2	2	2	2
Accounting	14	13	13	13
Accounts Payable	6	6	6	6
Financial Planning	8	8	8	8
Purchasing	7	7	7	7
Risk Management	1	1	1	1
Supply	20	20	19	19
Finance and Treasury	3	3	3	3
Contracting	11	15	14	14
Total Authorized Positions	72	75	73	73

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Financial Services



INFORMATION SYSTEMS

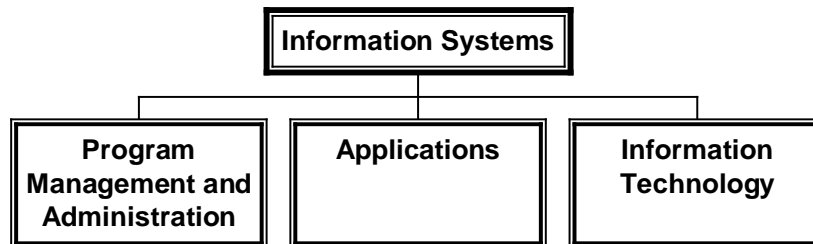
Information Services seamlessly delivers quality, cost effective information technology services, promoting innovation, sustaining growth and enabling SAWS to better serve our community. Information Services delivers a broad spectrum of applications and technology services and supports all areas of SAWS.

This is accomplished through:

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

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

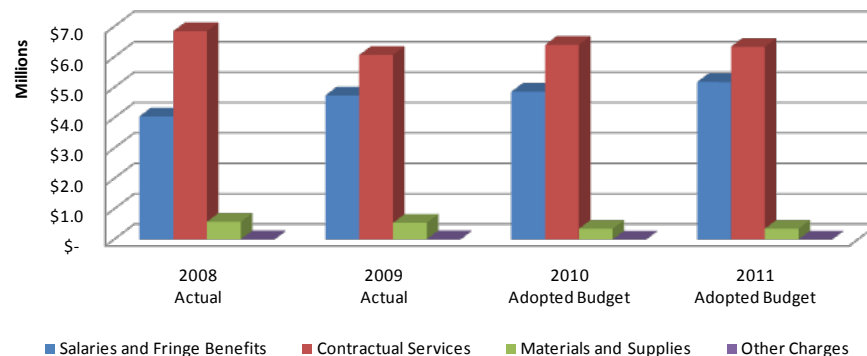
Program Management and Administration - provides the following services: program management, testing, change control and quality assurance, project management, and overall administrative support for Information Systems and SAWS programs.



Information Systems

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 4,046,692	\$ 4,736,480	\$ 4,857,105	\$ 5,177,840
Contractual Services	6,850,665	6,064,362	6,398,826	6,338,955
Materials and Supplies	583,124	543,689	349,754	349,760
Other Charges	2,253	3,828	-	-
Total Before Transfers	11,482,734	11,348,359	11,605,686	11,866,555
Interfund/Intercompany Transfers	(1,031,473)	(1,906,598)	(1,173,588)	(1,253,450)
Net Expenditures	\$ 10,451,262	\$ 9,441,761	\$ 10,432,097	\$ 10,613,105
Capital Outlay	\$ 2,071,337	\$ 2,097,996	\$ 2,522,841	\$ 1,834,592
Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Administration	\$ 843,174	\$ 566,752	\$ 467,619	\$ 488,205
Application Services	2,574,966	2,664,906	1,844,744	1,829,484
Database Administration	323,753	228,659	-	-
Information Services Programs	81,025	969,348	861,326	859,803
Print Shop Services				
Program Management Office	1,158,030	139,842	-	-
Strategic Planning	48,747	48,015	-	-
Information Technology	6,453,039	6,730,836	8,431,997	8,689,062
Total Before Transfers	11,482,734	11,348,359	11,605,686	11,866,555
Interfund/Intercompany Transfers	(1,031,473)	(1,906,598)	(1,173,588)	(1,253,450)
Net Expenditures	\$ 10,451,262	\$ 9,441,761	\$ 10,432,097	\$ 10,613,105
Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Administration	4	4	3	3
Application Services	9	11	15	15
Database Administration	2	2	-	-
Information Services Programs	-	8	6	6
Print Shop Services	4			
Program Management Office	13	2	-	-
Strategic Planning	-	1	-	-
Information Technology	25	32	37	38
Total Authorized Positions	57	60	61	62

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Information Systems



HUMAN RESOURCES

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

Human Resources

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

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

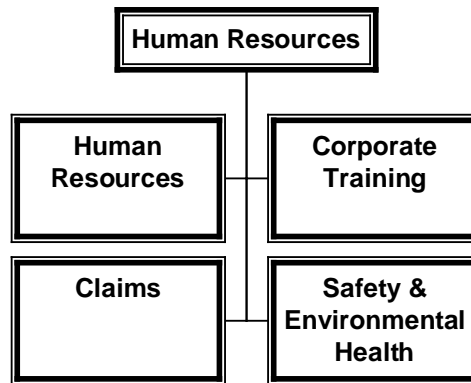
Employee Development & Communications – Develops and administers a variety of employee development and communications programs including career development, orientations, education assistance, mentoring and internship programs.

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

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

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

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



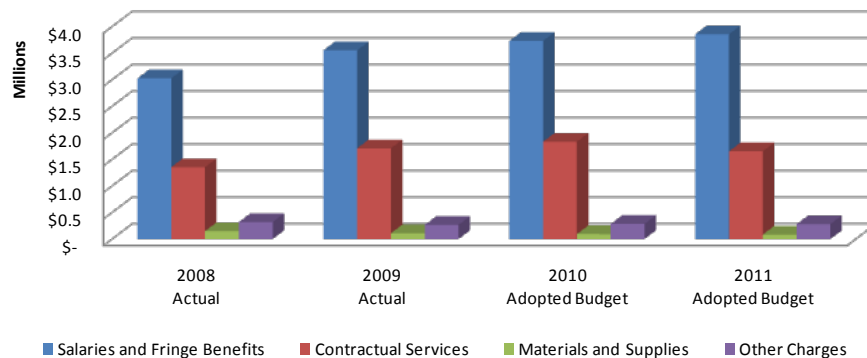
Human Resources

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 3,025,111	\$ 3,552,867	\$ 3,728,943	\$ 3,855,804
Contractual Services	1,354,113	1,708,612	1,832,349	1,650,850
Materials and Supplies	148,875	108,984	92,541	84,041
Other Charges	318,812	265,680	283,605	281,605
Total Before Transfers	4,846,912	5,636,143	5,937,438	5,872,300
Interfund/Intercompany Transfers	(4,889)	(77)	-	-
Net Expenditures	\$ 4,842,023	\$ 5,636,066	\$ 5,937,438	\$ 5,872,300
Capital Outlay	\$ 21,483	\$ -	\$ -	\$ -

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Office of VP - Human Resources	\$ 451,612	\$ 614,086	\$ 528,507	\$ 524,940
Claims	441,149	521,579	526,906	502,329
Corporate Training	1,150,775	1,571,970	1,597,999	1,506,993
Human Resources Division	1,708,283	1,925,199	2,137,477	2,194,243
Safety and Environmental Health	1,095,093	1,003,310	1,146,549	1,143,796
Total Before Transfers	4,846,912	5,636,143	5,937,438	5,872,300
Interfund/Intercompany Transfers	(4,889)	(77)	-	-
Net Expenditures	\$ 4,842,023	\$ 5,636,066	\$ 5,937,438	\$ 5,872,300

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Office of VP - Human Resources	4	4	5	5
Claims	6	7	7	7
Corporate Training	9	10	10	10
Human Resources Division	16	15	16	17
Safety and Environmental Health	12	12	12	12
Total Authorized Positions	47	48	50	51

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Human Resources

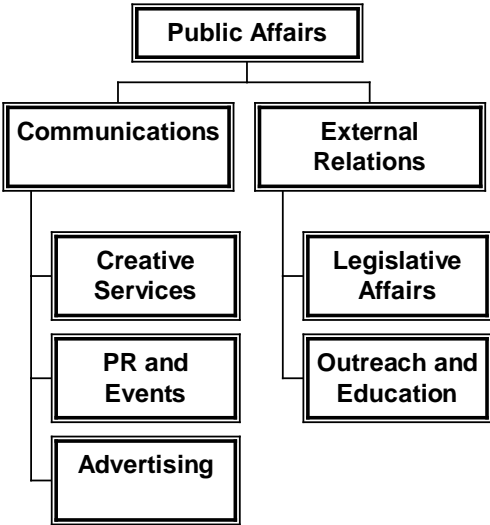


PUBLIC AFFAIRS

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

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

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



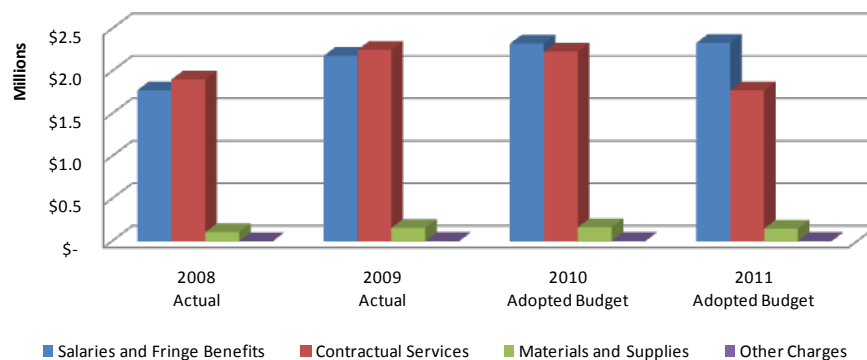
Public Affairs

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 1,774,822	\$ 2,179,195	\$ 2,322,801	\$ 2,330,874
Contractual Services	1,900,262	2,249,857	2,228,592	1,774,592
Materials and Supplies	103,562	155,360	160,877	145,879
Other Charges	2	310	449	454
Total Before Transfers	3,778,647	4,584,722	4,712,720	4,251,799
Interfund/Intercompany Transfers	(711,483)	(902,295)	(919,210)	(807,757)
Net Expenditures	\$ 3,067,164	\$ 3,682,427	\$ 3,793,510	\$ 3,444,042
Capital Outlay	\$ 13,116	\$ 4,962	\$ -	\$ -

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Communications Administration	\$ 423,217	\$ 413,989	\$ 301,155	\$ 293,627
Public Affairs Administration	159,584	171,371	173,797	175,176
Communications and External Relations	3,195,845	3,999,361	4,237,768	3,782,995
Total Before Transfers	3,778,647	4,584,722	4,712,720	4,251,799
Interfund/Intercompany Transfers	(711,483)	(902,295)	(919,210)	(807,757)
Net Expenditures	\$ 3,067,164	\$ 3,682,427	\$ 3,793,510	\$ 3,444,042

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Communications Administration	3	4	2	2
Public Affairs Administration	2	2	2	2
Communications and External Relations	19	24	28	28
Total Authorized Positions	24	30	32	32

**ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Public Affairs**



CUSTOMER SERVICE

The Customer Service Group is responsible for providing the highest level of service to SAWS customers at all times, responding in the most expedient and professional manner possible. This group is also responsible for the accurate and timely billing of SAWS customers and the maintenance of customer accounts. This is accomplished by 3 departments – Customer Care, Field Operation, and Quality – performing the following functions:

Automated Meter Reading – Responsible for evaluating the deployment and maintenance of a complete network of wireless meter reading devices, as well as meter data management for billing, account review, work order, meter shop, field investigation, and call center uses.

Billing – Reviews the billing process for accuracy of all SAWS bills printed daily; coordinates water utility acquisitions, city annexations, and recycled/reuse accounts; resolves customer service online billing issues.

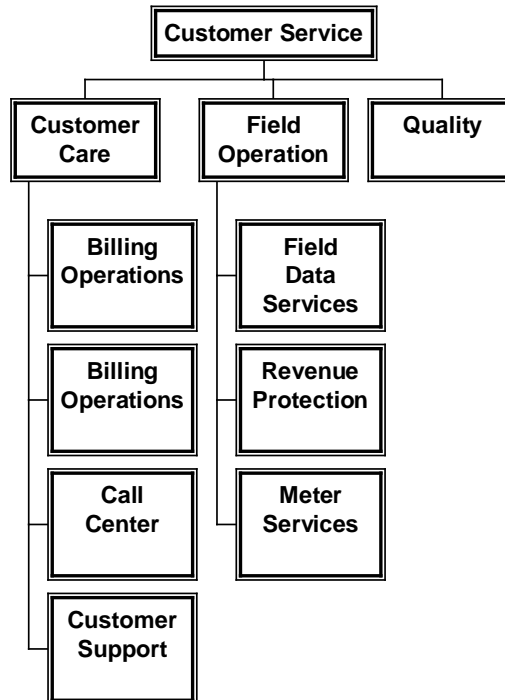
Customer Care – Promptly handles all inbound telephone customer inquiries regarding billing, account information, service problems, and payments.

Field Services – Responsible for service turn-on/turn-off requests; collection of delinquent accounts; meter readings; and setting, removing, repairing and testing water meters.

Remittance Processing – Processes all payments received by mail and summarizes payments collected from pay stations throughout our service area.

Revenue Collections – Determines and ensures correct billing format for customer accounts; responds to high/low pressure issues; manages high bill concerns; provides leak detection and water-saving assistance; and handles inbound calls regarding collection of delinquent accounts.

Service Centers – Three full service walk-in locations provide friendly, personal interaction with our residential and commercial customers.



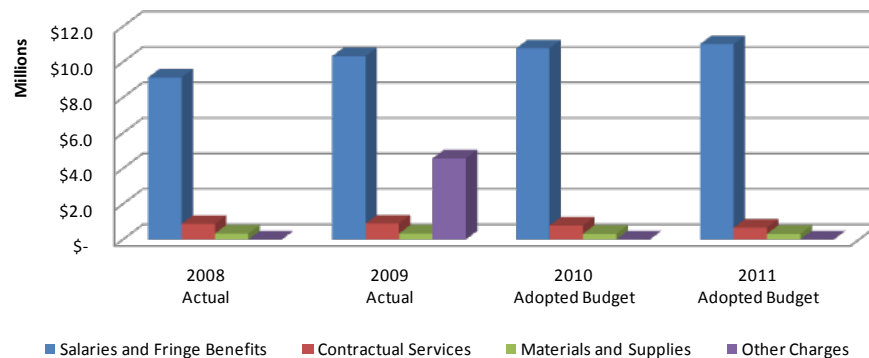
Customer Service

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 9,123,643	\$ 10,322,078	\$ 10,766,299	\$ 11,000,646
Contractual Services	875,840	894,888	779,708	668,553
Materials and Supplies	335,869	330,934	317,820	317,820
Other Charges	1,588	4,562,004	5,240	5,240
Total Before Transfers	10,336,940	16,109,904	11,869,066	11,992,259
Interfund/Intercompany Transfers	(265,941)	(869,498)	(353,714)	(353,714)
Net Expenditures	\$ 10,070,999	\$ 15,240,406	\$ 11,515,352	\$ 11,638,545
Capital Outlay	\$ 313,720	\$ 30,544	\$ -	\$ 246,000

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Customer Service Administration	\$ 544,900	\$ 340,290	\$ 344,319	\$ 261,929
Customer Care	3,851,644	5,397,909	4,872,856	5,070,759
Field Operation	5,388,683	9,956,086	6,120,061	6,192,510
Quality	551,712	415,619	531,831	467,061
Total Before Transfers	10,336,940	16,109,904	11,869,067	11,992,259
Interfund/Intercompany Transfers	(265,941)	(869,498)	(353,714)	(353,714)
Net Expenditures	\$ 10,070,999	\$ 15,240,406	\$ 11,515,353	\$ 11,638,545

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Customer Service Administration	6	4	3	2
Customer Care	106	94	95	98
Field Operation	110	120	115	120
Quality	7	8	8	7
Total Authorized Positions	229	226	221	227

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Customer Service

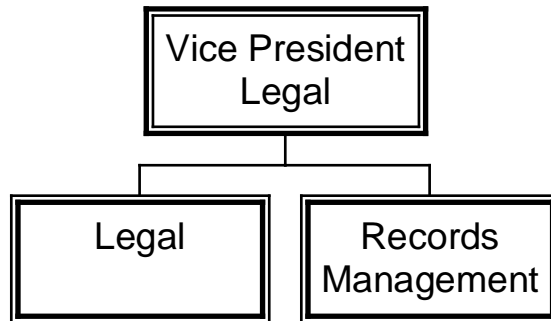


LEGAL

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

Legal also incorporates the following function:

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



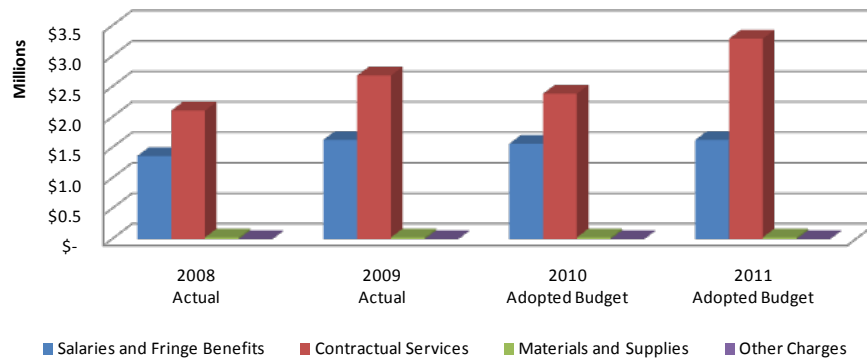
Legal

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 1,362,669	\$ 1,625,454	\$ 1,560,950	\$ 1,623,119
Contractual Services	2,106,430	2,681,567	2,383,605	3,285,815
Materials and Supplies	25,421	24,919	25,800	25,800
Other Charges	50	-	-	-
Total Before Transfers	3,494,570	4,331,941	3,970,355	4,934,734
Interfund/Intercompany Transfers	(211,943)	(408,969)	(754,671)	(1,369,331)
Net Expenditures	\$ 3,282,627	\$ 3,922,972	\$ 3,215,683	\$ 3,565,403
Capital Outlay	\$ -	\$ -	\$ -	\$ -

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Legal Department	\$ 3,292,831	\$ 4,094,590	\$ 3,710,165	\$ 4,671,543
Records Management	201,739	237,351	260,189	263,192
Total Before Transfers	3,494,570	4,331,941	3,970,355	4,934,734
Interfund/Intercompany Transfers	(211,943)	(408,969)	(754,671)	(1,369,331)
Net Expenditures	\$ 3,282,627	\$ 3,922,972	\$ 3,215,683	\$ 3,565,403

Authorized Positions by Department	2008 Adopted Budget	2009 Adopted Budget	2010 Adopted Budget	2011 Adopted Budget
Legal Department	12	11	12	12
Records Management	2	3	3	3
Total Authorized Positions	14	14	15	15

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Legal



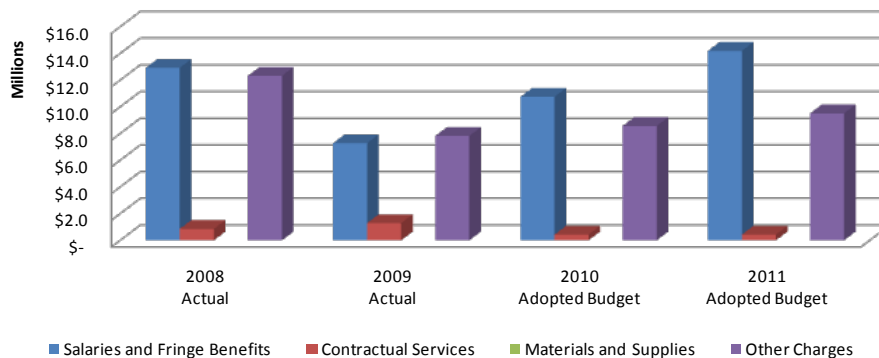
OTHER REQUIREMENTS

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

Expenditures by Type	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Salaries and Fringe Benefits	\$ 12,920,481	\$ 7,278,421	\$ 10,753,496	\$ 14,190,961
Contractual Services	858,639	1,297,309	429,079	429,084
Materials and Supplies	42	(34,660)	-	-
Other Charges	12,326,420	7,822,459	8,571,058	9,509,801
Total Before Transfers	26,105,583	16,363,529	19,753,632	24,129,846
Interfund/Intercompany Transfers	(4,947,083)	(1,962,688)	(2,336,110)	(2,596,842)
Net Expenditures	\$ 21,158,500	\$ 14,400,841	\$ 17,417,522	\$ 21,533,004

Expenditures by Department	2008 Actual	2009 Actual	2010 Adopted Budget	2011 Adopted Budget
Other Requirements	\$ 26,105,583	\$ 16,363,529	\$ 19,753,632	\$ 24,129,846
Total Before Transfers	26,105,583	16,363,529	19,753,632	24,129,846
Interfund/Intercompany Transfers	(4,947,083)	(1,962,688)	(2,336,110)	(2,596,842)
Net Expenditures	\$ 21,158,500	\$ 14,400,841	\$ 17,417,522	\$ 21,533,004

ANNUAL OPERATING AND MAINTENANCE EXPENDITURES BY TYPE
Other Requirements



AUTHORIZED POSITIONS

The 2011 Budget includes funding for 1,755 positions, which is a **net increase** of seven positions from the 2010 budgeted amount.

The 2011 Budget provides for a net increase of 4 full time positions and 3 part time positions:

- 4 full time Meter Reader positions added in Customer Service to keep pace with the increased number of meters that need to be read each month due to customer growth.
- 1 full-time Maintenance Technician position in Operations Services to support the increase in Fleet utilization
- 1 full-time Nurse/Benefits Counselor position in Human Resources to assist in managing the increase in health care costs by providing support to the wellness program.
- Elimination of two existing vacant full-time positions
- 12 part-time utility worker positions added in Distribution and Collection will be used to evaluate new employee performance prior to filling full-time positions vacancies, so that the field crews are always fully staffed.
- Elimination of 7 part-time vacant positions in Engineering and Construction
- Elimination of 2 additional vacant part-time positions

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

The following table summarizes authorized positions by organizational unit.

	2008 Budget			2009 Budget			2010 Budget			2011 Adopted Budget		
	Full Time	Part Time	Total	Full Time	Part Time	Total	Full Time	Part Time	Total	Full Time	Part Time	Total
Board of Trustees	12	10	22	12	-	12	13	-	13	13	-	13
Distribution and Collection Group	438	1	439	439	1	440	437		437	437	12	449
Operations Services Group	198	3	201	198	-	198	194	3	197	193	2	195
Maintenance Planning	-	-	-	-	-	-	29	-	29	29	-	29
Production and Treatment Operations Group	362	-	362	368	-	368	349	-	349	350	-	350
Information Systems	57	-	57	60	1	61	61	-	61	62	-	62
Financial Services	70	2	72	74	1	75	71	2	73	72	1	73
Public Affairs	26		26	30	-	30	32	-	32	31	1	32
Customer Service	222	5	227	226	-	226	221	-	221	227	-	227
Engineering and Construction	202	10	212	204	4	208	202	10	212	201	3	204
Human Resources	46	1	47	47	1	48	48	2	50	50	1	51
Legal Group	13	1	14	12	2	14	14	1	15	14	1	15
Water Resources and Conservation	54	6	60	58	6	64	54	5	59	50	5	55
Other Requirements Group	1	-	1	1	-	1	-	-	-	-	-	-
Total Authorized Positions	1,701	39	1,740	1,729	16	1,745	1,725	23	1,748	1,729	26	1,755

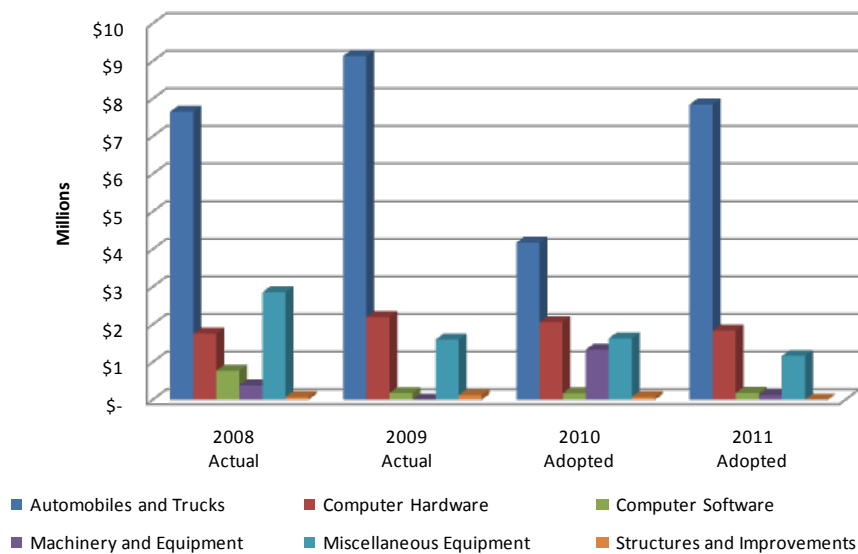
CAPITAL OUTLAY

The 2011 Annual Operating and Capital Budget provides for capital outlay expenditures of just over \$11.1 Million. Capital Outlay expenditures are expenditures for physical assets with an individual cost of \$5,000 or more and a useful life greater than one year (excluding real property additions, which are discussed in the Capital Improvement Section). This includes physical assets, such as machinery and equipment, computer hardware, software systems, laboratory equipment, vehicles, heavy equipment, communication equipment, and miscellaneous equipment. The Capital Outlay budget is based on priorities established by executive management.

The table below summarizes the planned 2011 expenditures for the capital outlay program. The proposed expenditure level represents an increase of \$1.7 million from the prior-year level. This increase is driven by projected spending for automobiles and trucks, which increased by \$3.7 million from the 2010 budget.

	2008 Actual	2009 Actual	2010 Adopted	2011 Adopted
Automobiles and Trucks	\$ 7,652,964	\$ 9,133,749	\$ 4,175,000	\$ 7,843,000
Computer Hardware	1,751,739	2,195,798	2,060,251	1,834,592
Computer Software	767,415	173,165	164,590	174,000
Machinery and Equipment	379,646	-	1,324,028	122,000
Miscellaneous Equipment	2,851,817	1,593,555	1,623,500	1,162,000
Structures and Improvements	70,688	117,365	71,250	-
Total Capital Outlay	\$ 13,474,269	\$ 13,213,632	\$ 9,418,619	\$ 11,135,592

Capital Outlay



OTHER DISPOSITION OF FUNDS

OPERATING RESERVE

The operating reserve requirement reflects compliance with Ordinance No. 75686, which requires that SAWS maintain a “two month reserve amount based upon the budgeted amount of operations and maintenance expenses for the current fiscal year”. In 2011, the operating reserve is projected to require \$1.3 million in additional funding as a result of the projected changes in operating and maintenance expenditures.

TRANSFER TO THE CITY OF SAN ANTONIO

Pursuant to City Ordinance No. 75686, SAWS is required to transfer to the General Fund of the City an amount of money (as determined by City Council) up to 5% of the Gross Revenues. Since the inception of SAWS in 1992, the percentage of the transfer amount to the City has been set at 2.7% of non-exempt total revenues. Assuming this same level of transfer, SAWS has budgeted the amount of this transfer at \$10.4 million for 2011.

BALANCE AVAILABLE FOR TRANSFER TO RENEWAL AND REPLACEMENT FUND

After meeting all other requirements of system revenues including O&M, Operating Reserve, and debt service, \$70.0 million is estimated to be available for transfer to the Renewal and Replacement Fund. The Renewal and Replacement Fund is used for the purpose of funding improvements, extensions, additions, replacements, or other capital expenditures related to the System and for any other lawful purpose. At a minimum, SAWS is required to transfer to this fund an amount equal to the amount transferred to the City.

The Renewal and Replacement Fund also pays for capital outlay expenditures, such as furniture, vehicles and computer equipment and other durable assets valued at more than \$5,000. As discussed previously, capital outlay expenditures are expected to amount to \$11.1 million in 2011.

The amount of 2011 Renewal and Replacement funds available for the Capital Improvement Program is budgeted at \$58.9 million, after funding of \$11.1 million for 2011 capital outlay expenditures. These funds are expected to be available for the 2012 Capital Improvement Program.

DEBT SERVICE

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

REVENUE BONDS

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

- **Senior Lien Water System Revenue Bonds** - comprised of Series 2001, Series 2002, Series 2002-A, Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, and Series 2009B, outstanding in the amount of \$1,373,980,000 as of May 31, 2010, are collateralized by a senior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System and maintaining an operating reserve for operating and maintenance expenses.
- **Junior Lien Water System Revenue Bonds** - comprised of Series 2001, Series 2001-A, Series 2002, Series 2002-A, Series 2003, Series 2004, Series 2004-A, Series 2007, Series 2007A, Series 2008, Series 2008A, Series 2009, Series 2009A, and Series 2010 outstanding in the amount of \$343,075,000 as of May 31, 2010, are collateralized by a junior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System, maintaining an operating reserve for operating and maintenance expenses, and the debt service on senior lien debt.
- **Subordinate Lien Revenue and Refunding Bonds - Interest Rate Hedge Agreement (Swap)** - In March 2003, \$122,500,000 of "City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B" (the "Subordinate Lien Obligations") were issued in a weekly interest rate mode. To hedge against changes in interest expenses, the City of San Antonio, through SAWS entered into an interest rate hedge agreement (the "Swap Agreement") under which SAWS must pay a fixed rate of 4.18% and receive a variable rate which corresponds to the Municipal Swap Index published by The Securities Industry and Financial Markets Association. The rates are applied to a specified notional amount which matches the amortization schedule of the principal amount of the Subordinate Lien Obligations. The payments under this obligation are collateralized by a subordinate lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the system, maintaining an operating reserve for operating and maintenance expenses, and debt service on senior lien and junior lien debt.

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

With the partial redemption, which was completed on August 27, 2008, and the mandatory redemption of Subordinate Lien Obligations occurring on May 1, 2009, \$980,000 of the Subordinate Lien Obligations remained outstanding.

SAWS still considers the Swap Agreement to be a valuable variable rate management tool within its debt portfolio. Accordingly, SAWS negotiated amendments to the Swap Agreement, effective June 16, 2009 with the counterparty and bond and swap insurer to allow the remaining Subordinate Lien Obligations to be redeemed with commercial paper notes, while maintaining the Swap Agreement as an existing obligation of all parties. SAWS redeemed the remaining Subordinate Lien Obligations on June 24, 2009 with commercial paper notes. The obligation to pay the fixed rate of 4.18% on the notional amount outstanding remains and is included in the 2011 Budgeted debt service requirements of SAWS at the original principal amortization of the Subordinate Lien Obligations.

BOND AND COMMERCIAL PAPER RATINGS

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

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

ANNUAL REVENUE BOND DEBT SERVICE REQUIREMENT

The bonded debt service requirement is comprised of bond interest costs and the retirement of a certain portion of bond principal. This requirement is projected based on maturity schedules or ordinance formula. The debt service schedules assume the issuance of approximately \$96 million of bonds for the remainder of 2010 and \$137 million in bonds in 2011. The amount necessary to fulfill total bonded debt service requirements in 2011 is projected to be \$139.4 million.

RESERVE FUND REQUIREMENT

SAWS' bond ordinance requires the maintenance of a reserve fund for the payment of senior lien and junior lien debt obligations in an amount equal to 100% of the maximum annual debt service requirement for the senior lien obligations and 100% of the average annual debt service requirement for the junior lien obligations. The ordinance provides for the use of cash, debt, and surety policies or a combination thereof, to satisfy the reserve fund requirement. The debt service schedules for the 2010 and 2011 bonds anticipated to be issued assumes the funding of the reserve fund from bond proceeds.

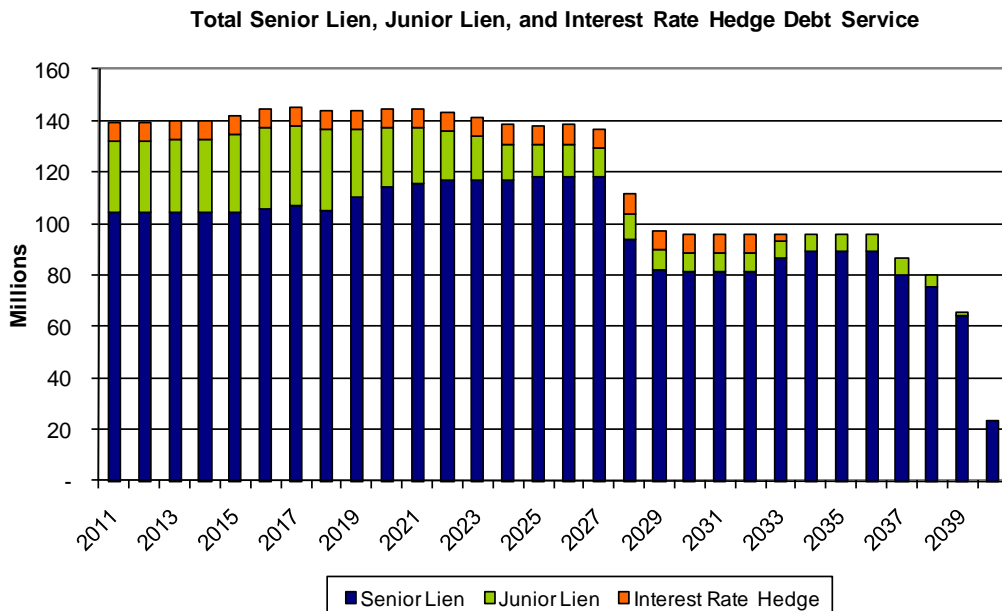
BUDGETED REVENUE AND REFUNDING BONDS DEBT SERVICE SCHEDULES

Fiscal Year December 31.	Senior Lien			Junior Lien		
	Principal	Interest	Total	Principal	Interest	Total
2011	26,545,000	77,508,698	104,053,698	17,416,667	10,779,633	28,196,300
2012	27,736,667	76,328,154	104,064,821	17,913,333	10,359,909	28,273,242
2013	29,066,667	75,011,287	104,077,954	18,461,667	9,886,495	28,348,162
2014	30,513,333	73,574,070	104,087,403	19,033,333	9,341,585	28,374,918
2015	32,006,667	72,077,587	104,084,254	21,158,333	9,180,132	30,338,465
2016	35,493,333	70,490,559	105,983,892	22,448,333	8,796,590	31,244,923
2017	38,208,333	68,723,391	106,931,724	23,128,333	8,095,341	31,223,674
2018	37,993,333	66,808,109	104,801,442	24,493,333	7,310,580	31,803,913
2019	45,288,333	64,893,617	110,181,950	19,685,000	6,479,443	26,164,443
2020	51,403,333	62,607,049	114,010,382	17,388,333	5,836,360	23,224,693
2021	55,398,333	60,046,180	115,444,513	16,553,333	5,285,712	21,839,045
2022	59,285,000	57,308,492	116,593,492	14,866,667	4,752,254	19,618,921
2023	62,671,667	54,350,562	117,022,229	12,723,333	4,273,426	16,996,759
2024	65,876,667	51,230,828	117,107,495	10,055,000	3,854,593	13,909,593
2025	69,990,000	47,947,397	117,937,397	9,318,333	3,521,120	12,839,453
2026	73,651,667	44,465,156	118,116,823	9,626,667	3,218,084	12,844,751
2027	77,515,000	40,787,307	118,302,307	8,008,333	2,896,595	10,904,928
2028	57,085,000	36,913,324	93,998,324	7,313,333	2,617,726	9,931,059
2029	47,613,333	34,046,715	81,660,048	5,593,333	2,359,901	7,953,234
2030	49,875,000	31,742,373	81,617,373	4,818,333	2,141,066	6,959,399
2031	52,241,667	29,315,339	81,557,006	5,021,667	1,943,562	6,965,229
2032	54,716,667	26,772,755	81,489,422	5,238,333	1,735,872	6,974,205
2033	62,328,333	24,138,972	86,467,305	5,463,333	1,517,498	6,980,831
2034	67,831,667	21,185,795	89,017,462	5,698,333	1,288,493	6,986,826
2035	71,141,667	17,876,484	89,018,151	5,940,000	1,049,231	6,989,231
2036	74,610,000	14,353,238	88,963,238	6,193,333	799,627	6,992,960
2037	69,131,667	10,715,428	79,847,095	6,463,333	539,179	7,002,512
2038	67,966,667	7,298,541	75,265,208	4,680,000	265,560	4,945,560
2039	60,013,333	3,890,354	63,903,687	1,778,333	62,587	1,840,920
2040	22,410,000	986,915	23,396,915	-	-	-
	<u>\$1,575,608,334</u>	<u>\$1,323,394,677</u>	<u>\$2,899,003,011</u>	<u>\$ 346,479,995</u>	<u>\$ 130,188,154</u>	<u>\$ 476,668,149</u>

Revenue and Refunding Bonds Debt Service Schedules

Fiscal Year December 31,	Interest Rate Hedge (Swap)*			Total Bonded Debt Service		
	Principal	Interest	Total	Principal	Interest	Total
2011	2,800,000	4,377,157	7,177,157	46,761,667	92,665,488	139,427,155
2012	2,926,667	4,260,117	7,186,784	48,576,667	90,948,180	139,524,847
2013	3,060,000	4,137,782	7,197,782	50,588,334	89,035,564	139,623,898
2014	3,198,333	4,009,874	7,208,207	52,744,999	86,925,529	139,670,528
2015	3,345,000	3,876,184	7,221,184	56,510,000	85,133,903	141,643,903
2016	3,498,333	3,736,363	7,234,696	61,439,999	83,023,512	144,463,511
2017	3,656,667	3,590,132	7,246,799	64,993,333	80,408,864	145,402,197
2018	3,823,333	3,437,284	7,260,617	66,309,999	77,555,973	143,865,972
2019	3,996,667	3,277,468	7,274,135	68,970,000	74,650,528	143,620,528
2020	4,178,333	3,110,408	7,288,741	72,969,999	71,553,817	144,523,816
2021	4,370,000	2,935,753	7,305,753	76,321,666	68,267,645	144,589,311
2022	4,571,667	2,753,087	7,324,754	78,723,334	64,813,833	143,537,167
2023	4,780,000	2,561,992	7,341,992	80,175,000	61,185,980	141,360,980
2024	4,996,667	2,362,188	7,358,855	80,928,334	57,447,609	138,375,943
2025	5,226,667	2,153,327	7,379,994	84,535,000	53,621,844	138,156,844
2026	5,461,667	1,934,852	7,396,519	88,740,001	49,618,092	138,358,093
2027	5,710,000	1,706,555	7,416,555	91,233,333	45,390,457	136,623,790
2028	5,971,667	1,467,877	7,439,544	70,370,000	40,998,927	111,368,927
2029	6,243,333	1,218,261	7,461,594	59,449,999	37,624,877	97,074,876
2030	6,528,333	957,290	7,485,623	61,221,666	34,840,729	96,062,395
2031	6,825,000	684,405	7,509,405	64,088,334	31,943,306	96,031,640
2032	7,135,000	399,120	7,534,120	67,090,000	28,907,747	95,997,747
2033	2,413,333	100,877	2,514,210	70,204,999	25,757,347	95,962,346
2034	-	-	-	73,530,000	22,474,288	96,004,288
2035	-	-	-	77,081,667	18,925,715	96,007,382
2036	-	-	-	80,803,333	15,152,865	95,956,198
2037	-	-	-	75,595,000	11,254,607	86,849,607
2038	-	-	-	72,646,667	7,564,101	80,210,768
2039	-	-	-	61,791,666	3,952,941	65,744,607
2040	-	-	-	22,410,000	986,915	23,396,915
	\$ 104,716,667	\$ 59,048,353	\$ 163,765,020	\$2,026,804,996	\$1,512,631,184	\$3,539,436,180

*The principal and interest schedule assumes the original principal amortization of the Subordinate Lien Obligations and interest based



DEBT COVERAGE

SAWS is required by ordinance to maintain a debt coverage ratio of at least 1.25X the annual debt service on outstanding senior lien debt. The 2011 Operating Budget projects an estimated annual Senior Lien Debt Coverage ratio of 1.84 times, which exceeds ordinance requirement of 1.25 times.

Total Sources of Funds	\$ 437,497,850
Less Revenues from:	
City Public Service contract	2,400,000
Interest on CPS contract	
Capital Recovery Fees	32,000,000
Transfer from Renewal & Replacement Fund	-
Interest on Project Funds	329,000
Gross Revenues as defined by Ordinance No. 75686	\$ 402,768,850
Less: Operations & Maintenance	211,362,827 *
Net Revenues as defined by Ordinance No. 75686	191,406,023
Add Additional Revenues:	
Grants	-
Donations	-
Income from U.S. Govt.	-
Total Additional Revenues	-
Pledged Revenues as defined by Ordinance No. 75686	\$ 191,406,023
Annual Senior Lien Debt Service Requirement	\$ 104,053,698
Annual Senior Lien Debt Coverage Ratio	1.84
Maximum Annual Senior Lien Debt Service Requirement (Year 2027)	\$ 118,302,307
Maximum Annual Senior Lien Debt Coverage Ratio	1.62
Annual Combined Debt Service Requirement	\$ 139,427,155
Annual Combined Debt Coverage Ratio	1.37
Maximum Annual Combined Bonded Debt Service Requirement (Year 2017)	\$ 145,402,197
Maximum Annual Combined Bonded Debt Coverage Ratio	1.32

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

OTHER DEBT SERVICE REQUIREMENTS

TAX EXEMPT COMMERCIAL PAPER (TECP)

SAWS also maintains a commercial paper program that is used to provide funds for the interim financing of a portion of the capital improvements program. City Council of the City of San Antonio has authorized a commercial paper program of up to \$500 million. The TECP is supported by a revolving credit agreement with Bank of America, N.A., State Street Bank and Trust Company, and U.S. Bank National Association dated July 1, 2009, which currently extends to July 6, 2010 (the "Agreement"). Pursuant to the Agreement, the revolving line of credit is currently \$300 million. SAWS is negotiating an extension to the existing facility which would extend the maturity to July 2013 and increase the revolving line of credit to \$350 million.

The 2011 Budget assumes \$300 million of commercial paper will be outstanding to fund ongoing capital improvement projects through 2011. As stated in the "Interest Rate Hedge Agreement (Swap)" section herein, \$106,530,000 of the commercial paper program was utilized to redeem the Subordinate Lien Obligations. The 2011 Budget assumes that the interest to be paid on the \$106,530,000 of TECP attributable to the redemption of the Subordinate Lien Obligations will be offset in its entirety by the amount to be received under the variable rate leg of the swap, and this amount has been subtracted from the projected average commercial paper balance in calculating the projected commercial paper interest expense. SAWS' capital financing plan provides for the refunding of commercial paper as the outstanding balance trends toward the upper limit of the Agreement to ensure the outstanding balance does not exceed the revolving line of credit amount.

<u>2011 Commercial Paper Program Forecasted Activities</u>	
Commercial Paper Revolving Line of Credit	\$300,000,000
Commercial Paper Funds for Prior Capital Improvement Program	280,185,909
Commercial Paper Funding for 2011 Capital Improvement Program	<u>19,814,091</u>
2011 Commercial Paper Notes Payable	300,000,000
Projected Average Interest Rate	0.34%
Projected Commercial Paper Interest Expense	<u>\$ 1,019,999</u>

OTHER DEBT EXPENSE

SAWS expects to pay approximately \$3.9 million in debt related expenses in 2011. These expenses include remarketing agent fees, credit liquidity facility fees, rating agency fees, and paying agent fees. Remarketing agents are investment-banking firms responsible for the marketing and remarketing of variable rate obligations to investors as they mature. The credit liquidity facility provider commits to purchasing the maturing variable rate obligations.

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CAPITAL IMPROVEMENT PROGRAM (CIP)

2011 CAPITAL IMPROVEMENT PROGRAM SUMMARY

WATER DELIVERY PROGRAM

The Water Delivery system conveys water to customers through elevated and ground storage tanks, pump stations and transmission and distribution mains. As of December 31, 2009, the system consists of approximately 4,866 miles of transmission and distribution mains in place.

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

The 2011 Water Delivery CIP includes the design and construction of projects to address critical low-pressure and low-flow areas that need to be addressed to assure continued sufficient flows for fire protection. The 2011 CIP funds projects proposed in the Water Master Plan to ensure that sufficient potable water service is available to meet growth within the SAWS service area. The selection of projects helps maintain the implementation schedule for water production, distribution, and storage facility improvements recommended in the Water Infrastructure Master Plan. Upgrades, replacements and rehabilitations of production facilities to maintain system integrity and meet Texas Commission on Environmental Quality requirements are also included. A major focus continues to be repairing and adjusting water mains in coordination with the City of San Antonio's bond program. The repair and replacement portion also addresses water infrastructure by continuing an ongoing program to bring critical pump stations up to current standards. Two projects will address water distribution and storage at Anderson Tank and Pump Station, one of the largest pump stations in the system.

The focus of the 2011 Production Capital Improvement Program is to address regulatory and code issues within the water production systems. The program is broken out into two major components: 1) water production growth, and 2) water production repair and replacement. The growth portion funds the construction of a new water storage tank deemed necessary to support the projected growth.

WASTEWATER COLLECTION AND TREATMENT PROGRAM

As of December 31, 2009, the SAWS Wastewater Collection and Treatment system consists of approximately 5,085 miles of sanitary sewer mains, 164 lift stations, and 3 major wastewater treatment plants. The Wastewater CIP consists of programs and projects to upgrade and rehabilitate the wastewater collection and treatment systems, and increase their capacity to allow for future growth.

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

Collection system projects funded in 2011 will rehabilitate critical mains and also continue to add capacity on the rapidly growing South side with the third and fourth out of six segments of the Medina River Sewer Outfall starting construction. Funding will also be provided to the continuation of a comprehensive lift station assessment and rehabilitation program that will ensure these critical facilities remain in full compliance with State regulations, industry codes and best management practices. Large collection lines in the Eastern, Central and Western sewersheds will be upgraded to expand their capacity. Another major effort is rehabilitating sewer lines to reduce the occurrence of sanitary sewer overflows.

The wastewater treatment component of the 2011 CIP includes projects that will upgrade the Dos Rios treatment plant to accept the additional flows from the Medina River Sewer Outfall.

WATER RESOURCES PROGRAM

For the 2011 CIP, funding from the water supply fee will support the construction of brackish groundwater wells and well field collection system, as well as pump stations and pipelines to move water from the Carrizo aquifer to SAWS system.

RECYCLED WATER PROGRAM

The Water Supply Core Business also provides support for the recycled water program. The 2011 CIP includes funding for the addition of recycled water customers, and a pump station upgrade.

HEATING AND COOLING PROGRAM

The San Antonio Water System operates and maintains nine heating and cooling facilities located at various locations within the City of San Antonio (COSA). The Central Heating & Cooling plant located on East Commerce Street was constructed in 1967. This plant provides cooling and heating requirements to facilities owned by COSA, other governmental agencies and commercial businesses. The 2011 CIP includes funds to meet infrastructure and SCADA upgrades.

CAPITAL IMPROVEMENT PROGRAM FUNDING

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

SYSTEM REVENUES

Revenues are used to meet the requirements of Ordinance No. 75686, which created San Antonio Water System. After covering maintenance and operations expenses and debt service requirements, revenues are distributed to the City of San Antonio's General Fund with an equal amount deposited to the SAWS Renewal and Replacement Fund. Any revenues in excess of

these obligations are available for deposit to the SAWS Renewal and Replacement Fund. This fund is primarily used to finance property acquisition and system improvements.

REVENUE BONDS AND TAX EXEMPT COMMERCIAL PAPER

Revenue bonds and TECP are used to finance construction projects. SAWS is authorized to issue up to \$500 million in TECP to be used as interim financing for a portion of the capital improvement projects. Revenue bonds are issued to finance capital improvement projects and to refund outstanding TECP. Any proceeds received from the issuance of revenue bonds and TECP are deposited into the Project Fund and used for capital improvements and system expansion.

CAPITAL RECOVERY FEES

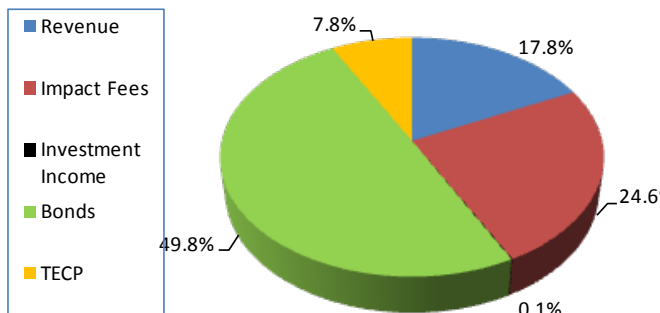
The Capital Recovery Fees are designed to recoup the costs of capital expenditures used to meet the needs of new customers. These include impact fees – collected in accordance with Chapter 395 of the Local Government Code – and connection fees. Expenditure of impact fees may only be used to fund growth-related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

Table 1 shows the 2011 CIP budget and sources of funding for the 2011 program. Table 2 provides a detailed listing of the 2011 CIP.

Table 1

2011 CIP Funding Sources					
	Water Delivery	Wastewater	Water Supply	Heating & Cooling	Total
Revenue	\$ 4,850,814	\$ 13,549,650	\$ 26,654,853	\$ 251,693	\$ 45,307,007
Impact Fees	10,588,235	46,993,628	5,000,000	-	62,581,863
Investment Income	31,333	62,667	31,333	15,667	141,000
Bonds	33,321,258	46,431,190	47,289,771	7,640	127,049,859
TECP	-	19,814,091	-	-	19,814,091
Total CIP	\$ 48,791,640	\$ 126,851,226	\$ 78,975,957	\$ 275,000	\$ 254,893,823

2011 CIP Funding Sources
\$254.9 Million



2011 CIP by Program
\$254.9 Million

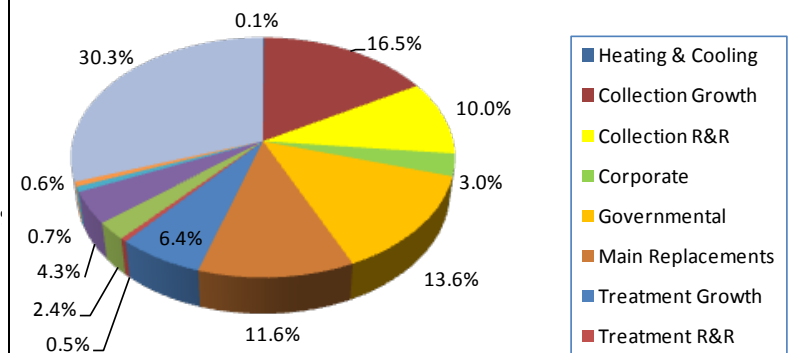


Table 2.

SAN ANTONIO WATER SYSTEM 2011 CAPITAL IMPROVEMENT PROGRAM		
PROJECT TITLE	COST ELEMENT	PROGRAMMED AMOUNT
WASTEWATER CORE BUSINESS		
CORPORATE		
Service Center Facility Plan	Design	\$ 815,475
Lawson Strategic Sourcing	Acquisition	380,555
Security Master Plan & Access Control - WW Share	Construction	1,141,665
Data Warehouse	Acquisition	271,825
Enterprise Resource Software System (ERSS) - WW Share	Acquisition	1,087,300
Total		3,696,820
COLLECTION GROWTH		
C_3_SA Airport McCullough and Wetmore to Basse	Acquisition/Design	1,271,054
C_5_Culebra and Castroville to Laredo	Acquisition/Design	905,721
E_4_Bulverde Evans to Redland	Acquisition/Design	680,650
FW_27_Medio Creek Hwy 90 to Medio WRC	Construction	1,087,300
Install sewer main from LS 224 to MRSO	Design	47,841
Medina River Sewer Outfall Segment 2	Construction	15,210,265
Medina River Sewer Outfall Segment 3	Construction	18,986,981
Sewer Main Oversizing	Construction	326,190
Verano Sewer Main and Lift Stations	Construction	1,260,979
W_1_Leon Creek Hwy 151 to Hwy 90	Design	1,211,252
W_2_Huebner Creek Eckhart to Shadow Mist (formerly W-06)	Design	357,722
W_31_IH-10 Boerne Stage to Old Fredericksburg	Acquisition	761,110
Total		42,107,064
COLLECTION R&R		
C-33 Broadway Corridor	Construction	8,698,400
Lift Station Rehabilitation Phase 2	Construction	7,067,450
San Antonio River Outfall Pipeline Rehabilitation	Design	1,087,300
SSO Rehabilitation	Construction	8,698,400
Total		25,551,550
GOVERNMENTAL SEWER		
Adjustments	Construction	5,219,040
Installations	Construction	1,087,300
Replacements	Construction	9,785,700
Total		16,092,040
MAIN REPLACEMENTS SEWER		
Annual Survey Sewer 2011	Design	108,730
CIPP Contract	Construction	4,349,200
Eastern Wastewater Sewer Siphon 6 Rehab and Replacement	Construction	2,174,600
Main Replacements - Sewer - SAWS Crews	Construction	1,087,300
Open Cut Sewer Contract	Construction	2,174,600
Pipe Bursting Contract 2011	Construction	8,698,400
Sewer Laterals 2011	Construction	1,087,300
Unspecified Services Engineering Contract 2011	Design	2,174,600
Total		21,854,730
TREATMENT GROWTH		
Dos Rios Re-rating Phase I - Headworks Improvements and System Enhancements	Construction	16,309,500
Total		16,309,500
TREATMENT R&R		
Dos Rios WRC Digester Mixing and System Enhancements - Phase 2	Design	1,022,062
Dos Rios WRC Electrical Master Plan	Design	217,460
Total		1,239,522
TOTAL WASTEWATER		\$ 126,851,226

**SAN ANTONIO WATER SYSTEM
2011 CAPITAL IMPROVEMENT PROGRAM**

PROJECT TITLE	COST ELEMENT	PROGRAMMED AMOUNT
WATER DELIVERY CORE BUSINESS		
CORPORATE		
Service Center Facility Plan	Design	\$ 867,150
Lawson Strategic Sourcing	Acquisition	404,670
Security Master Plan & Access Control - WD Share	Construction	1,214,010
Data Warehouse	Acquisition	289,050
Enterprise Resource Software System (ERSS) - Water Share	Acquisition	1,156,200
Total		3,931,080
DISTRIBUTION GROWTH		
Brightwood Main 8-inch Water Line	Construction	578,100
Micron 48-inch Water Main Extension to Anderson Tank Segment 1 (7-1)	Construction	3,121,740
Water Main Oversizing	Construction	2,312,400
Total		6,012,240
GOVERNMENTAL WATER		
Adjustments	Construction	7,052,820
Installations	Construction	809,340
Replacements	Construction	10,637,040
Total		18,499,200
MAIN REPLACEMENTS WATER		
Annual Survey Water	Design	115,620
Main Replacements - Water - SAWS Crews	Construction	1,156,200
Meter Replacements	Construction	1,271,820
Unspecified Services Engineering Contract	Design	462,480
Valves, Services and Meters	Construction	3,468,600
Open Cut Water Contract	Construction	1,156,200
Total		7,630,920
PRODUCTION GROWTH		
Anderson Tank and Pump Station (MP 2012)	Construction	10,926,090
Total		10,926,090
PRODUCTION R&R		
Judson Tank Replacement	Design	289,050
Relocate Loma Linda Tank	Acquisition	231,240
Replace Tanks at Port SA	Construction	1,271,820
Total		1,792,110
TOTAL WATER DELIVERY		\$ 48,791,640
TOTAL WW & WD		\$ 175,642,866

2011 CAPITAL IMPROVEMENT PROGRAM

<i>PROJECT TITLE</i>	<i>COST ELEMENT</i>	<i>PROGRAMMED AMOUNT</i>
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WATER SUPPLY CORE BUSINESS

RECYCLE

Pinn Road Pump Station Upgrade	Construction	\$ 549,800
Recycle Customer Lines	Construction	1,099,600
Total		1,649,400

WATER RESOURCES

Desalination: Additional Pilot Testing	Design	216,920
Desalination: Constructability Review	Design	542,300
Desalination: Legal	Acquisition	488,070
Desalination: Production Well Design Services -- Package 1	Construction	11,930,600
Integration: Land Acquisition	Acquisition	4,555,320
Regional Carrizo: Buckhorn - SSLGC WTP Pipeline	Construction	10,846,000
Regional Carrizo: Buckhorn Wellfield Collection System	Construction	15,629,086
Regional Carrizo: Construction Management and Inspection (CM&I)	Construction	3,253,800
Regional Carrizo: Electrical Requirements (Power)	Construction	2,169,200
Regional Carrizo: Legal	Acquisition	92,191
Regional Carrizo: SSLGC - Naco Pipeline	Construction	19,956,640
Regional Carrizo: SSLGC/SAWS Booster PS	Construction	7,592,200
Twin Oaks ASR SCADA Upgrade	Design	54,230
Total		77,326,557

TOTAL WATER SUPPLY		\$ 78,975,957
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**SAN ANTONIO WATER SYSTEM
2011 CAPITAL IMPROVEMENT PROGRAM**

<i>PROJECT TITLE</i>	<i>COST ELEMENT</i>	<i>PROGRAMMED AMOUNT</i>
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HEATING & COOLING CORE BUSINESS

HEATING & COOLING

Heating and Cooling System Infrastructure 2011	Construction	\$ 110,000
Heating & Cooling Facilities SCADA Upgrade	Design	165,000
Total		\$ 275,000

PROGRAM TOTALS

Wastewater		\$ 126,851,226
Water Delivery		48,791,640
Water Supply		78,975,957
Heating & Cooling		275,000
TOTAL CIP		\$ 254,893,823

SIGNIFICANT NON-ROUTINE CAPITAL EXPENDITURES

The majority of SAWS' CIP projects provide for routine, ongoing expenditures to repair infrastructure and for the gradual replacement of various capital assets. Major projects that are typically "one time" in nature and involve the construction or expansion of new facilities or infrastructure, extensive renovation of existing facilities, the purchase of important capital assets, or the acquisition of new technology which will enhance service delivery could be considered significant non-routine capital expenditures. The 2011 CIP includes five projects, which are considered significant and non-routine, and account for \$ 7.6 million or 3.0% of the 2011 CIP. The projects are listed as follows:

Enterprise Resource Software System (ERSS) - This project implements an Enterprise Resource Software System (ERSS) that includes the following modules: Customer Service, Financial, Human Resources, Work Order, and permitting at the SAWS Headquarters. This work is required because the current legacy systems are not integrated and do not provide the functionality needed to run the business efficiently and effectively. The costs include software, hardware, professional services, capitalized payroll for in-house staff, and capitalized facility expenses. 2011 project budget \$2,243,500

Service Center Facility Plan Project – The purpose of this project is to program, design, locate, and construct new Service Centers, Satellite Centers and make any required adjustments to the existing properties as a result of relocated staff. SAWS currently has mixed use at service centers by having Fleet, Distribution and Collection, and Production crews based at these service centers, which has compromised efficiencies and has increased congestion at the sites. Realignment would address these embedded inefficiencies in operations. 2011 project budget \$1,682,625

Security Master Plan and Access Control - This project is to upgrade and install a new security access control system at various SAWS locations. The project includes costs for facilities construction and the purchase, installation, and integration of new system components. 2011 project budget \$2,355,675

Lawson Strategic Sourcing – This software is required for the Strategic Sourcing and Contracting applications and will eventually house all of Lawson Financial System's core applications. 2011 project budget \$785,225

Data Warehouse and Business Intelligence - This project will provide an enterprise data management framework and related first set of reports to integrate data from disparate sources. This should ultimately support timely data access and provide more accurate reporting, resulting in a decision support system for operational and strategic decision making. 2011 project budget \$560,875

CONTINGENT BUDGET

There are occasionally unforeseen circumstances that may prevent an approved budgeted project from executing as scheduled. For these situations, SAWS has developed a contingent budget that consists of projects that will most likely replace an approved budgeted project. The contingent budget, as reflected in the following schedule, is comprised of \$3.8 million for the wastewater core business and \$10.8 million for the water supply core business.


**SAN ANTONIO WATER SYSTEM
2011 CAPITAL IMPROVEMENT PROGRAM - CONTINGENT BUDGET**


<i>PROJECT TITLE</i>	<i>COST ELEMENT</i>	<i>PROGRAMMED AMOUNT</i>
WASTEWATER CORE BUSINESS		
W_6 Leon Creek Hwy 90 to New Laredo Hwy	Acquisition	\$ 3,805,550
Total		3,805,550
WATER SUPPLY CORE BUSINESS		
Regional Carrizo: PS at Buckhorn and Booster	Construction	10,846,000
Total		10,846,000
TOTAL CONTINGENT PROGRAM		\$ 14,651,550


***CAPITAL IMPROVEMENT PROGRAM PROJECTS
WASTEWATER***


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	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>								
<p>I. PROJECT DESCRIPTION</p> <p>Project: Service Center Facility Plan Project (Wastewater Share)</p> <p>Phase: Design Programmed Amount: \$815,475</p> <p>Core Business: Wastewater Category: Corporate WW</p> <p>Execution Year: 2011</p> <p>Council District: <input checked="" type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input checked="" type="checkbox"/> 3 <input checked="" type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/> 6 <input checked="" type="checkbox"/> 7 <input checked="" type="checkbox"/> 8 <input checked="" type="checkbox"/> 9 <input checked="" type="checkbox"/> 10</p>									
<p>II. PROJECT JUSTIFICATION</p> <p>Project Objective: To develop a Service Center Master Plan through 2021</p> <p>Description and Scope: The purpose of this project is to program, design, locate and construct new Service Centers, Satellite Centers, and to make any required adjustments to the existing properties as a result of relocated staff.</p> <p>SAWS currently has mixed use at Service Centers by having Fleet, D&C, Lifts, and Production at the service centers, which has compromised efficiencies and caused an increase of congestion on these sites. SAWS' infrastructure and customer growth has increased our crews' response time to the service call. Realignment would address these embedded inefficiencies in operations.</p> <p>Remarks: Based on previous Operations Research assessment, this project will improve D&C response time at all facilities and allow for a master planned realignment that increases efficiencies in production, RPC and customer service.</p> <p>Operating Impact: This project will reduce operating and maintenance costs.</p>									
<p>III. FAILURE ANALYSIS</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; border: none;">Failure Mode: Inadequate Facilities</td> <td style="width: 33%; border: none;">Failure Impact: Environmental Impact</td> <td style="width: 33%; border: none;">Failure Root Cause: Corporate Mandate</td> </tr> </table>		Failure Mode: Inadequate Facilities	Failure Impact: Environmental Impact	Failure Root Cause: Corporate Mandate					
Failure Mode: Inadequate Facilities	Failure Impact: Environmental Impact	Failure Root Cause: Corporate Mandate							
<p>IV. RISK ASSESSMENT RATING</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 25%;">Impact Severity</td> <td style="width: 25%;">Likelihood of Occurrence</td> <td style="width: 25%;">Risk Mitigation</td> <td style="width: 25%;">Risk Exposure</td> </tr> <tr> <td style="text-align: center;">9</td> <td style="text-align: center;">8</td> <td style="text-align: center;">9</td> <td style="text-align: center;">648</td> </tr> </table>		Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	9	8	9	648
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure						
9	8	9	648						
<p>V. FUNDING INFORMATION</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">LandYear:</td> <td style="width: 25%; border: none;">DesignYear:</td> <td style="width: 25%; border: none;">Construction Year</td> </tr> <tr> <td style="border: none;">Amounts shown are estimated costs without SAWS overhead.</td> <td style="border: none;">2011 \$750,000</td> <td style="border: none;">2012 \$6,750,000</td> </tr> </table>		LandYear:	DesignYear:	Construction Year	Amounts shown are estimated costs without SAWS overhead.	2011 \$750,000	2012 \$6,750,000		
LandYear:	DesignYear:	Construction Year							
Amounts shown are estimated costs without SAWS overhead.	2011 \$750,000	2012 \$6,750,000							


		2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet								
<u>I. PROJECT DESCRIPTION</u>										
Project: Lawson Strategic Sourcing, Contracting, and Landmark Implementation										
Phase: Acquisition		Programmed Amount:		\$380,555						
Core Business: Wastewater		Category: Corporate WW								
Execution Year: 2011										
Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10
<u>II. PROJECT JUSTIFICATION</u>										
Project Objective: Continue to leverage Lawson platform										
Description and Scope: This platform is required for the Strategic Sourcing and Contracting applications and will eventually house all of Lawson's core applications.										
Remarks:										
Operating Impact: This project will have no significant impact on operating and maintenance costs.										
<u>III. FAILURE ANALYSIS</u>										
Failure Mode: Corporate Mandate		Failure Impact: Failure of Corporate Initiative		Failure Root Cause: Corporate Mandate						
<u>IV. RISK ASSESSMENT RATING</u>										
Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 1000							
<u>V. FUNDING INFORMATION</u>										
LandYear:	DesignYear:	Construction Year								
Amounts shown are estimated costs without SAWS overhead.	350000 \$0	0 \$0	0 \$0							


		<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>								
I. PROJECT DESCRIPTION										
Project: Security Master Plan & Access Control										
Phase: Construction		Programmed Amount:		\$1,141,665						
Core Business: Wastewater		Category: Corporate WW								
Execution Year: 2011										
Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10
II. PROJECT JUSTIFICATION										
Project Objective: Install new security system.										
Description and Scope: The current access control system is outdated and overtaxed. This project is to upgrade/install a new security access control system at various SAWS locations. The project includes costs for facilities construction and the purchase, installation, and integration of new system components.										
Remarks:										
Operating Impact: This project will have no significant impact on operating and maintenance costs.										
III. FAILURE ANALYSIS										
Failure Mode: Corporate Mandate		Failure Impact: Failure of Corporate Initiative		Failure Root Cause: Obsolescence						
IV. RISK ASSESSMENT RATING										
Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 1000							
V. FUNDING INFORMATION										
LandYear:	DesignYear:	Construction Year								
Amounts shown are estimated costs without SAWS overhead.	0 \$0	0 \$0	2011 \$1,050,000							

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>			
<u>I. PROJECT DESCRIPTION</u>				
Project: Data Warehouse				
Phase: Acquisition	Programmed Amount: \$271,825			
Core Business: Wastewater	Category: Corporate WW			
Execution Year: 2011				
Council District:	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>			
	1 2 3 4 5 6 7 8 9 10			
<u>II. PROJECT JUSTIFICATION</u>				
Project Objective: Provide an enterprise data management framework				
Description and Scope: This project will provide an enterprise data management framework and related first set of reports to integrate data from disparate sources to support timely data access, offering more accurate reporting that results in a decision support system for operational and strategic decision making.				
Remarks:				
Operating Impact: This project will have no significant impact on operating and maintenance costs.				
<u>III. FAILURE ANALYSIS</u>				
Failure Mode: Corporate Mandate	Failure Impact: Failure of Corporate Initiative	Failure Root Cause: Corporate Mandate		
<u>IV. RISK ASSESSMENT RATING</u>				
Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 1000	
<u>V. FUNDING INFORMATION</u>		LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2011 \$250,000	0 \$0	0 \$0

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>			
I. PROJECT DESCRIPTION				
Project: C-3 SA Airport: McCullough and Wetmore to Basse				
Phase: Design	Programmed Amount: \$1,271,054			
Core Business: Wastewater	Category: Collection Growth			
Execution Year: 2011				
Council District:	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input checked="" type="checkbox"/> 9 <input type="checkbox"/> 10			
II. PROJECT JUSTIFICATION				
Project Objective: Construct sewer infrastructure to support growth in the Central Sewershed				
Description and Scope: The "C_3_SA Airport _ McCollough and Wetmore to Basse" project consists of approximately 36,300 linear feet of 12-inch, 15-inch, 18-inch, 21-inch, 24-inch, 27-inch, 30-inch, 36-inch, 42-inch, and 54-inch wastewater mains.				
Remarks: This project includes project C-09 (Wolfe Rd) & C-07B (north of Olmos Creek) from the previous Master Planning Study which runs along Wolfe Rd from Plymouth Ave to US Hwy 281.				
Operating Impact: This project will reduce operating and maintenance costs.				
III. FAILURE ANALYSIS				
Failure Mode: Inadequate Capacity	Failure Impact: SSO	Failure Root Cause: Age/Deterioration		
IV. RISK ASSESSMENT RATING				
Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 1000	
V. FUNDING INFORMATION		LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2011 \$250,000	2011 \$1,169,000	2013 \$9,190,000

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
<u>I. PROJECT DESCRIPTION</u>			
Project: C-5: Culebra and Castroville to Laredo			
Phase: Design	Programmed Amount:		\$905,721
Core Business: Wastewater		Category:	Collection Growth
Execution Year: 2011			
Council District:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	1	2	3
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4	5	6
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7	8	9
	<input type="checkbox"/>	<input type="checkbox"/>	10
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Construct sewer infrastructure to support growth in the Central Sewershed			
Description and Scope:			
<p>The "C_5_Culebra and Castroville to Laredo" project consists of approximately 26,000 linear feet of 12-inch, 15-inch, 21-inch, 24-inch, 27-inch, 30-inch, 33-inch, and 36-inch wastewater mains. The project will construct 21-inch and 36-inch gravity mains in the Central Basin along South Laredo Street between South San Jacinto Street and South Trinity Street. The project also includes 3 additional 24-inch barrels at the existing siphon south of the intersection of Calaveras and Potosi Street, a 36-inch gravity main parallel to Potosi Street and Nueva Leon Street, a 33-inch gravity main north of Guadalupe Street turns northwest at El Paso Street, and three 21-inch mains parallel the existing 18-inch and 20-inch mains south of the intersection of Southwest 19th Street and Saunders.</p>			
Remarks:			
(formerly C-23 along 27th St. from Arbor Place to W. Poplar St.)			
Operating Impact: This project will reduce operating and maintenance costs.			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Capacity	SSO	Age/Deterioration	
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	2011	2011	2013
\$250,000	\$833,000	\$5,830,000	

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
<u>I. PROJECT DESCRIPTION</u>			
Project: E-4 Bulverde: Evans to Redland			
Phase:	Design	Programmed Amount:	\$680,650
Core Business:	Wastewater	Category:	Collection Growth
Execution Year:	2011		
Council District:	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6
	<input type="checkbox"/> 7	<input type="checkbox"/> 8	<input checked="" type="checkbox"/> 10
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Construct sewer infrastructure to support growth in the Eastern Sewershed			
Description and Scope:			
<p>The "E_4_Bulverde_Evans to Redland" project consists of approximately 18,000 linear feet of 15-inch, 18-inch, 21-inch, and 24-inch wastewater mains. The project will construct a 24-inch gravity main along Bulverde Road between Redland Road and Loop 1604 in the Eastern Basin. The 24-inch gravity main continues north parallel to Bulverde Road and becomes a 21-inch and 18-inch. The 18-inch main ends at Roseheart. The project also includes a 24-inch, 18-inch, and 15-inch gravity main parallel to Bulverde Road south of East Evans Road.</p>			
Remarks:			
Operating Impact: This project will reduce operating and maintenance costs.			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Capacity	SSO	Age/Deterioration	
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	2011	2011	2013
	\$250,000	\$626,000	\$3,760,000

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
<u>I. PROJECT DESCRIPTION</u>			
Project: FW-27 Medio Creek: Hwy 90 to Medio WRC			
Phase: Construction		Programmed Amount: \$1,087,300	
Core Business: Wastewater		Category: Collection Growth	
Execution Year: 2011			
Council District:			
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
1	2	3	4
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	6	7	8
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	10		
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Construct sewer infrastructure to support growth in the Far West Sewershed.			
Description and Scope:			
This project will construct approximately 2,300 linear feet of 36-inch sewer main and approximately 1,700 linear feet of 21-inch sewer main. This project will extend from Highway 90 and Hunt Lane to Medio Creek WRC and will serve development in the Far West Sewershed.			
(Formerly known as Far West Sewer Relief Main FW-01)			
Remarks:			
This project is Impact fee eligible. This Project will be receiving flows from the Far West Inter Basin Transfer System. The increased flows from the Far West Inter Basin Transfer System will cause overflows in the existing undersized sewer main if this Project to increase capacity is not completed.			
Operating Impact: This project will reduce operating and maintenance costs.			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:		Failure Impact:	Failure Root Cause:
Inadequate Facilities		SSO	Undersized Lines
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	8	576
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	0	2009	2011
\$0	\$100,000	\$1,000,000	

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
<u>I. PROJECT DESCRIPTION</u>			
Project: Medina River Sewer Outfall Segment 2			
Phase: Construction	Programmed Amount:		\$15,210,265
Core Business: Wastewater	Category: Collection Growth		
Execution Year: 2011			
Council District:	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4	5	6
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7	8	9
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	10		
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Construct sewer infrastructure to support growth in the South and Lower Far Wes			
Description and Scope:			
<p>This Project will construct approximately 26 miles of sewer outfall main ranging in size from 24-inch to 96-inch diameter. This project will extend from Dos Rios WRC along Medina River to a point south of Highway 90 and west of Loop 1604 on the west side of Bexar County. The 2011 funding is for Segments 2 and 3. The economic impact of this project can be measured in making possible the future elimination of numerous lift stations in the Far West and South sewersheds, eliminating the need for future expansions to Leon Creek and Medio Creek WRCs, and preventing proliferation of package treatment plants in the South sewershed. The remaining segments are planned for construction in 2012.</p>			
Remarks:			
<p>Construction schedule: 2010 - Segments 1 and 6 2011 - Segments 2 and 3 2012 - Segments 4 and 5</p>			
Operating Impact: This project will reduce operating and maintenance costs.			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Capacity	Line Surcharge	Undersized Lines	
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	2009	0	2011
	\$10,000,000	\$0	\$13,989,023



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Medina River Sewer Outfall Segment 3

Phase: Construction

Programmed Amount: \$18,986,981

Core Business: Wastewater

Category: Collection Growth

Execution Year: 2011

Council District:

1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

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

Description and Scope:

This Project will construct approximately 26 miles of sewer outfall main ranging in size from 24-inch to 96-inch diameter. This project will extend from Dos Rios WRC along Medina River to a point south of Highway 90 and west of Loop 1604 on the west side of Bexar County. The 2011 funding is for Segments 2 and 3. The economic impact of this project can be measured in making possible the future elimination of numerous lift stations in the Far West and South sewersheds, eliminating the need for future expansions to Leon Creek and Medio Creek WRCs, and preventing proliferation of package treatment plants in the South sewershed. The remaining segments are planned for construction in 2012.

Remarks:

Construction schedule:
2010 - Segments 1 and 6
2011 - Segments 2 and 3
2012 - Segments 4 and 5

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

III. FAILURE ANALYSIS


Failure Mode: Inadequate Capacity	Failure Impact: Line Surcharge	Failure Root Cause: Undersized Lines
---	--	--

IV. RISK ASSESSMENT RATING

Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 1000
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V. FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2009	0	2011
	\$10,000,000	\$0	\$17,462,504

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
<u>I. PROJECT DESCRIPTION</u>			
Project: W-2 Huebner Creek: Eckhert to Shadow Mist			
Phase: Design	Programmed Amount:		\$357,722
Core Business: Wastewater		Category: Collection Growth	
Execution Year: 2011			
Council District:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	1	2	3
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4	5	6
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7	8	9
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	10		
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Construct sewer infrastructure to support growth in the Western Sewershed			
Description and Scope:			
<p>The "W_2_Huebner Creek_Eckhert to Bandera" project consists of approximately 21,000 linear feet of 10-inch, 18-inch, 24-inch, and 27-inch wastewater mains. This project will construct 24-inch and 18-inch gravity main in the West Basin along Huebner Creek crossing Bandera Road west of Seneca Drive. The project also includes a 27-inch gravity main parallel to Poss Road from Bandera Road to north of Apple Green Drive and a short section of 10-inch gravity main south of Eckhert Road and east of Huebner.</p>			
Remarks:			
(formerly W-06)			
Operating Impact: This project will reduce operating and maintenance costs.			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Capacity	SSO	Undersized Equipment	
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	4	6	216
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	0	2011	2013
\$0	\$329,000	\$3,290,000	



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: W-31 IH-10: Boerne Stage to Old Fredericksburg

Phase: Acquisition **Programmed Amount:** \$761,110

Core Business: Wastewater **Category:** Collection Growth

Execution Year: 2011

Council District:
1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

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

Description and Scope:

The "W_31_IH-10_Boerne Stage to Old Fredericksburg" project consists of a total of approximately 27,000 linear feet of 12-inch, 15-inch, 18-inch, 21-inch, 27-inch, and 30-inch wastewater mains. Inflow and Infiltration contributes to the need to complete this project. The Project will include the elimination of LS 169 (Falcon Center) & LS 232 (Woodland Hills).

Remarks:

formerly known as the Western Extension_B Project

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

III. FAILURE ANALYSIS


Failure Mode: Inadequate Capacity	Failure Impact: SSO	Failure Root Cause: Undersized Equipment
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IV. RISK ASSESSMENT RATING


Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 9	Risk Exposure 900
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V. FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead. 2011	2009	2013
\$700,000	\$1,900,000	\$7,000,000

		2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet	
<u>I. PROJECT DESCRIPTION</u>			
Project: C-33 Broadway Corridor			
Phase: Construction		Programmed Amount: \$8,698,400	
Core Business: Wastewater		Category: Collection R&R	
Execution Year: 2011			
Council District:			
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
<input type="checkbox"/> 5	<input type="checkbox"/> 6	<input type="checkbox"/> 7	<input checked="" type="checkbox"/> 9
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Construct sewer infrastructure to support growth in the Central Sewershed			
Description and Scope:			
The "C_33_Broadway Corridor_Carnahan to Mulberry" project consists of approximately 7,200 linear feet of 12-inch, 36-inch, 42-inch, 54-inch, and 60-inch wastewater mains. The project will construct a 60-inch, 54-inch, 42-inch, and 36-inch gravity main in the Central Basin along Avenue B from East Mulberry Avenue to north of Tuleta and a 12-inch gravity main along Broadway between East Mulberry Avenue and Pershing Avenue.			
Remarks:			
formerly C-3 (C-2 to C-6)			
Operating Impact: This project will reduce operating and maintenance costs.			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:		Failure Impact:	Failure Root Cause:
Line Collapse		SSO	Age/Deterioration
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	0	2009	2011
	\$0	\$1,200,000	\$8,000,000

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
I. PROJECT DESCRIPTION	
Project: Sanitary Sewer Overflow Rehabilitation	
Phase: Construction	Programmed Amount: \$8,698,400
Core Business: Wastewater	Category: Collection R&R
Execution Year: 2011	
Council District:	<input checked="" type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input checked="" type="checkbox"/> 3 <input checked="" type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/> 6 <input checked="" type="checkbox"/> 7 <input checked="" type="checkbox"/> 8 <input checked="" type="checkbox"/> 9 <input checked="" type="checkbox"/> 10
II. PROJECT JUSTIFICATION	
Project Objective: Rehabilitate Pipelines that are experiencing Sanitary Sewer Overflows (SSO)	
Description and Scope: This project will assess and rehabilitate sanitary sewer pipelines that experience SSOs throughout the service area, and rehabilitate the pipelines using the appropriate method. This is a multiyear project.	
Remarks: 	
Operating Impact: This project will reduce operating and maintenance costs.	
III. FAILURE ANALYSIS	
Failure Mode: Line Collapse	Failure Impact: SSO
Failure Root Cause: Age/Deterioration	
IV. RISK ASSESSMENT RATING	
Impact Severity 10	Likelihood of Occurrence 10
Risk Mitigation 10	Risk Exposure 1000
V. FUNDING INFORMATION	
LandYear:	DesignYear:
Amounts shown are estimated costs without SAWS overhead.	0
\$0	\$0
Construction Year	2011
\$8,000,000	\$8,000,000

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
I. PROJECT DESCRIPTION	
Project: Annual Survey Sewer 2011	
Phase: Design	Programmed Amount: \$108,730
Core Business: Wastewater	Category: Main Replacement - Sewer
Execution Year: 2011	
Council District:	<input checked="" type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input checked="" type="checkbox"/> 3 <input checked="" type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/> 6 <input checked="" type="checkbox"/> 7 <input checked="" type="checkbox"/> 8 <input checked="" type="checkbox"/> 9 <input checked="" type="checkbox"/> 10
II. PROJECT JUSTIFICATION	
Project Objective: Rehabilitate aging/failing Collection infrastructure.	
Description and Scope: This project is to support in-house design of collection and distribution project development and implementation for projects throughout the system. Contract requirements include topographic data as necessary, plat & field notes and other ancillary items to complete the work.	
Remarks: This is an annually recurring project.	
Operating Impact: This project will reduce operating and maintenance costs.	
III. FAILURE ANALYSIS	
Failure Mode: Inadequate Facilities	Failure Impact: Customer Disatisfaction
Failure Root Cause: Other/Deterioration	
IV. RISK ASSESSMENT RATING	
Impact Severity 9	Likelihood of Occurrence 9
Risk Mitigation 9	Risk Exposure 729
V. FUNDING INFORMATION	
LandYear:	DesignYear:
Amounts shown are estimated costs without SAWS overhead.	2011 \$100,000
Construction Year	

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
<u>I. PROJECT DESCRIPTION</u>	
Project: CIPP Contract 2011	
Phase: Construction	Programmed Amount: \$4,349,200
Core Business: Wastewater	Category: Main Replacement - Sewer
Execution Year: 2011	
Council District:	<input checked="" type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input checked="" type="checkbox"/> 3 <input checked="" type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/> 6 <input checked="" type="checkbox"/> 7 <input checked="" type="checkbox"/> 8 <input checked="" type="checkbox"/> 9 <input checked="" type="checkbox"/> 10
<u>II. PROJECT JUSTIFICATION</u>	
Project Objective: Rehabilitate aging/failing Collection infrastructure.	
Description and Scope: Rehabilitate several thousand linear feet of various diameter sewer mains systemwide. Provides a mechanism to rehabilitate deteriorated small and large diameter sewer mains that cannot be repaired using conventional open cut methods. The new mains range between 8-inch to 54-inch of Cured-in-place Thermo-setting Resin pipe and discharge to existing system.	
Remarks: 	
Operating Impact: This project will reduce operating and maintenance costs.	
<u>III. FAILURE ANALYSIS</u>	
Failure Mode: Line Failure	Failure Impact: SSO
Failure Root Cause: Age/Deterioration	
<u>IV. RISK ASSESSMENT RATING</u>	
Impact Severity 10	Likelihood of Occurrence 10
Risk Mitigation 10	Risk Exposure 1000
<u>V. FUNDING INFORMATION</u>	
LandYear:	DesignYear:
Amounts shown are estimated costs without SAWS overhead.	
Construction Year 2011 \$4,000,000	



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Open-Cut Pipe Replacement Contract Sewer 2011

Phase: Construction

Programmed Amount: \$2,174,600

Core Business: Wastewater

Category: Main Replacement - Sewer

Execution Year: 2011

Council District:

1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Replace aging / failing collection system infrastructure

Description and Scope:

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

Remarks:

Projects will be tasked by work orders under this contract.

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

Line Collapse

Failure Impact:

SSO

Failure Root Cause:

Age/Deterioration

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	10	8	720

V. FUNDING INFORMATION

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



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Pipe Bursting Contract 2011

Phase: Construction

Programmed Amount: \$8,698,400

Core Business: Wastewater

Category: Main Replacement - Sewer

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

Rehabilitate several thousand linear feet of various diameter sewer mains systemwide. Provides a mechanism to rehabilitate deteriorated small and large diameter sewer mains that cannot be repaired using conventional open cut methods.

Remarks:

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

III. FAILURE ANALYSIS

Failure Mode:

Line Collapse

Failure Impact:

SSO

Failure Root Cause:

Age/Deterioration

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	10	8	720

V. FUNDING INFORMATION


Amounts shown are estimated costs without SAWS overhead.


LandYear:

DesignYear:

Construction Year

2011
\$8,000,000


	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
<u>I. PROJECT DESCRIPTION</u>	
Project: Sewer Laterals 2011	
Phase: Construction	Programmed Amount: \$1,087,300
Core Business: Wastewater	Category: Main Replacement - Sewer
Execution Year: 2011	
Council District:	<input checked="" type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input checked="" type="checkbox"/> 3 <input checked="" type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/> 6 <input checked="" type="checkbox"/> 7 <input checked="" type="checkbox"/> 8 <input checked="" type="checkbox"/> 9 <input checked="" type="checkbox"/> 10
<u>II. PROJECT JUSTIFICATION</u>	
Project Objective: Rehabilitate aging/failing Collection infrastructure.	
Description and Scope: In-house program for replacment of failing sewer laterals, to eliminate/reduce inflow and infiltration (I&I). Project improves the operational efficiency and reduces the potential and risk of surcharges in the collection system. Work is performed by Distribution and Collection Operations construction crews. Unspecified scope.	
Remarks:	
Operating Impact: This project will reduce operating and maintenance costs.	
<u>III. FAILURE ANALYSIS</u>	
Failure Mode: Line Collapse	Failure Impact: SSO
Failure Root Cause: Age/Deterioration	
<u>IV. RISK ASSESSMENT RATING</u>	
Impact Severity 8	Likelihood of Occurrence 8
Risk Mitigation 10	Risk Exposure 640
<u>V. FUNDING INFORMATION</u>	
LandYear:	DesignYear:
Amounts shown are estimated costs without SAWS overhead.	
Construction Year 2011 \$1,000,000	

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>			
<u>I. PROJECT DESCRIPTION</u>				
Project: Dos Rios Electrical Master Plan				
Phase: Design	Programmed Amount: \$217,460			
Core Business: Wastewater	Category: Treatment R&R			
Execution Year: 2011				
Council District:	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10			
<u>II. PROJECT JUSTIFICATION</u>				
Project Objective: Develop plan to upgrade electrical equipment at Dos Rios				
Description and Scope:				
The Dos Rios Electrical System Assessment and Energy Audit will lay the groundwork for electrical improvements to be included in the future phases of the Dos Rios Re-rating. Primary objectives include developing reliable high-energy systems and reducing overall energy demand and costs. The Electrical System Assessment will include a complete electrical systems review, including incoming gear, substations, transformers, motor control centers, and switchgear, along with a Load Flow Study, Short-Circuit Study, Protective Device Coordination Study, and Arc Flash Study. The Energy Audit will focus on energy-reduction and will cover all of the plant processes, especially aeration and pumping processes which are the highest energy-consumers in the plant.				
Remarks:				
In 2009, the Dos Rios Digester Mixing and System Enhancements project was in danger of being postponed due to major issues with the solids handling system electrical gear that might have cost \$8,000,000 to address in 2010 had the electrical engineer not been forced to go back to the drawing board and reassess their approach to find a way to phase the needed improvements. Since Dos Rios is now over twenty (20) years old, it is expected that these issues will come up again and again since NEC requirements have changed and loads have been added to our power feed equipment without reassessing capacity and condition.				
Operating Impact: This project will reduce operating and maintenance costs.				
<u>III. FAILURE ANALYSIS</u>				
Failure Mode:	Failure Impact:	Failure Root Cause:		
Unsustainable Equipment	Increased Maintenance	Age/Deterioration		
<u>IV. RISK ASSESSMENT RATING</u>				
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
8	8	8	512	
<u>V. FUNDING INFORMATION</u>		LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		0	2011	
		\$0	\$200,000	

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***CAPITAL IMPROVEMENT PROGRAM PROJECTS
WATER DELIVERY***

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 <p>San Antonio Water System</p>	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
I. PROJECT DESCRIPTION			
Project: Service Center Facility Plan Project (Water Share)			
Phase: Design	Programmed Amount:		\$867,150
Core Business: Water Delivery		Category: Corporate WD	
Execution Year: 2011			
Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	4	5	6
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	7	8	9
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	10		
II. PROJECT JUSTIFICATION			
Project Objective: To develop a Service Center Master Plan through 2021			
Description and Scope:			
The purpose of this project is to program, design, locate and construct new Service Centers, Satellite Centers, and to make any required adjustments to the existing properties as a result of relocated staff.			
SAWS currently has mixed use at Service Centers by having Fleet, D&C, Lifts, and Production at the service centers, which has compromised efficiencies and caused an increase of congestion on these sites. SAWS' infrastructure and customer growth has increased our crews' response time to the service call. Realignment would address these embedded inefficiencies in operations.			
Remarks:			
Based on previous Operations Research assessment, this project will improve D&C response time at all facilities and allow for a master planned realignment that increases efficiencies in production, RPC and customer service.			
Risk Assessment:			
Operating Impact: This project will reduce operating and maintenance costs.			
III. FAILURE ANALYSIS			
Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Facilities	Environmental Impact	Corporate Mandate	
IV. RISK ASSESSMENT RATING			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	8	9	648
V. FUNDING INFORMATION			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	2011	2012	
	\$750,000	\$6,750,000	



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Access Control

Phase: Construction

Programmed Amount: \$1,214,010

Core Business: Water Delivery

Category: Corporate WD

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Install new security system.

Description and Scope:

The current access control system is outdated and overtaxed. This project is to upgrade/install a new security access control system at various SAWS locations. The project includes costs for facilities construction and the purchase, installation, and integration of new system components.

Remarks:

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

III. FAILURE ANALYSIS

Failure Mode:

Corporate Mandate

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

Obsolescence

IV. RISK ASSESSMENT RATING

Impact Severity

10

Likelihood of Occurrence

10

Risk Mitigation

10

Risk Exposure

1000

V. FUNDING INFORMATION

LandYear:

0

\$0

DesignYear:

0

\$0

Construction Year

2011

\$1,050,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

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

Phase: Acquisition **Programmed Amount:** \$1,156,200

Core Business: Water Delivery **Category:** Corporate WD

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Improve operational efficiency.

Description and Scope:

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

Remarks:

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

III. FAILURE ANALYSIS

Failure Mode: Corporate Mandate	Failure Impact: Failure of Corporate Initiative	Failure Root Cause: Corporate Mandate
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IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000

V. FUNDING INFORMATION

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



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Brightwood Main 8-inch Water Line

Phase: Construction

Programmed Amount: \$578,100

Core Business: Water Delivery

Category: Distribution Growth

Execution Year: 2011

Council District: 1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Install new water line

Description and Scope:

Alamo Heights serves some SAWS customers, but will stop service in the near future when AH moves some of their water lines from the alley. Project includes the relocation of water main and relaying of approximately 30 services from alley between Claywood within Alamo Heights city limits and Brightwood within COSA city limits.

Remarks:

The water and sewer mains in the alley between Claywood and Brightwood do not meet TCEQ separation requirements.

Currently the City of Alamo Heights provides water and sewer service, and associated billing, to approximately 30 homes within SAWS service area.

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

III. FAILURE ANALYSIS

Failure Mode:

Service Interruption

Failure Impact:

Customer Disatisfaction

Failure Root Cause:

Other/Deterioration

IV. RISK ASSESSMENT RATING

Impact Severity

9

Likelihood of Occurrence

9

Risk Mitigation

9

Risk Exposure

729

V. FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2011

\$500,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Governmental Water Installations

Phase: Construction

Programmed Amount: \$809,340

Core Business: Water Delivery

Category: Governmental Water

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Increase system capacity for future growth.

Description and Scope:

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

Remarks:

This is an annually recurring project.

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

III. FAILURE ANALYSIS

Failure Mode:

Service Interruption

Failure Impact:

Service Interruption

Failure Root Cause:

Conflict with City or State

IV. RISK ASSESSMENT RATING

Impact Severity

9

Likelihood of Occurrence

9

Risk Mitigation

8

Risk Exposure

648

V. FUNDING INFORMATION

LandYear:


DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2011

\$700,000

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
<u>I. PROJECT DESCRIPTION</u>			
Project: Meter Replacements			
Phase: Construction	Programmed Amount:		\$1,271,820
Core Business: Water Delivery		Category: Main Replacement - Water	
Execution Year: 2011			
Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	4	5	6
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	7	8	9
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	10		
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Replace aging water meters			
Description and Scope:			
Replace aging water meters in a defined geographical area, reducing the amount of unaccounted for water.			
Remarks:			
Operating Impact: This project will reduce operating and maintenance costs.			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:	Failure Impact:	Failure Root Cause:	
Corporate Mandate	Failure of Corporate Initiative	Corporate Mandate	
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	0	0	2011
	\$0	\$0	\$1,100,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Open Cut Water Contract

Phase: Construction

Programmed Amount: \$1,156,200

Core Business: Water Delivery

Category: Main Replacement - Water

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

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

Description and Scope:

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

Remarks:

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

Line Collapse

Failure Impact:

Low Flow/Pressure

Failure Root Cause:

Age/Deterioration

IV. RISK ASSESSMENT RATING

Impact Severity

9

Likelihood of Occurrence

8

Risk Mitigation

10

Risk Exposure

720

V. FUNDING INFORMATION

LandYear:

0

DesignYear:

0

Construction Year

2011

Amounts shown are estimated costs without SAWS overhead.

\$0

\$0

\$1,000,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Anderson Pump Station Improvements

Phase: Construction

Programmed Amount: \$10,926,090

Core Business: Water Delivery

Category: Production Growth

Execution Year: 2011

Council District: 1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Increase system capacity for future growth.

Description and Scope:

Master Plan project. Provides for replacing all six existing 10 million-gallon-per-day (MGD) high service pumps (HSP) rated at 105 feet of head with four new 15 MGD and two new 10 MGD pumps rated at 150 feet of head, raising the total and firm capacities of the station to 70 and 55 MGD respectively. Also installs new 7.5 MG GST. Include the chlorine system and switch gear.

Remarks:

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

III. FAILURE ANALYSIS

Failure Mode: Inadequate Capacity	Failure Impact: Low Flow/Pressure	Failure Root Cause: Undersized Equipment
---	---	--

IV. RISK ASSESSMENT RATING

Impact Severity 9	Likelihood of Occurrence 8	Risk Mitigation 10	Risk Exposure 720
-----------------------------	--------------------------------------	------------------------------	-----------------------------

V. FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2007 \$588,240	2011 \$9,450,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Relocate Loma Linda Tank

Phase: Acquisition

Programmed Amount: \$231,240

Core Business: Water Delivery

Category: Production R&R

Execution Year: 2011

Council District: 1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

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

Description and Scope:

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

Remarks:

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

Inadequate Storage

Failure Impact:

Customer Disatisfaction

Failure Root Cause:

Undersized Equipment

IV. RISK ASSESSMENT RATING

Impact Severity

7

Likelihood of Occurrence

6

Risk Mitigation

6

Risk Exposure

252

V. FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:


2011
\$200,000

DesignYear:

2012
\$300,000

Construction Year

2013
\$3,000,000

	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>		
<u>I. PROJECT DESCRIPTION</u>			
Project: Replace Tanks at Port SA Phase 1			
Phase: Construction	Programmed Amount:		\$1,271,820
Core Business: Water Delivery		Category: Production R&R	
Execution Year: 2011			
Council District:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	1	2	3
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4	5	6
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	7	8	9
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	10		
<u>II. PROJECT JUSTIFICATION</u>			
Project Objective: Replace unsustainable equipment due to age and deterioration.			
Description and Scope:			
Construction of a 1.0 MG composite elevated storage tank that will replace Tinker and Jefferson Tanks and serve Port San Antonio and will be located in the general vicinity of Port San Antonio serving Pressure Zone 4A in southwest Bexar County.			
May be delayed or eliminated based on new Master Plan.			
Remarks:			
Operating Impact:			
<u>III. FAILURE ANALYSIS</u>			
Failure Mode:	Failure Impact:	Failure Root Cause:	
Unsustainable Equipment	Regulatory Non-compliance	Age/Deterioration	
<u>IV. RISK ASSESSMENT RATING</u>			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	9	10	810
<u>V. FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	0	2010	2011
	\$0	\$100,000	\$1,100,000

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***CAPITAL IMPROVEMENT PROGRAM PROJECTS
WATER SUPPLY***

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2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Pinn Rd. Pump Station Upgrade

Phase: Construction

Programmed Amount: \$549,800

Core Business: Water Supply

Category: Recycled Water

Execution Year: 2011

Council District:

1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Increase recycled water pumping capacity.

Description and Scope:

Addition of pumps and appurtenances at the Pinn Rd. Recycled Water Pump Station. This project will provide for adequate supply as the customer base grows. Redundancy will be provided for the critical customers such as Microsoft, Toyota, etc.

Remarks:

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

III. FAILURE ANALYSIS

Failure Mode: **Failure Impact:** **Failure Root Cause:**

IV. RISK ASSESSMENT RATING

Impact Severity Likelihood of Occurrence Risk Mitigation Risk Exposure

V. FUNDING INFORMATION

LandYear:		DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2009	2011
	\$0	\$75,000	\$500,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Recycle Customer Lines

Phase: Construction

Programmed Amount: \$1,099,600

Core Business: Water Supply

Category: Recycled Water

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Increase use of Recycled Water

Description and Scope:

Economic incentives provided to encourage greater use of recycled water.

Remarks:

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

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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V. FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2011
\$1,000,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Desalination: Additional Pilot Testing

Phase: Construction

Programmed Amount: \$216,920

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District: 1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Obtain TCEQ approval of three Reverse Osmosis Membranes prior to constructio

Description and Scope:

The Scope of Work shall include the design of the testing protocol, field testing of reverse osmosis membranes from two additional membrane manufactures and the development of a report to TCEQ.

The testing of the two additional membranes in combination with the previous pilot testing will create a more competitive environment for acquisition of membranes for the full scale plant. Pilot testing of membranes from each manufacture is required by TCEQ.

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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V. FUNDING INFORMATION

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



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Desalination: Constructability Review

Phase: Design

Programmed Amount: \$542,300

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Obtain constructability review of the design work produced by the Program Man

Description and Scope:

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

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
------------------------	---------------------------------	------------------------	----------------------

V. FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2011

\$500,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Desalination: Legal

Phase: Acquisition

Programmed Amount: \$488,070

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:

1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Increase available water supply.

Description and Scope:

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

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
-----------------	--------------------------	-----------------	---------------

V. FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

2011
\$450,000

DesignYear:

0
\$0

Construction Year



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Desalination: Production Well Design Services -- Package 1

Phase: Construction

Programmed Amount: \$11,930,600

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:

1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Construction of eight (8) production wells for the Brackish Groundwater Desalin

Description and Scope:

The Scope of Work shall include the drilling and construction of eight brackish groundwater desalination production wells associated with the Brackish Groundwater Desalination Project. In addition, construction of a portion of the well field access roads required for the project will be completed.

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
------------------------	---------------------------------	------------------------	----------------------

V. FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead. 0	2010	2011
\$0	\$1,200,000	\$11,000,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Integration: Land Acquisition

Phase: Acquisition

Programmed Amount: \$4,555,320

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Increase available water supply.

Description and Scope:

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

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

Failure Impact:

Failure Root Cause:

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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V. FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	0	0
	\$4,200,000	\$0	\$0



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Regional Carrizo Program: Buckhorn - SSLGC WTP Pipeline

Phase: Construction

Programmed Amount: \$10,846,000

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:

1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Increase available water supply.

Description and Scope:

Design of a raw water transmission pipeline to transport water from SAWS' Buckhorn Pump Station to SSLGC's Water Treatment Plant in Guadalupe County for treatment.

Remarks:

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

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
------------------------	---------------------------------	------------------------	----------------------

V. FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2010

2011

\$1,500,000

\$10,000,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Regional Carrizo: Buckhorn Well Field Collection System

Phase: Construction

Programmed Amount: \$15,629,086

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:
 1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Increase non-Edwards Aquifer Supply.

Description and Scope:

Construction of water collection infrastructure to facilitate completion of program to withdraw Carrizo Aquifer water from Gonzales County.

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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V. FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2010	2011
	\$490,000	\$14,410,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Regional Carrizo: Program Management

Phase: Construction

Programmed Amount: \$3,253,800

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Increase Available Water Supply

Description and Scope:

Program Services to assist SAWS in program-wide design and oversight associated with the overall Regional Carrizo Program.

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
-----------------	--------------------------	-----------------	---------------

V. FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

0
\$0

DesignYear:

0
\$0

Construction Year

2011
\$3,000,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Regional Carrizzo: Electrical Requirements

Phase: Construction

Programmed Amount: \$2,169,200

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:

1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Increase available water supply.

Description and Scope:

Project will satisfy power requirements of new infrastructure in Gonzales, Comal, and Bexar Counties associated with the Regional Carrizo Program.

Remarks:

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

Failure Impact:

Failure Root Cause:

IV. RISK ASSESSMENT RATING

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

V. FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

0
\$0

0
\$0

2011
\$2,000,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Regional Carrizo Program: Legal

Phase: Acquisition

Programmed Amount: \$92,191

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Increase available water supply.

Description and Scope:

The legal services required are associated with land purchase, easements acquisition, acquisition of groundwater rights and permits for the Regional Carrizo Project.

Remarks:

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

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

III. FAILURE ANALYSIS

Failure Mode:

Failure Impact:

Failure Root Cause:

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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V. FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	0	2011
	\$85,000	\$0	\$0



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Regional Carrizo: SSLGC - Naco Pipeline

Phase: Construction

Programmed Amount: \$19,956,640

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	1	2	3	4	5	6	7	8	9	10

II. PROJECT JUSTIFICATION

Project Objective: Increase available water supply.

Description and Scope:

Design of a water transmission pipeline to transport water from SSLGC's Live Oak Tank to SAWS' Naco Pump Station for integration into the distribution system.

Remarks:

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

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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V. FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2010

2011

\$1,500,000

\$18,400,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Regional Carrizo: SSLGC/SAWS Booster PS

Phase: Construction

Programmed Amount: \$7,592,200

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District: 1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective: Increase available water supply.

Description and Scope:

Design of a booster pump station and ground storage tank at SSLGC's Live Oak Tank in Schertz to help transport treated Carrizo Aquifer water to SAWS' distribution system.

Remarks:

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

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

None

Failure Impact:

Failure of Corporate Initiative

Failure Root Cause:

System Optimization

IV. RISK ASSESSMENT RATING

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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V. FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2010	2011
	\$650,000	\$7,000,000



2011 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

I. PROJECT DESCRIPTION

Project: Twin Oaks ASR SCADA Upgrade

Phase: Design

Programmed Amount: \$54,230

Core Business: Water Supply

Category: Water Resources

Execution Year: 2011

Council District: 1 2 3 4 5 6 7 8 9 10

II. PROJECT JUSTIFICATION

Project Objective:

Description and Scope:

Scope of work shall include the design, delivery, field installation and commissioning of all hardware, software, documentation and training for the new secured integrated SCADA system.

Enhancement will ensure that SAWS conforms to stringent state and federal regulatory requirements that affect our system operations and infrastructure security. Improved security, monitoring and control strategies will convert to meet those regulations. Software, communications, and hardware must be upgraded to help meet the challenges of providing high quality services and sustainable infrastructure security threats.

Remarks:

Operating Impact:

III. FAILURE ANALYSIS

Failure Mode:

Failure Impact:

Failure Root Cause:

IV. RISK ASSESSMENT RATING

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

V. FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

0
\$0


2011
\$50,000

2013
\$500,000

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*CAPITAL IMPROVEMENT PROGRAM PROJECTS
HEATING AND COOLING*

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	<h2 style="margin: 0;">2011 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
<u>I. PROJECT DESCRIPTION</u>	
Project: Heating & Cooling Facilities SCADA Upgrade	
Phase: Design	Programmed Amount: \$165,000
Core Business: Heating & Cooling	Category: Heating & Cooling
Execution Year: 2011	
Council District:	<input checked="" type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10
<u>II. PROJECT JUSTIFICATION</u>	
Project Objective:	
Description and Scope: Scope of work shall include the design, delivery, field installation and commissioning of all hardware, software, documentation and training for the new secured integrated SCADA system. Enhancement will ensure that SAWS conforms to stringent state and federal regulatory requirements that affect our system operations and infrastructure security. Improved security, monitoring and control strategies will convert to meet those regulations. Software, communications, and hardware must be upgraded to help meet the challenges of providing high quality services and sustainable infrastructure security threats.	
Remarks:	
Operating Impact:	
<u>III. FAILURE ANALYSIS</u>	
Failure Mode: Unsustainable Equipment	Failure Impact: Customer Disatisfaction
Failure Root Cause: System Optimization	
<u>IV. RISK ASSESSMENT RATING</u>	
Impact Severity 5	Likelihood of Occurrence 2
Risk Mitigation 2	Risk Exposure 20
<u>V. FUNDING INFORMATION</u>	
LandYear:	DesignYear:
Construction Year	
Amounts shown are estimated costs without SAWS overhead.	0 \$0
2011 \$150,000	2013 \$1,500,000

***CAPITAL IMPROVEMENT PROGRAM PROJECTS
CONTINGENT BUDGET***

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

Customer Service	Target	Threshold	Status
Call Center Service Level	80%	75%	
Collection Delinquency	20% Reduction by Year End	18% Reduction by Year End	
Billing Adjustments	1.0% of Revenue Billed	1.5% of Revenue Billed	

Public Affairs	Target	Threshold	Status
Media Exposure	2.5% Negative	3.5% Negative	

Strategic Resources	Target	Threshold	Status
Job Closeout Backlog	170	250	
USAs/GCPs	90/90	100/100	
2009 CIP (Also Water Supply)	100% Commitment of Budget	N/A	

Water Resources	Target	Threshold	Status
Water Rights Inventory	4,100 Acre Feet	3,690 Acre Feet	
Water Resources Projects	In Development	In Development	
Water Waste Enforcement	Informational	Informational	NA
Indoor Conservation Programs	2,099.92 Acre Feet Saved	1,89.93 Acre Feet Saved	









Human Resources	Target	Threshold	Status
Turnover Rate - 12-month Cumulative	6.6%	9.0%	
Total Recordable Incident Rate (TRIR)	5.2	6.0	
Vehicle Safety	≤ 144	≤ 160	
Sick Leave Taken	≤ 3.2%	≤ 3.4%	
Vacancy Rate	7%	9%	






Operations Services	Target	Threshold	Status
Vehicle Status	2 Days	3 Days	
Potable Water Testing	95%	90%	
Security Deficiencies Discovered	≥ 200	≥ 180	



Production & Treatment	Target	Threshold	Status
Permit Violations	WRC/Mitchell 0 0	WRC/Mitchell 2/2	
SSO/LSO Violations	SSO 125 Per Year, LSO 0	SSO = TBD, LSO 2	
Production	Zero Events	2 Events	
EOC	80%	75%	

Distribution & Collection	Target	Threshold	Status
High Priority Responses - Water	2 Hours	4 Hours	
High Priority Responses - Sewer	1 Hour	2 Hours	
Line Cleaning	EARZ - 50,900 Ft., Non-EARZ - 236,392 Ft., Contractor EARZ - 137,280 Ft, Contractor Non-EARZ - TBD.	EARZ - 40,700 Feet, Non-EARZ - 189,113 Ft., Contrator EARZ - 109,824 Ft., Contrator Non-EARZ - TBD	
Water Main Repairs	48 Hours	90 Hours	

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

Financial Services	Target	Threshold	Status
Operating Ratio	53.40%	55.00%	
Order Fill Ratio	98%	95%	
RSS Ratio	85%	80%	
Construction Contracts	Solicitation ≤ 90 Days/Execution ≤ 45 Days	Solicitation ≤ 100 Days/Execution ≤ 60 Days	 
Professional Services Contracts	Solicitation ≤ 90 Days/Execution ≤ 60 Days	Solicitation ≤ 100 Days/Execution ≤ 75 Days	 
SMWB Participation—Combined	20% Cumulative YTD	20% Cumulative YTD	

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

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

Examples of Key Performance Indicators utilized are as follows

Examples of Key Performance Indicators utilized are as follows

Examples of Key Performance Indicators utilized are as follows:

Examples of Key Performance Indicators utilized:

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SUPPLEMENTAL INFORMATION

STATISTICAL SECTION

Revenue Capacity

Water Production, Water Usage and Wastewater Treated

Fiscal Year	Gallons of Water Production (b)	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate			
						Water		Sewer	
						Base Rate (c)	Usage Rate (d)	Base Rate (e)	Usage Rate (f)
2009	60,646	55,391	5,255	8.67%	51,987	\$ 6.77	\$ 20.04	\$ 7.76	\$ 9.63
2008	67,523	58,828	8,695	12.88%	50,347	6.56	19.92	7.37	9.14
2007	55,043	49,511	5,532	10.05%	49,218	6.56	19.59	7.37	9.14
2006	63,388	57,724	5,664	8.94%	53,268	6.56	19.69	7.37	9.14
2005	58,990	55,005	3,985	6.76%	49,287	6.11	18.42	7.33	9.10
2004	51,231	49,366	1,865	3.64%	49,593	5.61	15.47	6.60	8.19
2003	55,039	50,576	4,463	8.11%	49,669	5.61	13.20	5.70	7.14
2002	52,691	51,850	841	1.60%	52,180	5.61	11.97	5.70	7.14
2001 (a)	36,883	34,716	2,167	5.88%	29,561	5.61	9.19	5.70	7.14
2001	57,243	53,047	4,196	7.33%	52,344	5.61	9.19	5.70	7.14

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

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

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

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

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

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

Sales by Source

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Sales:										
<i>Residential Class</i>	\$65,333	\$68,516	\$56,096	\$65,927	\$58,351	\$44,829	\$45,147	\$45,414	\$30,258	\$43,622
<i>General Class</i>	32,943	32,330	29,313	31,606	28,613	24,006	23,219	23,682	15,839	21,936
<i>Wholesale Class</i>	204	179	120	145	182	114	143	173	312	497
<i>Irrigation Class (b)</i>	12,176	16,124	10,659	12,541	11,723	8,210	8,666	8,535	4,108	1,145
Total Water	110,656	117,149	96,188	110,219	98,869	77,159	77,175	77,804	50,517	67,200
Wastewater Sales:										
<i>Residential Class</i>	81,202	75,752	72,212	72,901	63,605	55,763	48,649	48,877	27,279	48,731
<i>General Class</i>	41,220	39,892	38,372	38,166	37,181	31,495	28,293	30,422	17,262	30,397
<i>Wholesale Class</i>	5,348	5,423	6,651	6,863	6,596	5,822	4,810	4,870	2,991	6,155
<i>Surcharge</i>	4,648	4,614	4,409	4,271	4,081	4,019	4,075	3,526	2,989	4,197
Total Wastewater	132,418	125,681	121,644	122,201	111,463	97,099	85,827	87,695	50,521	89,480
Conservation Fees:										
<i>Residential Class</i>	2,962	3,663	1,986	4,112	3,291	2,411	2,411	2,507	2,644	3,266
<i>General Class</i>	4,008	3,938	3,957	3,637	3,968	3,558	3,519	3,599	1,843	2,701
	6,970	7,601	5,943	7,749	7,259	5,969	5,930	6,106	4,487	5,967
Water Supply Fees (c)	82,778	87,358	72,603	84,254	75,225	52,231	42,640	37,227	12,225	7,363
EAA Fees	6,500	10,497	6,614	8,573	8,571	6,030	5,945	4,926	3,010	3,788
Recycled Water Sales	4,393	4,287	3,244	3,795	3,100	2,669	2,455	2,444	1,412	2,176
Stormwater Fees	3,358	3,037	3,056	3,056	2,938	2,746	2,400	2,133	2,146	2,461
Chilled Water & Steam	12,714	12,758	13,101	13,243	13,371	12,028	12,193	10,857	6,822	9,801
Miscellaneous Fees and Charge	9,266	9,541	7,944	8,204	7,374	6,756	6,521	6,018	3,565	2,060
Total Operating Revenue	\$369,053	\$377,909	\$330,337	\$361,294	\$328,170	\$262,687	\$241,086	\$235,210	\$134,705	\$190,296

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

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

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

Sales in Gallons (Gallons billed in millions)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Sales (b):										
Residential Class	30,667	33,025	26,651	33,162	30,917	27,054	27,624	28,227	19,398	28,621
General Class	20,309	20,297	19,166	20,232	19,769	18,851	19,464	20,155	13,444	23,042
Wholesale Class	119	108	90	114	121	98	137	173	347	535
Irrigation Class	4,200	5,398	3,604	4,216	4,198	3,364	3,350	3,295	1,527	848
Total Water	55,295	58,828	49,511	57,724	55,005	49,367	50,575	51,850	34,716	53,046
Wastewater Sales:										
Residential Class	29,825	28,148	27,384	28,857	25,293	25,421	24,860	25,564	13,594	26,472
General Class	19,714	19,609	18,670	21,152	21,414	20,952	21,418	22,319	13,209	21,516
Wholesale Class	2,448	2,590	3,164	3,259	2,580	3,220	3,391	4,297	2,758	4,356
Total Wastewater	51,987	50,347	49,218	53,268	49,287	49,593	49,669	52,180	29,561	52,344
Conservation - Residential Class (c)	3,469	3,948	2,432	4,276	3,613	2,634	2,636	2,742	2,757	3,629
Recycled Water Sales	16,321	16,559	14,148	14,836	14,048	13,626	13,643	13,762	4,654	13,292

(a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.
 (b) Water Supply and EAA fees are billed based on the gallons billed for water sales.
 (c) Gallons billed for conservation are included in the gallons billed for water sales.

**Number of Customers
(Average number billed)**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Sales (b):										
Residential Class	327,610	323,754	318,270	308,807	298,271	289,458	282,016	276,340	271,597	267,945
General Class	23,242	23,104	22,943	22,662	22,384	22,092	21,894	21,869	21,695	22,947
Wholesale Class	7	7	7	7	6	6	7	7	7	7
Total Water	350,859	346,865	341,220	331,476	320,661	311,556	303,917	298,216	293,299	290,899
Irrigation Class (c)	8,202	7,940	7,602	7,232	6,883	6,522	6,283	6,125	3,329	3,136
Wastewater Sales:										
Residential Class	368,948	361,966	352,038	338,693	326,516	316,498	313,042	310,842	301,845	313,985
General Class	24,279	23,993	23,598	23,402	23,010	22,584	22,379	22,541	22,753	23,164
Wholesale Class	18	19	17	18	18	18	18	20	26	20
Total Wastewater	393,245	385,978	375,653	362,113	349,544	339,100	335,439	333,403	324,624	337,169
Conservation - Residential Class (d)	26,665	29,973	15,548	31,716	27,963	18,754	22,177	24,137	39,307	11,671
Recycled Water Sales	86	76	71	69	56	51	33	26	19	22

(a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.
 (b) Water Supply and EAA fees are billed to a water customers with water usage.
 (c) Represents the number of customers included in Residential, General and Wholesale Classes which also have irrigation meters.
 (d) The residential class rate applied to monthly residential usage in excess of 17,205 gallons is designated as Conservation Fees. These customers are include in the residential class for water sales.

Ten Largest Customers – Water

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (a) (in thousands)	%
Fiscal Year Ended December 31, 2009:					
CITY OF SAN ANTONIO	Municipal Entity	655	1.18	\$ 2,647	1.28
ARCHON GROUP, L.P.	Commercial Real Estate	477	0.86	2,259	1.09
SAN ANTONIO HOUSING AUTHORITY	Public Housing	540	0.98	1,759	0.85
BAPTIST HEALTH SYSTEM	Hospitals	288	0.52	1,663	0.80
HEB GROCERY	Grocery	463	0.84	1,492	0.72
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	287	0.52	1,096	0.53
BEXAR COUNTY	County Government	315	0.57	973	0.47
CPS ENERGY	Public Power Utility	274	0.50	813	0.39
SAN ANTONIO INDEPENDENT SCHOOL DISTRICT	School System	181	0.33	789	0.38
NORTH EAST INDEPENDENT SCHOOL DISTRICT	School System	181	0.33	678	0.33
Subtotal (10 largest)		3,661	6.62	14,169	6.85
Balance from Other Customers		51,634	93.38	192,735	93.15
Total		55,295	100.00	\$ 206,904	100.00

(a) Includes Conservation, Water Supply and EAA fees.

Ten Largest Customers – Wastewater

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (in thousands)	%
Fiscal Year Ended December 31, 2009:					
HEB GROCERY	Grocery	415	0.84	\$ 1,761	1.39
SAN ANTONIO HOUSING AUTHORITY	Public Housing	548	1.11	1,129	0.89
ARCHON GROUP, L.P.	Commercial Real Estate	468	0.94	951	0.75
BEXAR COUNTY	County Government	248	0.50	593	0.47
CITY OF SAN ANTONIO	Municipal Entity	254	0.51	546	0.43
OAK FARMS DAIRY	Dairy Producer	61	0.12	411	0.32
FRITO LAY, INC.	Food Manufacturer	57	0.12	396	0.31
MAXIM INTEGRATED PRODUCT, INC.	Electronics	175	0.35	356	0.28
L & H PACKING COMPANY	Beef Processor	120	0.24	348	0.27
AMERICAN OPPORTUNITY FOR HOUSING	Housing Services	167	0.34	341	0.27
Subtotal (10 largest)		2,513	5.07	6,832	5.38
Balance from Other Customers		47,026	94.93	120,238	94.62
Total		49,539	100.00	\$ 127,070	100.00

Excludes Wholesale Wastewater usage and revenues.

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (a)	Median Age (a)	Personal Income (a) (thousands of dollars)	Per Capita Personal Income (a)	School Enrollment (b)	Single Family Housing Permits (c)	Employment (d)	Unemployment Rate (d)
2009	1,340,549	32.6	\$ 28,750,754	\$ 21,447	296,328	5,249	904,714	6.8%
2008	1,328,984	32.8	27,653,499	20,808	295,673	5,761	902,102	4.7%
2007	1,312,286	32.6	26,093,495	19,884	291,873	8,707	887,840	4.1%
2006	1,322,900	33.2	26,603,519	20,110	283,393	13,142	874,941	4.6%
2005	1,299,200	32.2	25,386,368	19,540	279,756	14,047	853,528	5.0%
2004	1,278,300	32.2	24,248,073	18,969	273,560	11,920	834,039	5.6%
2003	1,262,800	32.0	25,205,488	19,960	275,796	10,407	820,022	6.1%
2002	1,241,100	31.8	23,953,230	19,300	270,025	10,063	810,917	5.7%
2001	1,226,250	32.5	24,770,250	20,200	267,184	9,138	793,489	4.6%
2000	1,207,500	32.2	24,089,625	19,950	262,567	8,407	785,220	4.0%

(a) Source: Planning Department, City of San Antonio, Texas

(b) Source: Finance Department, City of San Antonio, Texas. Based on enrollment data provided by Alamo Heights ISD, East Central ISD, Edgewood ISD, Harlandale ISD, Judson ISD, Northeast ISD, Northside ISD, San Antonio, ISD, South San Antonio ISD, Somerset ISD, Southwest ISD, and Southside ISD

(c) Source: US Bureau of Census and Real Estate Center at Texas A&M University, San Antonio Metropolitan Statistical Area.

(d) Source: Texas Workforce Commission, San Antonio Metropolitan Statistical Area, non-seasonally adjusted. 2009 data is for December only, annual data is presented for prior years.

Note: Population and median age information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Principal Employers
 (as of December 31, 2009)

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment ¹	Employees	Rank	Percentage of Total City Employment ²
Lackland Air Force Base	34,380	1	4.11%			
Fort Sam Houston	25,391	2	3.03%			
H.E.B. Food Stores	14,588	3	1.74%	14,360	2	1.97%
United Services Automobile Association	14,000	4	1.67%	14,413	1	1.98%
City of San Antonio	13,862	5	1.66%			
Northside Independent School District	12,597	6	1.50%	5,259	8	0.72%
Randolph Air Force Base	11,790	7	1.41%			
North East Independent School District	8,900	8	1.06%	6,604	5	0.91%
Methodist Health Care System	7,800	9	0.93%	6,172	6	0.85%
San Antonio Independent School District	7,616	10	0.91%	7,332	4	1.01%
SBC Communications				8,871	3	1.22%
Baptist Health Systems				5,527	7	0.76%
Christus Santa Rosa				3,208	9	0.44%
Fiesta Texas Six Flags				2,913	10	0.40%
Total	150,924		18.03%	74,659		10.26%

Source: Economic Development Division, City of San Antonio, Texas, Greater San Antonio Chamber of Commerce, Economic Development Foundation, and San Antonio Business Journal Book of Lists as of January 2009.

¹ Percent based on an Employment Estimate of 837,300 of Non-Farm jobs in the San Antonio Metropolitan Statistical Area as of January 2009. Figure provided by the Texas Workforce Commission.

² Percent based on an Employment Estimate of 727,400 of Non-Farm jobs in the San Antonio Metropolitan Statistical Area as of January 2000. Figure provided by the Texas Workforce Commission.

Table provided courtesy of City of San Antonio Finance Department

GLOSSARY

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

CPS Energy	Municipally owned utility providing electric and gas to the San Antonio and Bexar County area - formerly City Public Service (CPS).
CPS Contract Or CPS Energy Contract	The Wastewater Contract executed on September 15, 1990 between the Alamo Conservation and Reuse District and the City Public Service Board of San Antonio.
Cured-in-place pipe (CIPP)	A cured-in-place pipe (CIPP) is one of several trenchless rehabilitation methods used to repair existing pipelines. CIPP is a jointless, seamless, pipe-within-a-pipe with the capability to rehabilitate pipes ranging in diameter from 0.15 - 2.8 meter (6"-110"). As one of the most widely used rehabilitation methods CIPP has application in water, sewer, gas, and chemical pipelines
Debt	All indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money and all other SAWS financing obligations payable from Pledged Revenues and/or net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet.
Debt Service Requirements	As of any particular date of computation, with respect to any obligation and with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations.
Encumbrance	Amount for which there is a legal obligation to spend in the future. A purchase order is a typical encumbrance transaction
Failure Impact	The impact on the customer
Failure Mode	The manner by which a failure is observed; it generally describes the way the failure occurs.
Failure Root Cause	Defects in design, process, quality, or part application, which are the underlying cause of the failure or which initiate a process which leads to failure.
Fiscal Year	The twelve month accounting period used by SAWS in connection with the operation of the System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Board, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

Gross Revenues	All revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, grants in aid of construction, any amounts payable to the united Stats as rebate, any impact fees charged by the System, payments received pursuant to the CPS Contract together with earnings and interest thereon, and earnings and income derived from the investment or deposit of money in the Construction Fund.
Junior Lien Obligations	Bonds, Previously Issued Junior Lien Obligations, and any Additional Junior Lien Obligations hereafter issued by the City, or bonds issued to refund any of the foregoing (as determined within the sole discretion of the City Council in accordance with applicable law) if issued in a manner so as to be payable from and equally and ratably secured by a junior lien on and pledge of SAWS' Net Revenues
Net Revenues	Gross Revenues of the System, with respect to any period, after deducting the System's Operating and Maintenance Expenses during such period.
Operating and Maintenance Expense	<p>All current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including:</p> <p>(1) The cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, that are, in the judgment of the Board, necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof and other customers of the System, or are necessary to meet some physical accident or condition which would otherwise impair the payment of Debt,</p> <p>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,</p> <p>(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,</p> <p>(4) Payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City or the Board,</p> <p>(5) The payments made on or in respect of obtaining and maintaining any Credit Facility, and</p> <p>(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</p>
Ordinance	Ordinance No. 75686 adopted by the City Council on April 30, 1992.

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

GLOSSARY OF ABBREVIATIONS

APB	Accounting Principals Board
ARB's	Accounting Research Bulletins
ASR	Aquifer Storage and Recovery
AWC	Average Winter Consumption
BRAC	Base Realignment and Closure
BSR	Bulverde Sneckner Ranch
CIP	Capital Improvement Program
CIPP	Cured-in-place pipe
CPS	City Public Service Energy
CSA or COSA	City of San Antonio
EAA	Edwards Aquifer Authority
EMT	SAWS Executive Management Team
ERSS	Enterprise Resource Software System
ETJ	Extraterritorial Jurisdiction
FASB	Financial Accounting Standards Board
FMEA	Failure Methods and Effects Analysis
GASB	Government Accounting Standards Board
GPCD	Gallons per capita per day
KPI	Key Performance Indicator
LCRA	Lower Colorado River Authority
MGD	Million gallons per day
MGL	Milligrams per liter
MSA	Metropolitan Statistical Area
OSHA	Occupational Safety and Health Administration
RAC	Rates Advisory Committee

RIP	Recovery Implementation Program
SAWS	San Antonio Water System
SWOT	SWOT Analysis is a strategic planning method used to evaluate the S trengths, W eaknesses, O pportunities, and T hreats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective.
TCEQ	Texas Commission on Environmental Quality
TECP	Tax exempt commercial paper
TWDB	Texas Water Development Board
WRC	Water Recycling Center

RATE SCHEDULES

**RESIDENTIAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about November 1, 2010

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
		<u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$6.91	First 5,985	\$0.0917	\$0.0917
3/4"	9.68	Next 6,732	0.1327	0.1443
1"	15.23	Next 4,488	0.1871	0.2146
1-1/2"	29.10	Over 17,205	0.3277	0.4446
2"	45.73			
3"	84.56			
4"	140.02			
6"	278.69			
8"	445.09			
10"	639.22			
12"	1,193.88			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
		<u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$8.98	First 5,985	\$0.1193	\$0.1193
3/4"	12.59	Next 6,732	0.1725	0.1876
1"	19.80	Next 4,488	0.2433	0.2790
1-1/2"	37.83	Over 17,205	0.4260	0.5779
2"	59.46			
3"	109.94			
4"	182.04			
6"	362.30			
8"	578.63			
10"	830.99			
12"	1,552.05			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

SEWER

Sewer service charges for all metered residential connections are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

INSIDE CITY LIMITS (ICL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$8.68

Over 1,496 gallons - \$0.2302 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$24.18 per month.

OUTSIDE CITY LIMITS (OCL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$10.43

Over 1,496 gallons - \$0.2762 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$29.02 per month.

Rate Schedules

**GENERAL CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about November 1, 2010

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$9.59	Base*	\$0.1110
3/4"	13.71	>100-125% of Base	0.1327
1"	21.93	>125-175% of Base	0.1861
1-1/2"	42.50	>175% of Base	0.2725
2"	67.20		
3"	124.80		
4"	207.09		
6"	412.82		
8"	659.69		
10"	947.71		
12"	1,770.63		

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$12.47	Base*	\$0.1443
3/4"	17.82	>100-125% of Base	0.1724
1"	28.51	>125-175% of Base	0.2419
1-1/2"	55.26	>175% of Base	0.3542
2"	87.36		
3"	162.24		
4"	269.22		
6"	536.66		
8"	857.60		
10"	1,232.03		
12"	2,301.82		

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

SEWER

Sewer service charges are computed from the water usage schedules below for all metered connections.

INSIDE CITY LIMITS (ICL)	OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) -\$8.68	Monthly Service Availability Charge (includes first 1,496 gallons) - \$10.43
Over 1,496 gallons - \$0.2302 per 100 gallons.	Over 1,496 gallons - \$0.2762 per 100 gallons.

Rate Schedules

**WHOLESALE CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about November 1, 2010

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$278.69	Base*	\$0.0770
8"	445.09	>100-125% of Base	0.1157
10"	639.22	>125-175% of Base	0.1670
12"	1,193.88	>175% of Base	0.2362

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$362.30	Base*	\$0.1001
8"	578.63	>100-125% of Base	0.1504
10"	830.99	>125-175% of Base	0.2171
12"	1,552.05	>175% of Base	0.3070

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

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

SEWER

INSIDE CITY LIMITS (ICL)

\$0.2075 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$1.56 per 100 cubic feet)

OUTSIDE CITY LIMITS (OCL)

\$101.95 Monthly Service Availability Charge plus \$0.2491 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$1.87 per 100 cubic feet)

Rate Schedules

**IRRIGATION CLASS WATER RATES SCHEDULE
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about November 1, 2010

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
		<u>Rate Per 100 Gallons</u>		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks,</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$9.59	0 Gallons	\$0.0000	\$0.0000
3/4"	13.71	Next 6,732	0.1560	0.1560
1"	21.93	Next 10,473	0.1871	0.2172
1-1/2"	42.50	Over 17,205	0.3277	0.4497
2"	67.20			
3"	124.80			
4"	207.09			
6"	412.82			
8"	659.69			
10"	947.71			
12"	1,770.63			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
		<u>Rate Per 100 Gallons</u>		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks,</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$12.47	0 Gallons	\$0.0000	\$0.0000
3/4"	17.82	Next 6,732	0.2028	0.2028
1"	28.51	Next 10,473	0.2432	0.2824
1-1/2"	55.26	Over 17,205	0.4260	0.5846
2"	87.36			
3"	162.24			
4"	269.22			
6"	536.66			
8"	857.60			
10"	1,232.03			
12"	2,301.82			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

Rate Schedules

SAN ANTONIO WATER SYSTEM
SAN ANTONIO, TEXAS

WATER SUPPLY FEE SCHEDULE

Effective for Consumption on or about November 1, 2010

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

<u>Rate Class</u>	<u>Usage Blocks.. Gallons</u>	<u>Fee to be Assessed (per 100 gallons)</u>
Residential	First 5,985	\$0.1023
	Next 6,732	\$0.1480
	Next 4,488	\$0.2087
	Over 17,205	\$0.3653
General	Base*	\$0.1573
	>100-125% of Base	\$0.1573
	>125-175% of Base	\$0.1573
	>175% of Base	\$0.1573
Wholesale	Base*	\$0.1573
	>100-125% of Base	\$0.1573
	>125-175% of Base	\$0.1573
	>175% of Base	\$0.1573
Irrigation	0 Gallons	\$0.0000
	Next 6,732	\$0.1573
	Next 10,473	\$0.2087
	Over 17,205	\$0.3962

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

Rate Schedules

RECYCLED WATER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM
 San Antonio, Texas

Effective for Consumption on or about December 1, 1999

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each mo

EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE A VAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$8.74
3/4"	11.37
1"	14.81
1-1/2"	23.55
2"	34.44
3"	91.60
4"	136.14
6"	259.71
8"	391.47
10"	536.79
12"	662.31

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
Transferred Amount	\$0.0230	\$0.0230
All in excess of transferred amount	0.0863	0.0917

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning July 1 and ending on or about October 31 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

NON-EXCHANGE CUSTOMERS

MONTHLY SERVICE A VAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$8.74
3/4"	11.37
1"	14.81
1-1/2"	23.55
2"	34.44
3"	91.60
4"	136.14
6"	259.71
8"	391.47
10"	536.79
12"	662.31

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
	<u>Standard</u>	<u>Seasonal</u>
First 748,000	\$0.0924	\$0.0992
Over 748,000	0.0943	0.1002

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning July 1 and ending on or about October 31 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

Rate Schedules

**SAN ANTONIO WATER SYSTEM
SAN ANTONIO, TEXAS**

EDWARDS AQUIFER AUTHORITY FEE SCHEDULE

Effective on or about January 1, 2010

The Edwards Aquifer Authority Fee assessed on all potable water service for water usages in every instance of service for each month, or fraction thereof, shall be as follows:

<u>Year</u>	<u>Fee to be Assessed (per 100 gallons)</u>
2010	\$0.0184

**SAN ANTONIO WATER SYSTEM
SAN ANTONIO, TEXAS**

STATE-IMPOSED TCEQ FEE SCHEDULE

Effective on or about January 1, 2010

The "State-Imposed TCEQ Fee" is assessed on water and wastewater customers, including apartment units.

<u>Year</u>	<u>Water Connection Per Month</u>	<u>Wastewater Connection per Month</u>
2010	\$0.19	\$0.05

Rate Schedules

**WATER SUPPLY, WATER AND WATERSUPPLY IMPACT FEE RATES SCHEDULE
SAN ANTONIO WATER SYSTEM
San Antonio, Texas
Effective June 29, 2006**

The City is authorized to impose and enforce impact fees, through its municipally-owned water utility company, which are necessary to provide and make available services and facilities. This action fulfills an obligation mandated under Chapter 395 of the Texas Local Government Code. The San Antonio Water System shall assess and collect **WATER SUPPLY** impact fees as set forth below:

<u>WATER SUPPLY IMPACT FEE</u>	IMPACT FEE PER EQUIVALENT DWELLING UNIT (EDU)
Water Supply - All Areas	\$1,242

The City is authorized to impose and enforce impact fees, through its municipally-owned water utility company, which are necessary to provide and make available services and facilities. This action fulfills an obligation mandated under Chapter 395 of the Texas Local Government Code. The San Antonio Water System shall assess and collect **WATER DELIVERY** impact fees as set forth below:

<u>WATER DELIVERY IMPACT FEES</u>	IMPACT FEE PER EQUIVALENT DWELLING UNIT (EDU)
Flow - All Areas	\$1,098
System Development	
Low Elevation Service Area	\$668
Middle Elevation Service Area	\$591
High Elevation Service Area	\$1,356

The City is authorized to impose and enforce impact fees, through its municipally-owned water utility company, which are necessary to provide and make available services and facilities. This action fulfills an obligation mandated under Chapter 395 of the Texas Local Government Code. The San Antonio Water System shall assess and collect **WASTEWATER** impact fees as set forth below:

<u>WASTEWATER IMPACT FEES</u>	IMPACT FEE PER EQUIVALENT DWELLING UNIT (EDU)
Treatment	
Upper and Lower Service Areas	\$453
Far West-Medio Service Area	\$901
Collection	
Lower Service Area	\$413
Upper Service Area	\$691
Far West-Medio Service Area	\$394
Far West-Potranca, Big Saus, Lucas Service Area	\$772

EDU EQUIVALENCIES FOR VARIOUS TYPES AND SIZES OF WATER METERS	
METER SIZE	SERVICE UNITS
5/8"	1
3/4"	1.5
1"	2
1-1/2"	5
2"	14
3"	30
4"	50
6"	105
8"	135
10"	190
12"	360



2800 U.S. 281 North • San Antonio, Texas 78212
210-704-SAWS (7297)

www.saws.org



Annual Operating and Capital Budget

**Fiscal Year Ending December 31, 2013
San Antonio, Texas**



ANNUAL OPERATING AND CAPITAL BUDGET, AS AMENDED

FISCAL YEAR ENDING DECEMBER 31, 2013

DOUGLAS P. EVANSON
SENIOR VICE PRESIDENT/CHIEF FINANCIAL OFFICER

MARY E. BAILEY,
CONTROLLER

PREPARED BY:
FINANCIAL PLANNING DEPARTMENT

DAN CROWLEY, DIRECTOR
PATRICIA ARRIOLA
MARSELLA GONZALEZ
LOUIS LENDMAN
CARLOS MENDOZA
STEPHEN TURNER
ROBERT WALKER
TREVOR WAITE, INTERN

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**San Antonio Water System
Texas**

For the Fiscal Year Beginning

January 1, 2012

Christopher P. Morrell

President

Jeffrey R. Emmer

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Antonio Water System, Texas** for its annual budget for the fiscal year beginning **January 1, 2012**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

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

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**CITY OF SAN ANTONIO
MAYOR AND CITY COUNCIL**



Julián Castro
Mayor



Diego M. Bernal District 1



Ivy R. Taylor District 2



Leticia Ozuna District 3



Rey Saldaña District 4



David Medina, Jr. District 5



Ray Lopez District 6



Cris Medina District 7



W. Reed Williams District 8



Elisa Chan District 9



Carlton Soules District 10

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**SAN ANTONIO WATER SYSTEM
BOARD OF TRUSTEES**



Berto Guerra Jr.
Chairman



Samuel E. Luna, Jr.
Assistant Secretary



Willie A. Mitchell
Vice Chairman



Elizabeth M. Provencio



Roberto Anguiano
Secretary



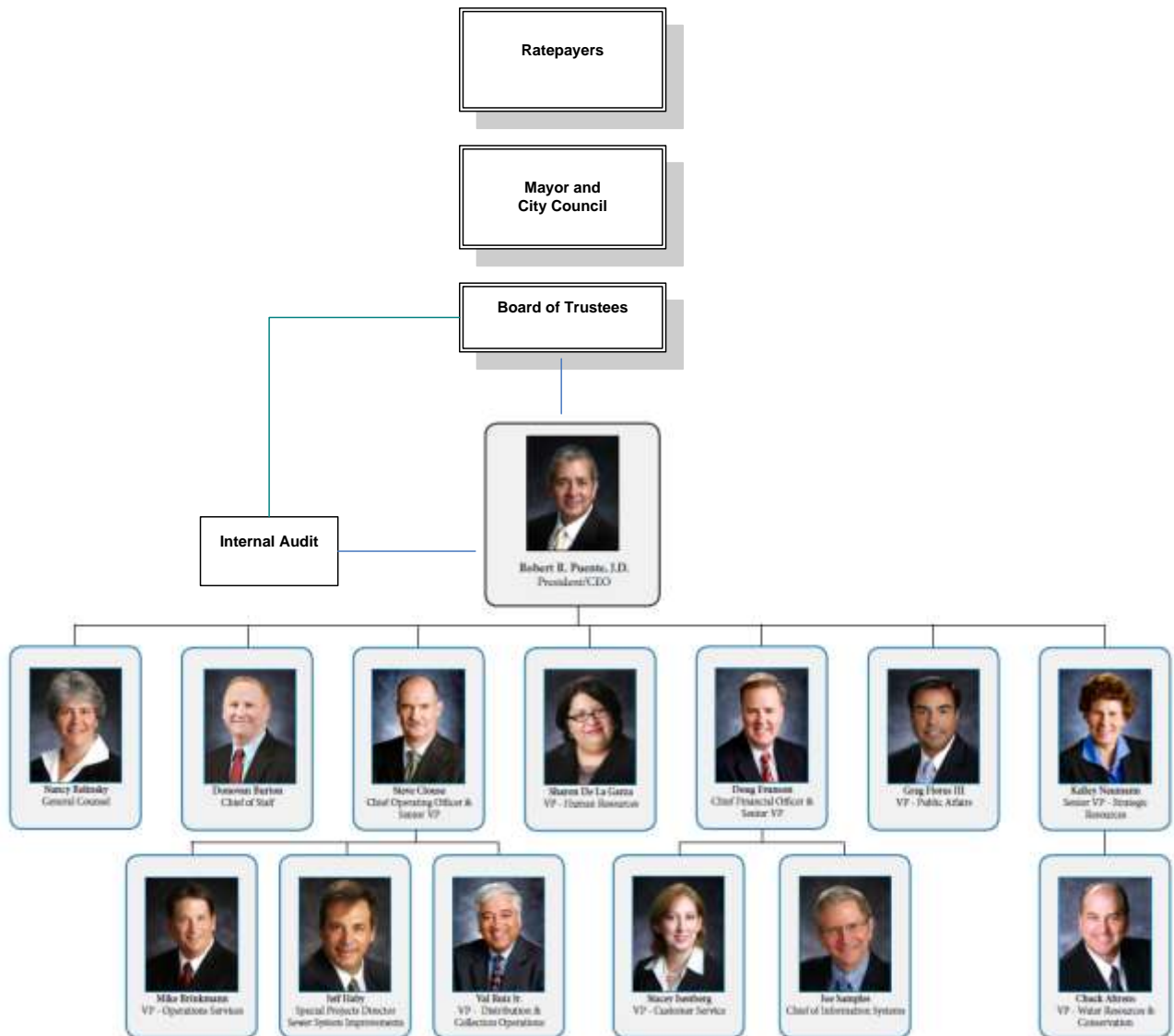
Louis E. Rowe



Mayor Julián Castro, ex Officio

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ORGANIZATIONAL CHART



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Refreshing Ideas

2015

Mission

Sustainable Affordable Water Services

Vision

To Be Leaders in Delivering Responsible Water Services for Life

Values

Excellence, Integrity, and Respect

The mission and vision statements, combined with the SAWS' intrinsic core values, provide the compass which serves to guide the activities, goals and objectives of SAWS' leadership team and workforce through 2015.

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

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

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TRANSMITTAL LETTER

February 8, 2013

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

Honorable Mayor and Trustees:

I am pleased to present the 2013 Annual Operating and Capital Budget of the San Antonio Water System (SAWS), which has been prepared in accordance with requirements of City Ordinance No. 75686.

As we have undertaken the budget process for fiscal year 2013, a number of operational and financial challenges have presented themselves in 2012 that require additional resources to be addressed effectively to the benefit of the community. These challenges include the maintenance and replacement of aging sewer infrastructure, the reduction of Sanitary Sewer Overflows (SSO's) to comply with federal law, and the continued acquisition of diverse water supplies to meet community growth. To provide the resources necessary to meet these issues, the 2013 Budget reflects an 8.4% adjustment in SAWS water and sewer rates for the average customer.

- Sanitary Sewer Overflow (SSO) Reduction Capital Program (\$34.9 million)
 - Sewer Pipe Rehabilitation (\$32.1 million). Sewer system management includes the rehabilitation of sewer pipelines and manholes that contribute to SSOs due to compromised structural condition.
 - Sewer System Capacity Program (\$2.8 million). The regular assessment of sewer system flows identifies the need to replace or construct new sewer pipelines to alleviate capacity constraints that contribute to SSOs.
- Aging Sewer Infrastructure Rehabilitation (\$80.4 million)
 - Sewer Infrastructure Renewal and Rehabilitation (\$43.1 million). Ongoing annual renewal and rehabilitation of sewer infrastructure occurs as required under various conditions such as in situations of emergency and compromised integrity. The work is performed by SAWS crews or contractors, and can require external engineering design services.
 - Major Sewer Replacement Projects (\$33.8 million). Design and/or construction will be performed in 2013 on four specific major sewer replacement projects identified by the SAWS Wastewater Master Plan to address capacity deficiencies and/or conditional defects thereby serving to reduce SSO's.
 - Lift Station Elimination (\$3.5 million). At times, wastewater flow must be forced uphill by a lift station, but the preference is for wastewater to flow through sewer mains via gravity. The 2013 budget includes funding for the elimination of 2 lift stations, which will be replaced with gravity sewer mains.

- Additional Wastewater Capital Improvements (\$44.4 million)
 - Governmental Sewer System Projects (\$18.7 million). SAWS coordinates with other governmental agencies to relocate, replace or rehabilitate sewer infrastructure as part of non-SAWS infrastructure projects planned by other agencies. Required work can include maintenance or capital improvement projects performed by the Texas Department of Transportation, Bexar County, San Antonio River Authority, and City of San Antonio's Bond Program.
 - Water Recycling Center Improvements (\$16.9 million). Upgrades and improvements to equipment, systems and facilities at the Dos Rios, Leon Creek and Medio Creek water recycling centers.
 - Other Improvements (\$8.8 million)
 - Information Systems Support - includes plans for a Wastewater CIP Management Software System, Customer Information Software System, and an IBM mainframe upgrade.
 - Service Crew Dispatch Center - improved efficiencies for sewer maintenance and response.
- Expanded SSO Reduction Program (Operating Requirements)

Expanded and aggressive evaluation of the sewer system on a continuing basis is essential to minimizing future SSO occurrences. The budget includes \$13.8 million in operating expenditures for the following programs:

- Cleaning, Televising and Assessment (\$9.8 million). The televising of sewer lines throughout the city will be expanded with technology that identifies grease and debris blockages as well as compromised structural integrity that can lead to SSO's. The funding includes work by SAWS crews and contractors to address issues in large and small mains, force mains, siphons and manholes identified by the televising efforts.
 - Capacity Assessment (\$1.7 million). This program calls for expanded flow metering, field investigations and hydraulic modeling of sewer main capacity.
 - Program Manager and Data Management (\$2.3 million). External technical expertise and administrative support in the form of an SSO program manager and robust data management are best practices utilized by the top-performing utilities across the nation.
- Water Supply Program (Capital Investments)

To implement the water supply development steps to be undertaken in the coming year as set out in the *2012 Water Management Plan*, the 2013 budget includes \$116.2 million in the following capital improvements:

- Groundwater Desalination Plant Construction (\$98.2 million). SAWS already has wells in the ground for the region's first-ever groundwater desalination project. Construction of Phase 1 will be completed in 2016, providing 12,210 acre-feet of water from the state-of-the-art reverse osmosis plant in southern Bexar County. Phase II is expected to begin in 2017 and Phase III in 2024. The facility will reach its full production capacity of 30,425 acre-feet per year by 2026. Unlike San Antonio's Edwards Aquifer supply, the salty water in the Wilcox Aquifer is not subject to pumping restrictions during drought.
- Edwards Aquifer Rights Acquisition (\$11 million). An amount of 10,900 acre-feet of additional Edwards Aquifer water rights has been identified as available for purchase over the next five years, for a total estimated cost of \$55.2 million. The permitted supplies already contain environmental protections for the endangered species habitats in the Comal and San Marcos Springs. Securing additional Edwards permits from willing sellers helps ensure a solid foundation for San Antonio's diversified water portfolio.
- Integration Pipeline (\$5.8 million). As new water supplies are brought on line, foundational infrastructure must be built to transport that water throughout San Antonio. Acquiring right-of-way is a critical step to ensure the delivery system is in place when needed. The new pipeline will be

capable of simultaneously moving water from the desalination plant and the local Carrizo Aquifer to high growth areas in western San Antonio.

- Regional Carrizo Well Mitigation (\$1.1 million). This project will supply SAWS ratepayers with the largest non-Edwards Aquifer water supply to date through an innovative and cost-saving infrastructure-sharing arrangement. By the end of 2013, up to 17,200 acre-feet per year of Carrizo Aquifer water will be piped to San Antonio in cooperation with the Schertz-Seguin Local Governmental Corporation and the Gonzales Water Supply Corporation. This pipeline project will enable SAWS to connect to the existing Schertz-Seguin system in northeast San Antonio.

In summary, the 2013 Annual Budget:

- Balances revenue requirements with available revenues and other funding sources
- Requires a rate adjustment for Water Supply Fee and Wastewater rates
 - Water Supply Fee: 2.5% rate adjustment
 - Wastewater rates: 16.5% rate adjustment
- Assumes 2013 billed water usage of 55.2 billion gallons based on normal weather conditions
- Assumes 2013 customer growth of 1.4% for water customers and 1.8% for wastewater customers of the system
- The total Sources of Funds are comprised of:
 - Operating revenues totaling \$458.7 million
 - Includes \$22.6 million in additional revenue during 2013 from rate adjustments to the Water Supply Fee and wastewater rates
 - Non-Operating revenues totaling \$6.4 million
 - Capital recovery fees of \$36.0 million
- Provides for funding of \$243.9 million in net operations costs
- Assumes funding for \$350.2 million of capital improvement projects
 - \$65.2 million in Water Delivery projects
 - \$159.9 million in Wastewater projects
 - \$118.9 million in Water Supply projects (including Recycled Water projects)
 - \$6.2 million in Chilled Water and Steam projects
- Provides for \$8.5 million funding for vehicles, equipment, and computer related capital
- Provides for \$164.1 million in funding for debt service and expenses
- Plans for senior lien debt coverage of 1.86 times
- Includes a transfer of \$11.7 million to the City of San Antonio

It must be noted that the budget presented here reflects 2013 operational and capital expenses for SAWS only and does not include any costs related to the District Special Project (DSP) formerly known as the Bexar Metropolitan Water District or BexarMet. On November 8, 2011, the ratepayers of the former BexarMet voted to incorporate the District into SAWS. In January 2012, the final state and federal clearances were obtained, and SAWS assumed responsibility for all aspects of BexarMet.

In accordance with state law and city ordinance, in order to minimize the immediate impact upon the existing SAWS' ratepayers, when control of the BexarMet system was assumed in January 2012, SAWS began to operate it separately as "the District Special Project" (DSP). In further compliance with the law, SAWS will continue to operate the system separately as the DSP for up to five years. As a consequence, separate operating and capital budgets for the DSP have been prepared for SAWS Board of Trustees consideration.

The annual budget process is an effort to strike the appropriate balance between ensuring that rates remain affordable for SAWS' customers and ensuring the ongoing operational and financial integrity of the organization. The 2013 Annual Operating and Capital Budget will allow the San Antonio Water System to continue providing high quality water, wastewater, recycled water and heating and cooling services at reasonable costs, while also maintaining a healthy financial position.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Douglas P. Evanson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Douglas P. Evanson
Senior Vice President/Chief Financial Officer

BUDGET SUMMARY

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BUDGET SUMMARY

City of San Antonio Ordinance No. 75686 mandates budgeting in accordance with prescribed funds flow requirements. The budget is designed to present a comprehensive projection of SAWS operations from January 1, 2013 through December 31, 2013.

This document incorporates amendments to the original 2013 budget which was adopted by the SAWS Board on December 4, 2012. Specifically, the amended budget reflects additional revenues from an 8.4% adjustment in water and sewer rates adopted by the SAWS Board of Trustees and the San Antonio City Council subsequent to the adoption of the original budget.

City Ordinance No. 75686 further requires that the SAWS Board of Trustees adopt a budget prior to the start of a new fiscal year. Ordinance No. 75686 also states that all rate adjustments require the approval of the City Council in addition to the approval of the Board of Trustees. Since the City Council had expressed its intent to take action on proposed 2013 rate adjustments only after the beginning of 2013, the Board of Trustees adopted the original 2013 budget in December 2012 which did not reflect any rate adjustments.

The City Council adopted an 8.4% rate adjustment in water and sewer rates on February 7, 2013, and the SAWS Board subsequently adopted the amended budget for 2013 on February 8, 2013. The differences between the original adopted 2013 budget and the amended 2013 budget are provided in the table below.

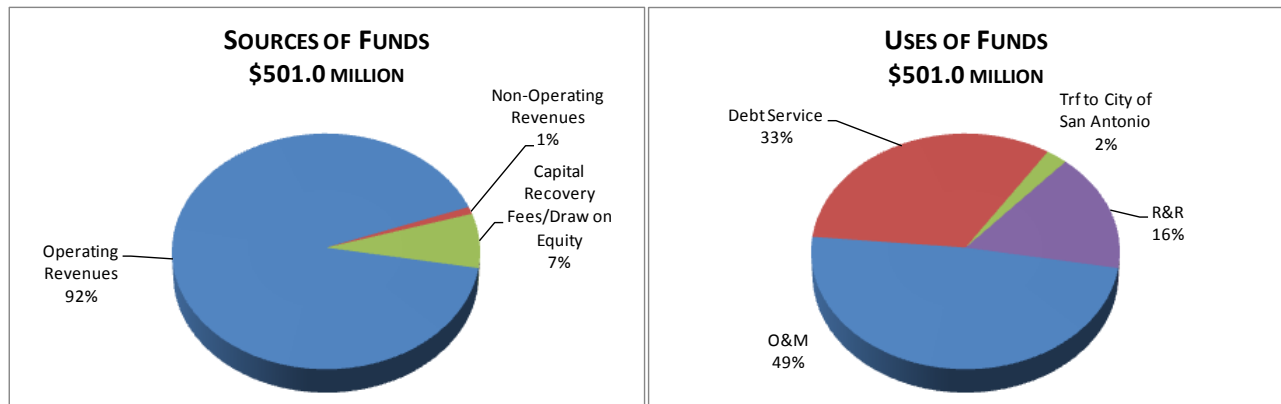
	<i>Millions \$</i>		
	2013 Adopted Budget	2013 Amended Budget	Difference
Sources of Funds			
Operating Revenues	\$ 433.8	\$ 458.7	\$ 24.9
Non-Operating Revenues	5.0	6.3	1.3
Capital Recovery Fees	22.0	36.0	14.0
Total	\$ 460.8	\$ 501.0	\$ 40.2
Uses of Funds			
Operations and Maintenance	\$ 228.6	\$ 243.9	\$ 15.3
Debt Service and Expenses	158.4	164.1	5.7
Transfer to City of San Antonio	11.0	11.7	0.7
Available for Renewal and Replacement - Restricted	22.0	36.0	14.0
Available for Renewal and Replacement - Unrestricted	40.8	45.3	4.5
Total	\$ 460.8	\$ 501.0	\$ 40.2

The 2013 Annual Budget presents a financial plan designed to continue SAWS mission to provide sustainable, affordable water services. The budget balances revenue requirements with available revenues and other funding sources in order to provide for:

- Operation and maintenance of existing water production, water distribution, wastewater collection, wastewater treatment facilities, and heating and cooling systems
- Implementation of new and expanded programs designed to further reduce sanitary sewer overflows (SSO's)
- Development of additional water resources, and
- Implementation of capital projects that support Water Supply, Water Delivery, Wastewater, and Chilled Water and Steam core business infrastructure needs

The amended 2013 Annual Budget is comprised of the operating budget, which totals \$501.0 million, and the capital budget, which totals \$350.2 million. These amounts both exceed the corresponding 2012 budget levels of \$459.5 million and \$215.5 million, respectively, with the increases stemming largely from the additional programs targeted to reduce SSO's as well as the development of alternative sources of water supply.

ANNUAL OPERATING BUDGET



SOURCES OF FUNDS

SAWS' total sources of funds are projected to be \$501.0 million, an increase of 9.0% over the 2012 budget of \$459.5 million. Operating revenues for 2013 are projected to grow by 6.1% from 2012 budget levels to \$458.7 million, which represents 91.5% of total receipts. The revenue increase is primarily a result of the water supply and sewer rate adjustments approved for 2013 by the City Council in February 2013 which are expected to generate an additional \$24.8 million in revenues.

Non-operating revenues and draw on equity, combined, are projected to increase by \$1.0 million in 2013 as a result of recognizing the annual payment from a legal settlement with the Lower Colorado River Authority (LCRA) as a source of funds. Improving local economic conditions also allow for a forecasted \$14 million increase in capital recovery fees to be paid by developers in 2013.

USES OF FUNDS

The 2013 operating budget of \$501.0 million projects a \$41.5 million increase in total disposition of funds. This increase is attributable primarily to \$13.6 million in increased budgeted operation and maintenance costs, a \$14.0 million increase in restricted renewal and replacement contribution stemming from increased capital recovery fee revenue, and an \$8.1 million increase in bonded debt service requirements.

Gross operation and maintenance costs for 2013 are projected to increase to \$283.5 million with \$34.3 million related to capitalized charges and \$5.3 million in costs allocated to the District Special Project (DSP). Net operation and maintenance costs of \$243.9 million reflect an increase of \$13.6 million or 5.9% over 2012 budget levels. This increase is driven exclusively by new and expanded programs associated with reducing SSO's. Excluding the incremental \$13.8 million in operating costs associated with these programs, SAWS net O&M charges in 2013 actually decline by \$200,000 or 0.1% when compared to 2012.

The 2013 operating budget also provides for funding of \$8.5 million in capital outlay which will allow SAWS to continue to replace fleet vehicles and equipment which have reached or exceeded their useful life as well as to replace computers and other equipment.

ANNUAL CAPITAL BUDGET

The 2013 Capital Improvement Program (CIP) is projected to fund \$350.2 million for projects that support Water Supply, Water Delivery, Wastewater and Chilled Water and Steam infrastructure needs in the SAWS service area. The 2013 capital budget reflects a \$134.7 million (62.5%) increase over the 2012 budget of \$215.5 million due largely to an acceleration of SAWS' sanitary sewer overflow reduction program and the completion of phase 1 of SAWS brackish desalination plant.

Funding for the entire \$350.2 million capital program is projected to be accomplished through a combination of revenues, bonds, and impact fees.

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COMMUNITY PROFILE

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COMMUNITY PROFILE



Beyond its use as a population and business center for the state of Texas, San Antonio possesses a deep history that dates back to the 1700's. In 1718, Spanish monks built a mission named San Antonio de Valero on the site of a Coahuiltecan Indian village. Eventually, this mission would be named the Alamo, where Texan forces fought Mexican soldiers to the death during the Texas revolution. This battle has made the Alamo a symbol of Texas' liberty and prosperity. Following the revolution, Texas was annexed into the United States and San Antonio served as a place of cultural convergence that has shaped it into the city that it is today.

LOCATION

San Antonio, which is the county seat of Bexar County, is located in south central Texas and is:

- 80 miles south of Austin (state Capitol)
- 280 miles from Dallas
- 200 miles from Houston
- 140 miles northwest of the Gulf of Mexico
- 150 miles northeast of the city of Laredo on the Mexican border

San Antonio is located primarily in Bexar County, Texas but its city limits now extend into Comal and Medina Counties, Texas.

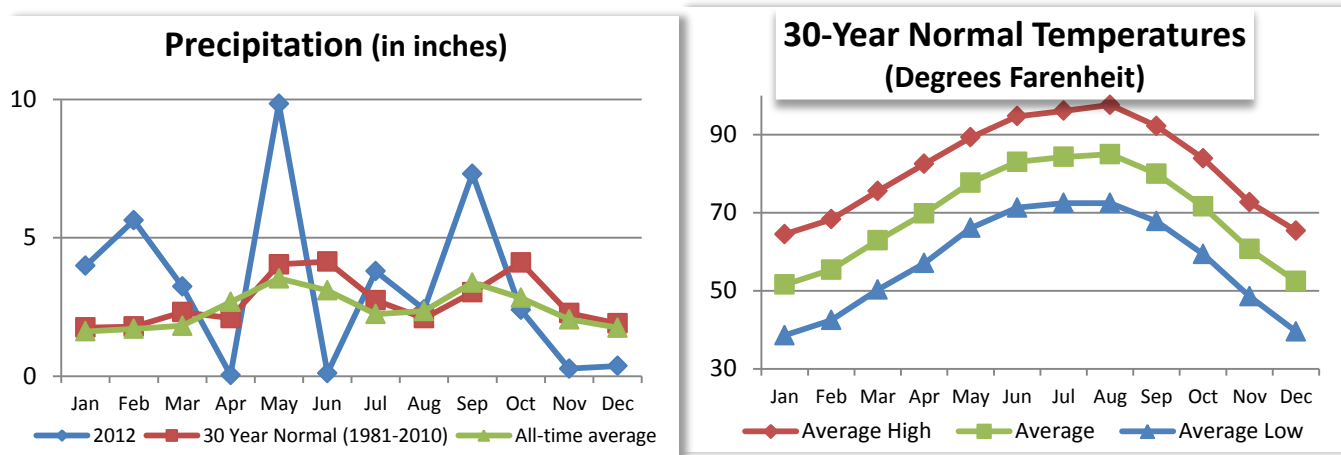


CLIMATE

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

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

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



Source: National Weather Service

POPULATION

According to the 2010 census, San Antonio is the seventh most populous city in the United States and the second most populous in Texas. The San Antonio Metropolitan Statistical Area (MSA) has consisted of Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson counties. Before the 2010 census, the city of New Braunfels was added to the MSA. The new San Antonio-New Braunfels MSA is now projected to contain 2.2 million people in the year 2011. San Antonio’s MSA ranks twenty-fourth among national MSA’s and third among those in Texas.

The following table provides the population of the City, Bexar County, and the San Antonio-New Braunfels MSA¹ for the years shown:

Year	City of San Antonio	Bexar County	San Antonio-New Braunfels MSA
2011 (Estimated)	1,359,758	1,756,153	2,196,152
2010	1,327,407	1,714,773	2,142,508
2000	1,144,646	1,392,931	1,711,703
1990	935,933	1,185,394	1,407,745
1980	785,880	988,800	1,154,648
1970	654,153	830,460	951,876
1960	587,718	687,151	796,792
1950	408,442	500,460	603,775
1940	253,854	338,176	437,854
1930	231,542	292,533	389,445
1920	161,379	202,096	289,089

- 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 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 retitled San Antonio-New Braunfels MSA.
- Provide by the American Community Survey.

Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project; City of San Antonio, Department of Planning and Community Development. San Antonio Economic Development Foundation

EDUCATION

There are 14 colleges in the San Antonio-New Braunfels that offer degrees in all major fields of study. Together, these universities educate over 121,000 students. The following table contains the number of students at each of these 14 institutions.

San Antonio-New Braunfels MSA Universities	
Institution	2012 Headcount
University of Texas at San Antonio	30,607
San Antonio College	23,282
Northwest Vista College	16,141
St. Philip's College	10,511
Palo Alto College	8,771
University of the Incarnate Word	8,442
St. Mary's University	3,988
The University of Texas Health Science Center at San Antonio	3,294
Our Lady of the Lake University	2,766
Trinity University	2,525
Texas A&M University San Antonio	4,133
Wayland Baptist University	4,538
Texas Lutheran University	1,317
Northeast Lakeview College	935

Source: San Antonio Economic Development Foundation

ECONOMY

San Antonio boasts a favorable business environment and a widely diversified economy. This diversification can be seen by the large variety of industries that have major operations in the city, including the aerospace, bioscience, environmental/green technology, financial services, information security, and manufacturing industries along with the military. All of these industries are supported by the city's government that aims to strengthen infrastructure, development, and the city's workforce. The San Antonio Economic Foundation, a private, nonprofit organization that assists business and industry relocating or expanding into the San Antonio area, is the source of the following information on local industry.

AEROSPACE/AVIATION

In San Antonio, the local aerospace industry includes activities like manufacturing of aircraft parts, servicing aircraft, and flight training. Facilities like Port San Antonio, the Kelly Aviation Center, Brooks City-Base, and two active air force bases support these activities. The industry employs approximately 8,500 civilians and approximately 13,600 people when the military workforce is included. Moreover, aerospace and aviation provides one of the best paying industries in the area with an average salary of \$58,729 and creates an economic impact of \$5.4 billion.



BIOSCIENCE/HEALTHCARE

San Antonio's bioscience and healthcare sector has a large economic impact on the city, projected at more than \$424.5 billion. This field employs around 141,000 people in the area, with total wages of approximately \$6.5 billion. San Antonio has recently attracted industry giants like Medtronic to the region, adding 33,000 of these jobs over the course of the past decade.



ENVIRONMENTAL TECHNOLOGY/GREEN INDUSTRIES

San Antonio's government actively supports the growing green economy. A primary means of this support is Mission Verde, an initiative that promotes the creation of green jobs and the pursuit of environmentally sustainable operations. CPS Energy, the community-owned energy utility, has not only sought out renewable energy resources, but also furthering the development of and educating the public about these resources with their pledge to Texas A&M University San Antonio to help fund a sustainable energy research institute.

FINANCIAL SERVICES

A wide variety of financial service entities are present in San Antonio including Frost National Bank and United Services Automobile Association (USAA). The financial services sector, including banking and credit, investment activities, insurance, funds, trusts and other financial vehicles, and accounting and bookkeeping employed over 70,400 people in 2012. This sector also reported increases in revenues in a difficult climate, proving its position as one of the city's most stable business sectors.

IT/CYBER SECURITY

With a strong military presence, San Antonio has become a national leader in the field of information security. However, the importance and impact of IT business does not stop there. The city contains offices of many notable technology firms like Rackspace and Startech. Together, this industry generates a \$10 billion economic impact.



MANUFACTURING

The manufacturing sector, with approximately 47,200 jobs, is able to produce a large variety of goods ranging from transportation products to materials. Trinity University determined that manufacturing has an economic impact of \$14.4 billion to the region while paying annual salaries 13% above the San Antonio average.

MILITARY/DEFENSE

The military has an extremely strong presence in San Antonio with two air-force bases, one army base, and one former air-force base (now Brooks City-Base). The economic impact of the military is expected to grow as more jobs are relocated to San Antonio through the Base Realignment and Closure (BRAC) activity. The military has also brought other benefits to those who do not serve the country, like high-end medical care.

EMPLOYMENT

Employment in the MSA has grown quickly over time and has remained somewhat stable even as many job markets in other cities and states have experienced negative growth. In fact, San Antonio's annual unemployment rate has not exceeded 7.4% in the past 20 years. Additionally, this unemployment rate has also remained under the Texas state annual unemployment rate.

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

as of December of each year	San Antonio MSA Non-Farm Employment by Industry									
	2012 *	2011	2010	2009	2008	2007	2006	2005	2004	2003
Natural Resources, Mining and Construction	47,000	43,500	44,700	48,100	55,200	55,800	50,600	49,300	46,100	44,600
Manufacturing	47,200	46,500	45,300	43,500	45,600	49,000	49,800	47,400	45,700	46,000
Trade, Transportation and Utilities	151,600	150,200	147,300	146,400	152,600	155,600	152,700	145,500	141,200	139,900
Information	17,900	18,100	18,100	18,300	20,600	21,500	21,900	21,100	21,000	22,500
Financial Activities	70,400	69,600	68,600	66,100	66,500	65,800	64,900	63,700	61,800	61,100
Professional and Business Services	102,600	100,100	101,200	102,700	104,400	107,300	104,000	101,100	89,400	88,400
Educational and Health Services	134,900	132,800	130,200	125,900	122,200	116,900	112,100	110,200	105,600	101,800
Leisure and Hospitality	113,000	104,300	101,000	97,300	99,100	95,700	91,300	87,200	84,200	81,400
Other Services	32,300	31,700	31,800	30,900	30,700	30,200	28,500	26,900	26,900	27,700
Government	161,700	159,800	164,200	161,900	158,200	154,100	150,000	146,900	144,300	144,000
Total Non-Farm Employment	878,600	856,600	852,400	841,100	855,100	851,900	825,800	799,300	766,200	757,400

Source: U.S. Bureau of Labor Statistics
* Preliminary

In addition to the wide selection of employment and job opportunities, the cost of living in San Antonio is relatively low. The city is especially competitive in housing, groceries, and utilities. These economic benefits help to attract San Antonio's workforce, employers, and students to the city.

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SAN ANTONIO WATER SYSTEM PROFILE

HISTORY

SAWS was created through the consolidation of three predecessor agencies: the City Water Board (the previous city-owned water supply utility); the City of San Antonio Wastewater Department (a department of the city government responsible for sewage collection and treatment); and the Alamo Water Conservation and Reuse District (an independent city agency created to develop a system for reuse of the city's treated wastewater). In addition, the water resources planning staff of the City Planning Department was realigned to the new agency to provide combined water related services for the San Antonio area.

In the consolidation, SAWS was also assigned the responsibility for complying with federal permit requirements for treatment of the city's stormwater runoff.

BEXARMET

On January 28, 2012, SAWS assumed the operational control and management of the Bexar Metropolitan Water District (BexarMet). BexarMet was created by the 49th Texas Legislature in 1945 to serve anticipated growth in Bexar County. From an initial account base of 4,765 primarily residential accounts, it grew to more than 92,000 residential and commercial accounts served in 2011. Claims of alleged mismanagement, inadequate service and excessive rates resulted in the passage of Senate Bill 341 (SB 341) by the Texas Legislature in May, 2011. The primary component of SB 341 required an election by BexarMet ratepayers to vote on the dissolution of BexarMet and consolidation with SAWS. The election was held on November 8, 2011 and the BexarMet ratepayers voted in favor of dissolution. In preparation for this vote, on October 20, 2011, the City Council adopted an ordinance creating a "special project", as authorized by SB 341, where the assumed BexarMet would be treated as a component unit of the City of San Antonio, to be known as the San Antonio Water System District Special Project (DSP). In accordance with the ordinance and as allowed by SB 341, for financial statement purposes, the DSP remains a separate entity but will be fully integrated into SAWS within the timeframe specified by SB 341. As a result, unless otherwise stated, the activities of the DSP are not accounted for in this document. In 2012, SAWS' allocated \$6.3 million in shared operating costs to DSP. The 2013 budget assumes that \$5.3 million will be allocated to DSP.



BACKGROUND

San Antonio Water System is a public utility owned by the City of San Antonio. It is the largest municipally-owned water, wastewater, chilled water, steam, and recycled water utility in the San Antonio/Bexar County area. SAWS provides service to the majority of the population within the corporate limits of the City and Bexar County which totals approximately 1.8 million residents. The System employs over 1,600 personnel and maintains approximately 10,000 miles of water and sewer mains.

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

SERVICE AREAS

WATER DELIVERY AND WASTEWATER

San Antonio Water System serves 1.3 million people in the urbanized portions of Bexar County. This population includes more than 365,000 water connections and more than 412,000 wastewater connections.

SAWS service areas are established by its permits from state regulatory authorities. The service area for water delivery includes most of Bexar County, several suburban municipalities and parts of adjacent counties. In addition to serving its own retail customers, SAWS also provides wholesale water to a few smaller utility systems within this area.

A larger and somewhat different area, following natural watersheds, is defined for wastewater collection and treatment. SAWS is the largest wastewater treatment agency in the San Antonio area. SAWS also provides collection and treatment services by contract to developments outside its defined service area to avoid unnecessary proliferation of state wastewater discharge permits.

Key operating and capital indicators of the water system for years 2003-2012 are provided in the table below:

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Rainfall (Inches)	39.40	17.58	37.39	30.69	13.76	47.25	21.34	16.45	45.34	28.45
Customers/Connections (a)	365,099	360,281	356,546	352,059	348,834	344,168	336,434	325,944	315,000	306,363
Water Pumpage (Million Gallons)										
Annual Water Pumped (d)	70,338	74,627	69,591	68,191	71,785	63,395	68,411	63,632	53,483	55,033
ASR Recharge (b) (d)	3,742	3,928	8,319	5,542	3,535	6,582	2,951	4,396	1,800	n/a
ASR Production (b) (d)	1,446	4,309	550	472	406	141	2,080	305	261	n/a
Annual Pumped for Usage (d)	66,596	70,699	61,272	62,649	67,523	55,043	63,388	58,990	51,231	55,039
Average Daily (d)	192.2	204.5	190.7	186.8	194.9	169.2	181.8	172.6	145.3	150.8
Maximum Daily (d)	264.0	265.6	314.0	273.8	299.0	225.6	280.4	279.3	343.1	304.8
Metered Usage (Million Gallons)	55,320	59,133	52,578	55,295	58,828	49,511	57,724	55,005	49,366	50,576
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights (e)	82,422	84,640	85,035	81,923	71,738	69,505	69,505	65,007	67,799	n/a
Non-Edwards supply (f)	7,431	6,098	6,132	6,256	6,256	4,171	4,171	1,140	1,140	n/a
Stored in ASR (d) (g)	30,952	28,655	29,244	21,832	16,772	13,092	6,534	5,667	1,602	n/a
Total water available for production	120,804	119,393	120,411	110,011	94,766	86,768	80,210	71,814	70,541	n/a
Number of Wells in Service	143	139	144	140	136	126	113	102	94	95
Overhead Storage Capacity (Million Gallons)	81.2	81.2	73.9	66.5	65.2	64.2	69.0	60.0	64.8	53.5
Total Storage Capacity (Million Gallons)	183.7	184.1	180.8	166.2	165.0	164.0	166.0	142.0	161.5	145.0
Miles of Water Main Installed	57	78	106	97	161	167	143	103	90	109
Miles of Water Main										
Replaced and Abandoned	22	26	36	34	32	19	22	23	17	20
Miles of Water Main in Place	5,022	4,988	4,936	4,866	4,802	4,673	4,525	4,404	4,324	4,251
Water Main Breaks (c)	2,128	3,397	1,475	3,212	2,594	1,392	3,073	2,577	1,305	1,480
New Services Installed	7,520	4,725	4,208	3,590	7,565	17,274	13,903	12,730	10,759	10,626
Fire Hydrants Installed										
(Net of Hydrants removed)	348	451	516	644	971	1,040	752	521	574	654
Fire Hydrants in Place	27,914	27,566	27,115	26,599	25,955	25,004	23,964	23,212	22,691	22,117

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

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

(c) Amount reported is for the calendar year.

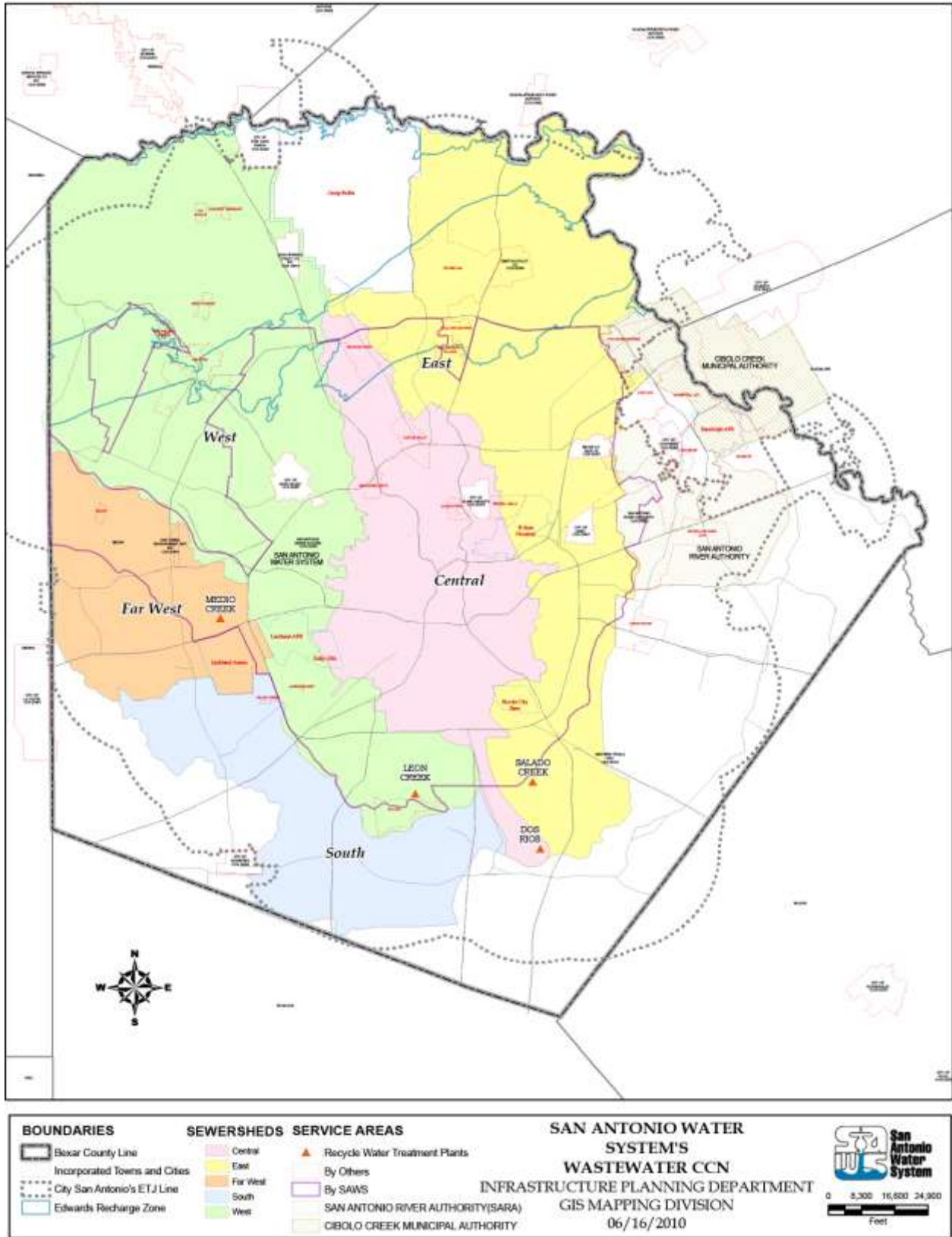
(d) Amounts have been revised from previously published data.

(e) Based on permitted rights authorized by the Edwards Aquifer Authority (EAA) as of December 31st. Authorized amounts prior to 2004 are not present to reflect a high level of variability related to EAA's permitting process. Under current EAA rules, authorized amounts are subject to reductions of 20% to 50% during drought conditions.

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

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

Wastewater Service Area



Key operating and capital indicators of the wastewater system for years 2003 through 2012 are provided in the table below:

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Customers/Connections (a)	412,275	405,119	400,096	395,161	389,894	379,962	368,401	354,878	342,813	330,072
Effluent Volumes For Major Facilities (million gallons per day)										
Dos Rios										
Permit Flow	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Average Annual Flow	79.04	74.97	86.47	74.37	76.53	93.34	64.00	59.58	61.16	56.53
Maximum Monthly Average Flow	87.01	76.63	103.66	89.36	81.43	131.98	74.37	73.98	78.74	65.65
Leon Creek										
Permit Flow	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00
Average Annual Flow (two outfalls)	38.62	35.07	38.83	34.99	34.71	40.26	32.63	34.48	35.34	33.81
Maximum Monthly Average Flow (two outfalls)	43.77	36.46	45.30	64.74	38.62	55.49	34.28	41.79	42.40	36.18
Medio Creek										
Permit Flow	16.00	16.00	16.00	16.00	16.00	8.50	8.50	8.50	8.50	8.50
Average Annual Flow	7.29	6.83	7.53	6.32	5.87	6.94	5.13	5.21	5.60	5.53
Maximum Monthly Average Flow	8.14	6.97	8.71	7.45	6.57	10.51	5.63	6.58	6.63	7.09
Salado (b)										
Permit Flow	n/a	n/a	n/a	n/a	n/a	n/a	46.00	46.00	46.00	46.00
Average Annual Flow	n/a	n/a	n/a	n/a	n/a	n/a	11.38	33.80	35.86	33.24
Maximum Monthly Average Flow	n/a	n/a	n/a	n/a	n/a	n/a	21.11	40.40	44.00	36.39
Total										
Permit Flow	187.00	187.00	187.00	187.00	187.00	179.50	225.50	225.50	225.50	225.50
Average Annual Flow	124.95	116.87	132.83	115.68	117.11	140.54	113.14	133.07	137.96	129.11
Maximum Monthly Average Flow	138.92	120.06	157.67	161.55	126.62	197.98	135.39	162.75	171.77	145.31
Amount Treated Annually (millions of gallons)	49,055	49,918	48,151	51,987	50,347	49,218	53,268	49,287	49,593	49,669
Amount Treated Peak Day (millions of gallons)	199	160	258	194	174	294	169	212	297	201
Miles of Sewer Main Installed	38	45	33	84	125	137	132	74	76	122
Miles of Sewer Main In Place (c)	5,200	5,163	5,118	5,085	5,001	4,877	4,739	4,607	4,533	5,088
Number of Manholes Installed	856	1,080	659	1,514	2,922	2,775	2,661	1,538	1,504	1,686
Number of Manholes in Place	98,136	97,280	96,200	95,541	94,027	91,105	88,330	85,669	84,131	67,277
Number of Lift Stations	159	159	158	164	162	167	164	150	150	150

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

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

(c) Prior to 2004, the miles of sewer main in place were estimated. Utilizing GPS tracking, more accurate data was obtained and maintained starting in 200

Sewer Management Plan

SAWS is currently engaged in negotiations with the U.S. Environmental Protection Agency (EPA) concerning the terms of a potential consent decree that, if approved and adopted, will require SAWS to expand its programs to reduce the occurrence of sanitary sewer overflows (SSO's).

The 2013 SAWS budget includes funding for Sewer Management Program that includes expanded programs that are recognized as best industry practices to reduce the number of SSO's in other cities. Specifically, the 2013 budget includes \$13.8 million in added operating costs and \$115.47 million in added capital project investments for a total of \$129.27 million to identify and address SSO's, and to rehabilitate aging sewer infrastructure to minimize future SSO occurrence.

The \$115.47 million in capital improvement projects for 2013 associated with SSO reduction are described in the Capital Improvements Program section of this document beginning on page 139.

The \$13.8 million in additional operating costs for 2013 are designed to expand evaluation and cleaning of the sewer system on a continuing basis to minimize future SSO occurrences. The related programs in the 2013 operating budget include:

- **Cleaning, Televising and Assessment (\$9.8 million).** The televising of sewer lines throughout the city will be expanded with technology that identifies grease and debris blockages as well as compromised structural integrity that can lead to SSO's. The funding includes work by SAWS crews and contractors to address issues in large mains, force mains, siphons and manholes identified by the televising efforts. For 2013, SAWS projects that approximately 550 miles of video monitoring will be conducted and that approximately 1,500 miles of sewer line will be cleaned.
- **Capacity Assessment (\$1.7 million).** This program calls for expanded flow metering, field investigations and hydraulic modeling of sewer main capacity.
- **Program Manager and Data Management (\$2.3 million).** External technical expertise and administrative support in the form of an SSO program manager and robust data management are best practices utilized by the top-performing utilities across the nation.

Because negotiations with the EPA continue, the scope of future SSO remediation costs by SAWS in the years after 2013 may change, but the emphasis on applying best practices learned from the experience of other cities will continue.

CHILLED WATER AND STEAM

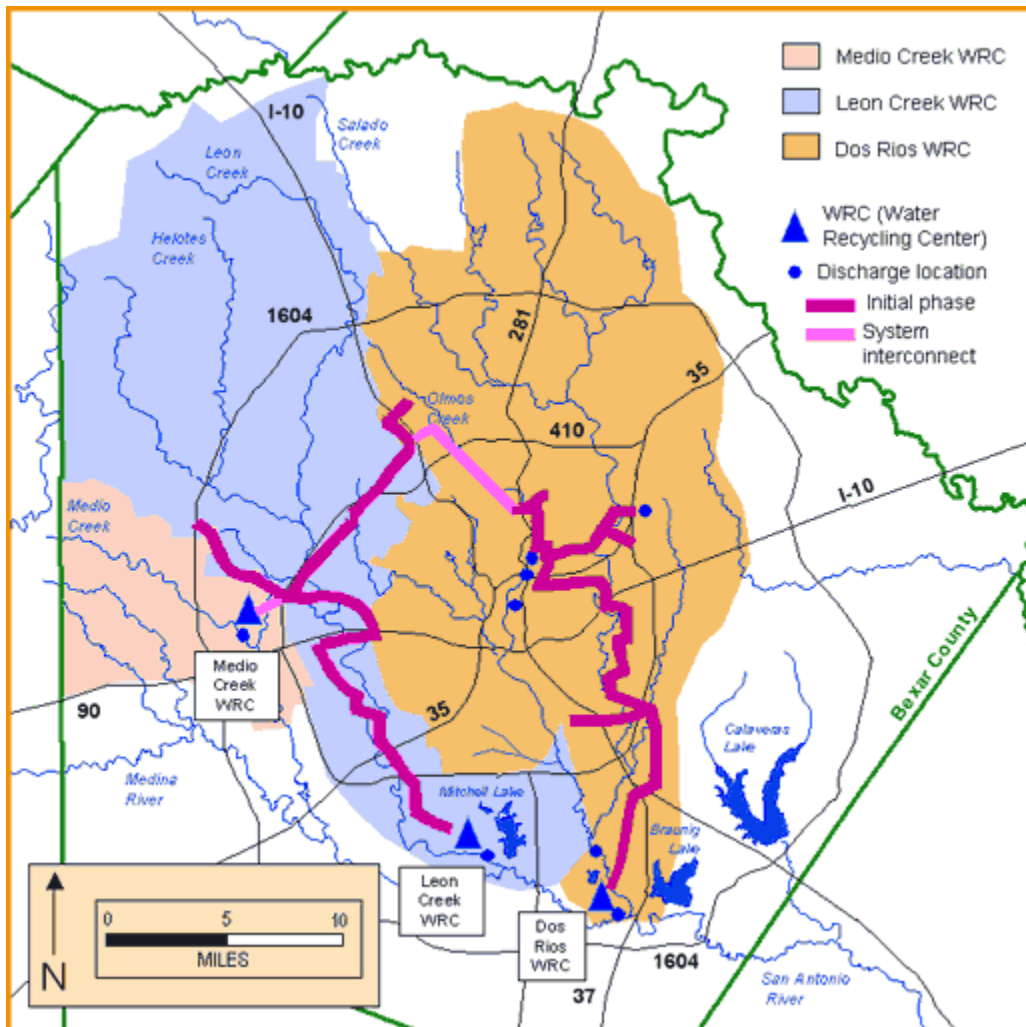
The San Antonio Water System owns, operates, and maintains five thermal energy facilities providing chilled water and steam services to governmental and private entities. Two of the facilities, located in the City's downtown area, provide chilled water and steam to 23 customers. Various City facilities that include the Henry B. Gonzalez Convention Center and Alamodome constitute a large percentage of the downtown system's chilled water and steam annual production requirements. In addition to City facilities, the two central plants also provide chilled water and/or steam service to a number of major hotels in the downtown area, including the Grand Hyatt, Marriott and Hilton Palacio Del Rio. The other three thermal facilities, owned and operated by SAWS, are located at the Port of San Antonio industrial area and provide chilled water to large industrial customers that include Lockheed Martin and Boeing Aerospace. SAWS' chilled water producing capacity places it as one of the largest producers of chilled water in south Texas.

Due to the increasingly unsustainable costs of continuing to provide service from a central steam plant with fixed capacity to a steadily decreasing number of customers, SAWS is working to transition out of the centralized steam business completely by 2014. Specifically, current steam customers are being encouraged in the interim to invest in more cost-efficient, modular heating units to meet their heating needs. For those customers that are unable to make the necessary capital investments for modular units by the time centralized steam service is discontinued, SAWS is willing to install and operate modular heating units on an interim basis through five-year contracts with

the assessment of fees to recover the capital and operating costs associated with the provision of the interim service. The transition is not expected to have a significant impact on the 2013 budget.

RECYCLED WATER

The San Antonio Water System is permitted to sell Type I (higher quality) recycled water from its wastewater treatment plants, and has been doing so since 2000. The water recycling program is designed to provide 35,000 acre-feet per year of recycled water to commercial and industrial businesses in the City. This water recycling system was originally comprised of two north/south transmission lines. In 2008, an interconnection of these two lines was constructed at the north end of the lines, providing additional flexibility with respect to this valuable water resource. Currently, approximately 130 miles of pipeline deliver highly treated effluent to over 52 customers consisting of golf courses, universities, parks, and commercial and industrial customers throughout the City. This water recycling system was also designed to provide baseflows in the upper San Antonio River and Salado Creek, and the result has been significant and lasting environmental improvements for the aquatic ecosystems in these streams.



WATER SUPPLY

In December 2012, the SAWS Board of Trustees approved the *2012 Water Management Plan*. The *2012 Plan* represents a revision to the *2009 Water Management Plan Update* to take into account the numerous developments that changed the elemental building blocks of the *2009 Update*. The new plan is a comprehensive analysis of SAWS existing water supplies plus the supplies now made available from the assumption by SAWS in January 2012 of the operations of the former Bexar Metropolitan Water District. SAWS operates the former BexarMet utility separately as the District Special Project (DSP). The plan also includes a series of conservation and water resource strategies that will enable it to provide adequate water supplies, even during critical drought periods, for future San Antonio residents.

Except where otherwise indicated, this summary of the *2012 Water Management Plan* will focus on the plan's impact on SAWS exclusive of DSP since it is a separate reporting unit.

- The *2012 Water Management Plan* also addresses the impact of the Edwards Aquifer Recovery Implementation Program (EARIP). The EARIP process was a four year effort that culminated in the adoption of an Edwards Aquifer Habitat Conservation Plan (EAHCP) and supporting documents by the SAWS Board of Trustees, other Applicants, and a diverse set of stakeholders and interest group representatives from throughout the Edwards Aquifer region. The EAHCP is intended to protect Edwards Aquifer users as well as federally-listed threatened and endangered species during droughts. EAHCP impacts on SAWS include:
 - Operation by SAWS of the Aquifer & Storage Recovery (ASR) system in a prescribed-yet-flexible manner should record-breaking drought conditions afflict the Edwards Aquifer region during the term of the EAHCP and to store regionally-leased water in the ASR outside of droughts.
 - A change to the Demand Management/Critical Period Management regimen instituted by Texas' Senate Bill 3 (2007) through the addition of a fifth stage of critical period withdrawal reductions on all Edwards Aquifer users.
 - An initial commitment of Edwards Aquifer supply permits (8,000 acre-feet per year from SAWS current inventory) towards a Regional Conservation Program administered by the Edwards Aquifer Authority (EAA) and designed to assist municipalities and industries in implementing water conservation measures.
- The EAHCP is discussed in more detail in the following section.

The *2012 Water Management Plan* charts the path that SAWS plans to pursue in the short term that will contribute to positioning SAWS in combination with the resources of the DSP to meet the long-term needs of future San Antonio residents through 2070.

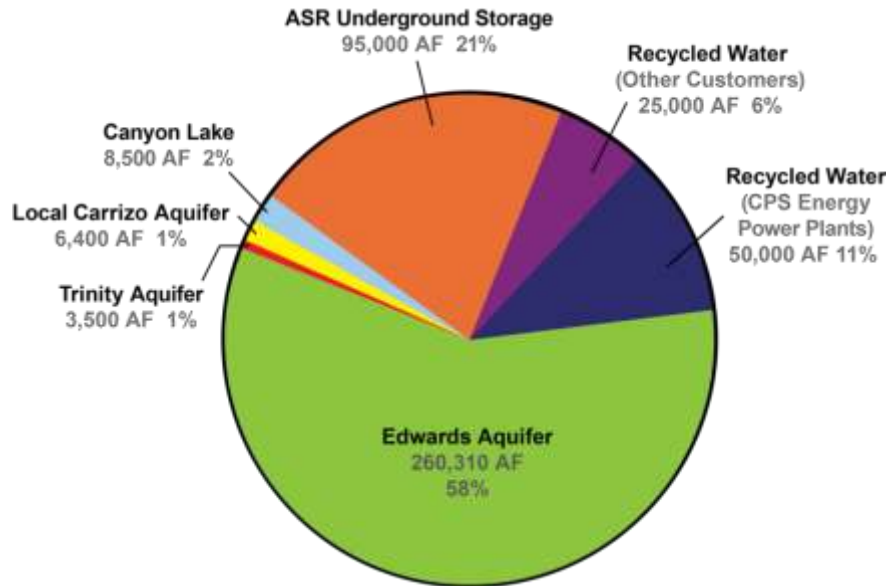
CURRENT SOURCES OF WATER SUPPLY

The table below provides a summary of the available sources of water supply under non-drought conditions for SAWS and DSP, separately and combined:

Available Sources of Water Supply as of December 31, 2012

Source	Acre-Feet		
	SAWS	DSP	Total
Edwards Aquifer	260,310	35,585	295,895
Aquifer Storage & Recovery (ASR)	95,000	-	95,000
Recycled Water (CPS Energy Power Plants)	50,000	-	50,000
Recycled Water (Other Customers)	25,000	-	25,000
Canyon Regional Water Authority	-	3,500	3,500
Medina Surface Water	-	13,000	13,000
Canyon Lake	8,500	-	8,500
Local Carrizo	6,400	1,000	7,400
Trinity Aquifer	3,500	12,050	15,550
Total	448,710	65,135	513,845

The following pie chart illustrates the available sources of water supply for SAWS (exclusive of DSP) as of December 2012 under non-drought conditions:



The largest amount of SAWS water holdings (exclusive of DSP) reside in the Edwards Aquifer. In 1993, the Texas Legislature created the Edwards Aquifer Authority (EAA) as a conservation and reclamation district. The EAA has broad powers to manage, conserve, preserve, and protect the Edwards Aquifer and to increase the recharge of, and prevent the waste or pollution of water in the aquifer. Among other charges, the EAA was directed to limit groundwater withdrawals from the Edwards Aquifer through a permitting system. The EAA was also directed by the Texas Legislature to ensure that, not later than December 31, 2012, the continuous minimum springflows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species. This requirement is being addressed by the Edwards Aquifer Recovery Implementation Program (EARIP) and the Edwards Aquifer Habitat Conservation Plan (EAHCP).

In 2007, the Texas Legislature passed Senate Bill 3, which established a new annual pumping limit, or ‘cap,’ and placed restrictions on supply availability during drought periods into State statute. Senate Bill 3 established this annual regional pumping cap at 572,000 acre-feet per year.

As of December 31, 2012, SAWS (exclusive of the DSP) holds 260,310 acre-feet per year of EAA-permitted groundwater withdrawal rights. Access to these permitted groundwater withdrawal rights is subject to varying levels of availability (cutbacks) depending on a management system using water levels at key index wells and springflows. These cutbacks in any given year may range from 0% to 44%.

PLANNED WATER SUPPLY PROJECTS FOR 2012-2020

Development of the *2012 Water Management Plan* included consideration of numerous projects to address future water supply needs for a growing city. A brief project abstract and project activity status is presented below for the projects that will be pursued during the Short Term (2012-2020).

Additional Edwards Aquifer Supplies

SAWS will acquire 10,900 acre-feet of Edwards Aquifer permitted groundwater withdrawal rights. Examination of present distribution of permits indicates that this volume of water is available for acquisition through lease or purchase.

Advanced Conservation

Given changes in water usage patterns and recognizing the significant success of indoor (equipment-based) conservation, future conservation efforts will be focused toward reducing outdoor water use. Based on data collected from thousands of customer landscape consultations and interaction with tens of thousands of SAWS customers over almost 20 years, SAWS has determined that there is great opportunity for reduced peak water use through better landscape design and management strategies that will enhance the beauty and dry-year viability of San Antonio’s landscapes.

Expanded Carrizo Production

A potential new project is Expanded Carrizo Production in southeastern Bexar County. As described earlier, SAWS already has experience in designing, building, and operating projects that produce freshwater from the Carrizo Aquifer in southern Bexar County. Expanded Carrizo Production is a project to develop additional Carrizo Aquifer wells in southern Bexar County proximate to the ASR site. The project will be constructed in three phases starting in 2017 at 7,000 acre-feet with subsequent phases planned in 7,000 acre-feet increments scheduled for 2022 and 2026. Expanded Carrizo Production ultimately provides 21,000 acre-feet per year of supply for the purposes of the *2012 Water Management Plan*.

Brackish Groundwater Desalination Program

On August 2, 2011, the SAWS Board of Trustees approved proceeding on the Brackish Groundwater Desalination (BGD) program. The BGD program involves the production of brackish water, water too salty to drink, from the Wilcox Aquifer in southern Bexar County and treatment to drinking water quality standards.

In January 2013, the SAWS Board of Trustees selected Black & Veatch as the program manager marking the program’s transition from the feasibility phase into the design phase. Design is anticipated to be completed in late 2013. Construction on the treatment plant, pipelines, pump-stations, and other facilities is expected to begin in 2013, with the plant commissioning expected in late 2015 and full operation in late 2016, providing 12,210 acre-feet per year of drought-proof desalinated groundwater to San Antonio’s taps. Future phases will bring the total supply from this Program to 30,525 acre-feet.

Request for Competitive Sealed Proposals (RFCSP)

In January 2011, in accordance with the *2009 Update*, SAWS requested competitive sealed proposals for a water supply to supplement future water inventory. The RFCSP document specified that SAWS could accept up to 20,000 acre-feet of water per year in 2020 and might gradually increase the quantity by up to 1,500 acre-feet annually beginning in 2021. Nine proposals were received by the July 22, 2011 deadline. An exhaustive evaluation of nine separate proposals resulted in four of the projects being deemed responsive to the utility's request.

With the approval of the *2012 Water Management Plan*, SAWS is proceeding with the final stage of the RFCSP. This stage will include recent critical factors such as the integration of DSP, the EAHCP, and 2010 Census data in making the final determination of the size and timing of the RFCSP. The *2012 Water Management Plan* projects that up to 50,000 acre-feet per year could be requested in 2018 and additional water, if available, added as required.

PLANNED WATER SUPPLY PROJECTS FOR THE MID TERM (2021-2039)

While the *2012 Water Management Plan* expects the dry year consumption to remain at 135 GPCD beyond the year 2020, population is expected to continue to grow, resulting in an overall increase in total demand. For this reason, the Mid Term Program calls for SAWS to execute additional phases of the BGD Program and the Expanded Carrizo project.

The *2012 Water Management Plan* outlines a water management strategy that maintains SAWS current supplies, successfully develops supplies in the Short Term, and builds on those supplies in the Mid Term:

- Conservation programming that maintains consumption at 135 GPCD.
- Phase II and III of the Brackish Groundwater Desalination Program (additional 12,210 acre-feet per year by the year 2021, followed by an additional 6,105 acre-feet per year by the year 2026) for a total yield of 30,525 acre-feet for the Program.
- Phase II and III of Expanded Carrizo (additional 7,000 acre-feet per year by the year 2022, followed by an additional 7,000 acre-feet per year by the year 2026).
- The completion of the water supplies identified in the Short and Mid Term Programs will ensure that SAWS has water security – even in a future repeat of drought of record-like conditions – through 2040 (see Figure 4).

It is important to note that the EAHCP has a term that will expire during this mid-term period; however, the necessity to balance the needs of the human users of the Edwards Aquifer and the Federally-listed threatened and endangered species associated with it will remain. Some form of Aquifer management for periods of record-breaking drought stress will be required to continue. While those future forms of Aquifer management cannot be predicted, SAWS will continue to represent the EAHCP commitment in water supply and demand projections beyond the expiration of the present HCP.

EDWARDS AQUIFER HABITAT CONSERVATION PROGRAM

Among other charges, the Edwards Aquifer Authority (EAA) was also directed by the Texas legislature to ensure that, not later than December 31, 2012, the continuous minimum spring flows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species. In connection with this directive, the Edwards Aquifer Recovery Implementation Program (EARIP), as described earlier, was established in 2007. The Legislature called for the EARIP to be developed through a consensus-based process that involved input from the U.S. Fish and Wildlife Service (USFWS), other appropriate federal agencies, and all interested stakeholders in the Edwards region.

The primary parties to the EARIP included the EAA, SAWS, the City of New Braunfels, the City of San Marcos and Texas State University. These parties worked through this process along with USFWS and other stakeholders through an EARIP Steering Committee over a four year period to develop a Habitat Conservation Plan (HCP). The HCP will be used by the USFWS as the basis for issuing an Incidental Take Permit (ITP) which will protect San

Antonio and the region from the threat of future environmental lawsuits and federal control of the aquifer over a 15-year term. The EARIP Steering Committee approved the HCP along with the implementing and financing agreements in November 2011. The SAWS Board of Trustees also approved these documents in November 2011. Approval by all other parties culminated with EAA Board adoption of the program documents in December 2011. A notice of intent to issue the ITP and approve the HCP and supporting documents, collectively known as the Record of Decision, was published by the USFWS in the Federal *Register* on February 15, 2013. The ITP was issued by the USFWS on March 18, 2013.

A critical issue associated with the HCP has been funding. Annual HCP implementation costs have been estimated to average \$17.5 million annually over the 15 year term of the plan. The EARIP Steering Committee sought first to obtain authorization from the Texas Legislature in 2011 for a regional election to consider a sales tax to support the program, but this effort was unsuccessful. The next funding option was to ask the EAA to impose an additional fee on pumpers of Edwards Aquifer groundwater.

For 2012, the baseline EAA pumping fee for municipal and industrial pumpers supporting normal EAA operations was set at \$47 per acre-foot. To support projected EAHCP start-up costs in 2012, the EAA approved an additional \$37 per acre-foot fee in February 2012 bringing the total EAA pumping fee to \$84 per acre foot for municipal and industrial pumpers. The HCP portion of the EAA pumping fee became effective for SAWS customers in April 2012. To support the first full year of EARIP costs starting in 2013 the EAA Board elected to keep the HCP portion of the EAA fee at \$37 per acre-foot. It is anticipated that the EAA Board will continue to examine the adequacy of this rate each year to support the ongoing costs to implement the EAHCP throughout the term of the ITP.

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FINANCIAL POLICIES

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FINANCIAL POLICIES

BASIS OF ACCOUNTING

SAWS financial statements are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by the Governmental Accounting Standards Board (GASB). SAWS presents its financial statements in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under this approach, all assets and liabilities are reported in the statement of net position, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

RECOGNITION OF REVENUES

Revenues are recorded as services are provided. Customers' water meters are read and bills are prepared monthly based on billing cycles. SAWS uses historical information to estimate and record earned revenue not yet billed.

REVENUE AND EXPENSE 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. SAWS principal operating revenues are charges to customers for water supply, water delivery, wastewater, and chilled water and steam 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.

ANNUAL BUDGET

Prior to the beginning of each fiscal year, SAWS presents an annual budget prepared on an accrual basis to serve 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 Ordinance No. 75686. The annual budget is submitted to City Council for review and consultation.

The annual budget should be a balanced budget that projects Gross Revenues sufficient to fund estimated financial requirements. The annual budget is prepared on a comprehensive basis and includes all water supply, water delivery, wastewater and chilled water and steam operations as well as a capital budget. The Board of Trustees may subsequently modify its approved budget by giving notice thereof to the City.

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

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

CORE BUSINESSES

SAWS' operations are segregated into four core businesses as follows:

Water Delivery – the functions related to distributing water to the customer

Water Supply – the functions related to the development and provision of additional water resources

Wastewater – the functions related to collecting and treating wastewater from the user customer

Chilled Water and Steam – the functions related to providing chilled water and steam to specific SAWS customers

RESTRICTED RESOURCES

SAWS policy is to use restricted resources first when an expenditure is made for purposes for which both restricted and unrestricted resources are available.

CASH EQUIVALENTS

SAWS considers investments with an original maturity of three months or less at the time of purchase and all bank certificates of deposit 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 acceptance and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk which may affect the value at which these investments are recorded. Investments other than money market investments are reported at fair value. Under the provisions of GASB Statement No. 31, money market investments, including U.S. Treasury and agency obligations, with remaining maturity at time of purchase of one year or less are reported at amortized cost.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the invoiced 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.

CAPITAL ASSETS

Assets in service are capitalized when the unit cost is greater than or equal to \$5,000. Utility plant additions are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas and development costs for internally generated computer software. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through capital leases are recorded on the cost basis and included in utility plant in service. Assets acquired through contributions, such as those from developers, are recorded at estimated fair market value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized. Capital assets are depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains and intangible assets. Groups of mains are depreciated on the straight-line method using rates estimated to fully depreciate the costs of the asset group over their estimated average useful lives. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs.

CAPITALIZED INTEREST

Interest expense during the construction period is capitalized as part of the cost of capital assets.

CAPITAL CONTRIBUTIONS

Capital contributions consist of plant contributions from developers, capital recovery fees, and 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 and may be used only for additional infrastructure capacity. In certain instances, SAWS records the donated infrastructure as plant contributions and grants credits to the developer equal to the estimated fair market value of the excess capacity of the infrastructure contributed. These credits may only be used to offset future capital recovery fees owed by the developer.

FUNDS FLOW

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

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

Gross Revenues are defined by Ordinance No. 75686 as all revenue of SAWS excluding capital contributions, payments received under the CPS Energy contract, interest earned on Project Fund investments, and Federal subsidies received related to Build America Bonds.

PAYMENTS TO THE CITY'S GENERAL FUND

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

RATES AND CHARGES

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

1. Pay maintenance and operating expenses
2. Produce Net Revenues sufficient to pay:
 - a. 1.25 times the annual debt service requirements on senior lien obligations,
 - b. Principal and interest due on any junior lien, subordinate lien and inferior lien obligations and
 - c. Amounts required to be deposited in any reserve or contingency fund created for the payment and security of bond obligations

Net Revenues are defined Ordinance No. 75686 as Gross Revenues after deducting maintenance and operating expenses.

FUND STRUCTURE

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

FUNDS ESTABLISHED BY CITY ORDINANCE NO. 75686 (ADOPTED APRIL 30, 1992)

- System Fund – All Gross Revenues shall be credited to this fund upon receipt, unless otherwise provided in City Ordinance No. 75686. All current expenses of maintenance and operations shall be paid from this fund as a first charge against the gross revenues so credited. Before making any deposits to other funds required to be made from the System Fund, the Board of Trustees shall retain in the System Fund at all times an amount at least equal to two months of the amount budgeted for the current fiscal year for current maintenance and operation expenses.
- Debt Service Fund – The sole purpose of this fund is for the payment of principal and interest on all bonds which are payable from pledged revenues.
- Reserve Fund – The purpose of this fund is to accumulate and maintain 100% of the maximum annual debt service requirement on senior lien obligations. SAWS may provide Surety policies equal to the required reserve amount in lieu of depositing cash into the Reserve Fund. This fund shall be used to pay the principal and interest on any bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any bonds.

- Project Fund – This fund shall be used to account for the proceeds of debt obligations and all earnings on Project Fund investments. Funds may only be used to pay for capital improvements in accordance with bond agreements and Internal Revenue Service regulations related to tax-exempt borrowings.
- Renewal and Replacement Fund – This fund shall be used for the purpose of
 1. Paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures, or
 2. Paying the costs of unexpected extraordinary repairs or replacements for which System Funds are not available
 3. Paying unexpected or extraordinary expenses of maintenance and operations for which System Funds are not otherwise available
 4. Depositing any funds received by SAWS pursuant to the CPS Energy contract
 5. Paying bonds or other SAWS' obligations for which other System revenues are not available
 6. Making up any shortfall in the Payment to the City of San Antonio General Fund as required by Section 17 of Ordinance 75686 and
 7. For any other lawful purpose

DEBT MANAGEMENT

Capital Planning

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

Capital Financing

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

1. Pay as you go financing is an integral part of the overall capital-financing plan. Pay as you go financing is defined as all sources of funding other than debt issuance and includes unrestricted resources, developer contributions, investment earnings and certain grant proceeds.
2. The use of debt financing will be based, in part, on SAWS' long-term needs and the amount of funds available for pay as you go financing. The following criteria will be used to evaluate pay as you go versus debt financing:
 - Factors which favor pay as you go financing:
 - Current revenues and adequate liquidity are available
 - Debt levels would adversely affect SAWS' credit rating or market conditions are unstable or present difficulties in marketing debt.
 - Factors which favor debt financing include:
 - Revenues available for debt service are considered sufficient and reliable so that debt financing can be marketed with the appropriate credit rating
 - Market conditions present favorable interest rates and demand for municipal financings
 - Federal or State subsidized debt is available to finance specific capital improvements and current revenues and liquidity are insufficient to pay the cost of those improvements
 - The life of the capital improvements financed is five years or longer

DEBT LIMIT

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

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

DEBT POLICY

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

RESERVE POLICIES

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

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FINANCIAL PLANNING PROCESS

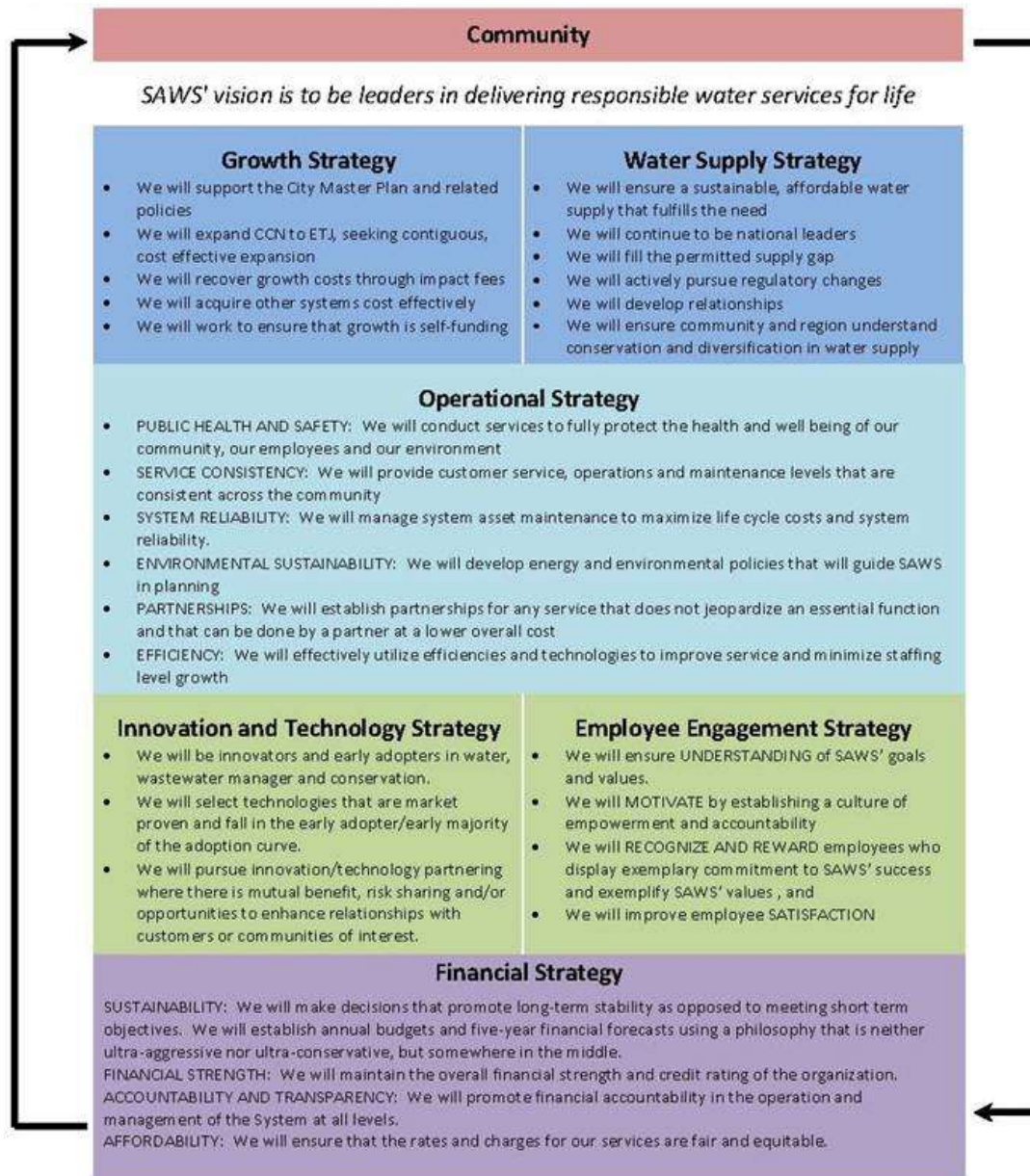
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FINANCIAL PLANNING PROCESS

STRATEGIC PLAN

San Antonio Water System continues its dedication to providing ratepayers with sustainable and affordable water services, through its commitment to the Refreshing Ideas 2015 Strategic Plan.

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



MULTI-YEAR FINANCIAL PLAN

Financial Planning is critical for SAWS to accomplish its mission. In order to adequately plan for water sources and appropriate infrastructure, financial models have been developed to analyze the impacts of various growth and replacement scenarios on the company's financial position. .

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

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

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

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

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

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

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

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

ANNUAL BUDGET PROCESS

OPERATION AND MAINTENANCE BUDGET PROCESS

The 2013 budget process began with identifying the following budget goals:

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

The budget development process involved the following phases:

- Operation and Maintenance (O&M) departmental budget targets were developed using 2012 budgets as a baseline and adjusted for known changes:
 - Current workforce
 - Employee benefits costs
 - Utility and fuel rates
- Budget objectives, general guidelines, and timelines were communicated to management at the June 2012 Leadership Team meeting
- Vice presidents/department directors reviewed current programs, activities and current levels of service provided to their customers. Additionally, they evaluated and prioritized future departmental needs.
- The executive management team (EMT) conducted a comprehensive review of O&M, Capital Outlay and CIP budget submittals. During this review, all requests for additional funding were prioritized and were approved or denied based on this prioritization. This review by Executive Management further ensured that departmental budgets were aligned with corporate goals and objectives.
- Financial Planning staff revised the MYFP to incorporate the final Operating and Maintenance budget and Capital Improvement Program budget.
- Several review sessions were held with the City of San Antonio Public Utilities office to discuss the budget inputs and assumptions.

CAPITAL IMPROVEMENT BUDGET PROCESS

The annual capital improvement program (CIP) budget process occurs concurrently with the O&M budget process.

CIP Process Objective

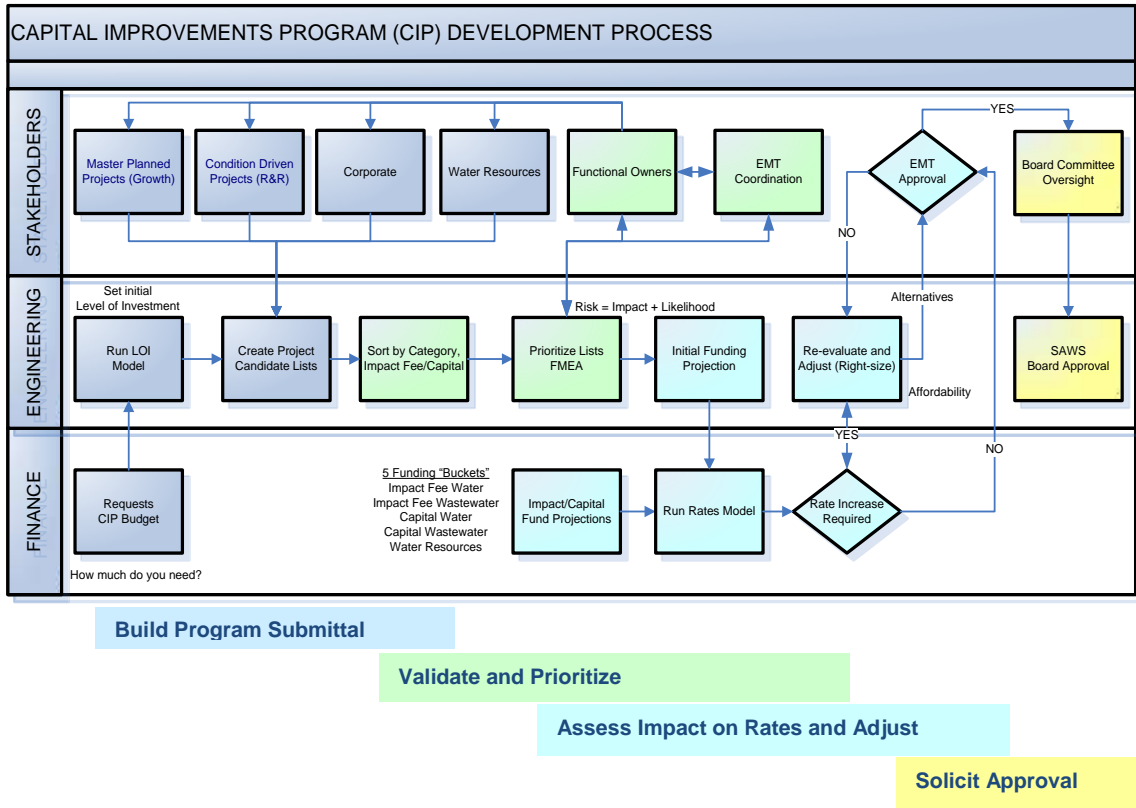
The CIP planning process objective is to deliver a sustainable Capital Improvements Program that supports the corporate vision of providing plentiful, quality, affordable water services. Delivering a sustainable capital improvement program ensures that the use of resources and the environment today does not damage prospects for future generations.

CIP Development Goals

The program development goals are aligned with the performance measures in SAWS' corporate vision.

- Water Supply – To maintain the infrastructure necessary to assure plentiful delivery of clear, pure water at the service connection.
- Water Services – To sustain an infrastructure capable of assuring quality water and wastewater services
- Water Quality and Environmental Stewardship – To sustain an infrastructure capable of ensuring water quality and the protection and preservation of our natural resources
- Affordability – Avoid rate escalation by managing the risks to “right-size” capital projects and programs

The following flowchart depicts a cross functional program development process that involves all stakeholders, from operators and maintainers, to the executive management team.



There are four distinct phases to this process, from left to right:

- 1) Build program submittal – Create the project candidate list with recommended risk ratings.
- 2) Validate and prioritize – Using the Failure Modes and Effects Analysis (FMEA) methodology, process owners, managers, directors and executive management validate project risk ratings and prioritize accordingly.
- 3) Impact assessment and mitigation – Financial analysis is done to assess the program impact on rates, and the program is adjusted for executive management concurrence.
- 4) Review and Approval - Upon executive management concurrence, the program is presented to the Board of Trustees for review and approval.

EXECUTIVE MANAGEMENT TEAM REVIEW

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

The EMT conducted a comprehensive review of O&M, Capital Outlay and CIP budget submittals. During this review, all requests for additional funding were evaluated in relation to priorities identified by the Board of Trustees and Executive Management

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

2013 BUDGET TIMELINE

January - March 2012	Update the Multi-Year Financial Plan (MYFP)
February - May 2012	Update Lawson Budgeting and Planning (LBP) software application
March 2012	Review budget and rates plan with key stakeholders (CIP, IS, Fleet, Legal, Training, etc)
	Review and update CIP needs
	Develop communication plan for customers and elected officials
April 2012	Review budget assumptions with CFO/CEO
May 2012	Prepare budget instructions and develop budget targets
June 2012	Budget kickoff at Leadership Team Meeting
	Budget Process Training/ Briefing
	Input due for budget sub-processes
	<ul style="list-style-type: none"> • Computer hardware and software needs submitted to Information Systems Dept • Vehicle needs submitted to Fleet Dept • Legal needs submitted to the Legal Dept (Jun 8) • Departmental training plans submitted to Corporate Training Dept (Jun 12) • Public relations needs sent to Public Affairs Dept • Laboratory analytical requests sent to Lab
	O&M budget submission due to Financial Planning Dept
	CIP Budget submission due to Financial Planning Dept
July - August 2012	Operating budget review by the CFO and VP's
	CIP budget review by the CFO and VP's
August 2012	Budget meeting with the CEO and VPs(EMT) to finalize the 2013 budget
	Final budget numbers compiled by Financial Planning Dept
September 2012	SAWS Board Meeting – 2013 Budget Presentation
	SAWS Policy and Planning Committee meeting – discuss 2013 Budget
	Brief individual Board Members on 2013 budget and proposed rate adjustment
October 2012	Distribute 2013 Proposed Budget document to Board Members
	Meetings with Individual City Council Members to discuss 2013 budget and proposed rate adjustment
	SAWS Board Meeting - briefing and deliberation regarding 2013 budget update
	Begin public outreach regarding proposed 2013 Water/WW rate adjustment
	Begin official customer notification process for proposed 2013 Water/WW rate adjustment
November 2012 - January 2013	Public outreach meetings throughout city
December 2012	City Council "B" session - Briefing on SAWS 2013 proposed rate adjustment
December 4, 2012	SAWS Board Meeting – Approval of original 2013 Budget
January 22, 2013	SAWS Policy and Planning Committee meeting – Approval of 2013 water/sewer rate adjustment
February 7, 2013	City Council approval of water/sewer rate adjustment
February 8, 2013	SAWS Board Meeting – Approval of the Amended 2013 Budget
March 1, 2013	Begin calculation of consumption under the new rates
April 1, 2013	Begin billing new rates

BUDGET AMENDMENT PROCESS

City of San Antonio Ordinance No, 75686 mandates budgeting in accordance with prescribed funds flow requirements. The budget is designed to present a comprehensive projection of SAWS' operation from January 1, 2013 through December 31, 2013.

This document incorporates amendments to the original 2013 budget which was adopted by the SAWS Board on December 4, 2012. Specifically, the amended budget reflects additional revenues from an 8.4% adjustment in water and sewer rates adopted by the SAWS Board or Trustees and the San Antonio city council subsequent to the adoption of the original budget.

City Ordinance no. 75686 further requires that the SAWS Board of Trustees adopt a budget prior to the start of a new fiscal year. Ordinance No. 76686 also states that all rate adjustments require the approval of the City Council in addition to the approval of the Board of Trustees. Since the City Council had expressed its intent to take action on proposed 2013 rate adjustments only after the beginning of 2013, the Board of Trustees adopted the original 2013 budget in December 2012 which did not reflect any rate adjustments.

The City Council adopted an 8.4% rate adjustment in water and sewer rates on February 7, 2013, and the SAWS Board subsequently adopted the amended budget for 2013 on February 8, 2013.

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LONG RANGE FINANCIAL PLAN

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LONG RANGE FINANCIAL PLAN

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

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

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

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

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

MEDIUM TERM FIVE YEAR FORECAST

For the Medium Term sources and uses of funds, 2013 – 2017, one of the primary drivers in uses of funds is debt service. The capital improvement program is primarily funded with debt, thus the principal and interest payment on the debt are a requirement for funding from the current revenue stream.

\$ in Millions	2012 Adopted	2013 Budget	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Sources of Funds						
Revenue, incl. prior adjustments	\$421.6	\$436.1	470.5	535.2	586.5	626.4
Rate Adjustment, incremental	0.0	22.6	58.2	44.1	31.3	39.3
Nonoperating Revenues	5.0	5.0	5.9	6.3	7.2	8.6
Draw on Equity	0.3	1.4	1.4	1.4	1.4	1.4
Capital Recovery Fees	22.0	36.0	36.0	36.0	36.0	36.0
Total Sources of Funds	\$448.9	\$501.0	\$572.0	\$623.1	\$662.4	\$711.7
Uses of Funds						
Operations and Maintenance	219.0	243.9	273.5	282.1	292.0	307.7
Debt Service & Expenses	156.1	164.1	187.5	212.4	230.2	248.3
Transfer to City of San Antonio	11.0	11.7	13.6	15.0	16.0	17.4
Available for R&R Restricted	22.1	36.1	36.2	36.2	36.3	36.5
Available for R&R Unrestricted	40.7	45.2	61.2	77.4	87.9	101.8
Total Uses of Funds	\$448.9	\$501.0	\$572.0	\$623.1	\$662.4	\$711.7

The growth in debt service is a reflection of the allocation of capital resources toward major strategic priorities of infrastructure replacement, system growth, and sustainability. The five year 2013 – 2017 capital improvement

program is projected at \$1.8 billion. A significant priority is wastewater capital replacement projects related to the wastewater Sewer Management Program.

CIP (millions)	2013	2014	2015	2016	2017	Total
Water Supply	\$ 118.9	\$ 142.8	\$ 116.5	\$ 51.9	\$ 60.1	\$ 490.2
Water Delivery	65.2	66.3	80.4	60.2	90.5	362.6
Wastewater	159.9	214.2	225.8	190.7	182.0	972.6
Chilled Water & Steam	6.2	2.9	0.5	2.3	6.6	18.5
Total	\$350.2	\$426.2	\$423.2	\$305.1	\$339.2	\$1,843.9

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

Capital Improvement Program (CIP)					
	2013	2014	2015	2016	2017
CIP Budget	\$350.2	\$426.3	\$423.3	\$305.1	\$339.2

Capital Improvement Program Funding					
	2013	2014	2015	2016	2017
Revenue/Renewal & Replacement	8.1%	8.0%	12.8%	22.4%	23.0%
Impact Fees	4.1%	5.2%	5.2%	7.2%	6.5%
Investment Income	0.0%	0.0%	0.0%	0.1%	0.1%
Bonds/Commercial Paper	87.8%	86.8%	81.9%	70.3%	70.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Cash Funding	42.8	56.2	76.4	90.5	100.3
Debt Funding	307.4	370.1	346.9	214.6	238.9

Increases in operations and maintenance expenses through 2017 are driven by wastewater Sanitary Sewer Overflow Reduction Program operations costs and the operational implementation of new water supply programs. Water supply operations cost increases in the five year planning horizon include the anticipated full year start-up of the Regional Carrizo project in 2014, Brackish Water Desalination project in 2017, and the integration of the new supplies into the system.

Additional operations and maintenance drivers are general inflationary cost increases of the system and funding of salary and benefit costs to include increased OPEB annual contributions of \$2M per year beginning in 2014 until full funding of the annual required contribution is met.

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

The 2013 – 2017 sources and uses of funds forecast demonstrates the need for additional revenues to support the planned operations and capital programs of the system. The 2013 budget requires an adjustment to rates sufficient to generate \$22.6 million in additional revenues in 2013. The percentage increase in Water Supply fee

and wastewater rates to support the 2013 proposed operating and capital budget is 2.5% and 16.5% respectively. The combined increase is 8.4% for the average SAWS water and wastewater customer, assuming an average customer uses 7,788 gallons of water and discharges 6,178 gallons of wastewater per month. The pass-through rates, Edward Aquifer Authority Fee (EAA Fee) and TCEQ Fee decreased, thus lowering the customer impact to a rate adjustment of 7.0% on the bill for the average customer.

In the 2013 – 2017 period, additional revenue adjustments reaches its high in 2014 of \$58.2 million. The 2014 cost increase is mostly due to operational cost ramp up of the wastewater Sewer Management Program. Below is a summary of the projected metered rate adjustments by core business needed to generate the additional revenues to support the uses of funds.

% Rate Adjustment Needed	2013	2014	2015	2016	2017
Water Supply Fee	2.5%	26.2%	11.7%	5.3%	18.1%
Water Delivery	0.0%	4.7%	6.4%	4.7%	2.8%
Wastewater	16.5%	14.1%	9.4%	6.9%	3.2%
% Increase	8.4%	13.5%	9.0%	6.0%	6.2%
Pass-through Fees	-11.6%	0.0%	0.0%	0.0%	0.0%
% Total Increase	7.0%	12.7%	8.6%	5.7%	5.9%

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ANNUAL OPERATING BUDGET

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ANNUAL OPERATING BUDGET

FINANCIAL PLAN SUMMARY

The San Antonio Water System comprises four core businesses, which are essentially four separate utilities. Each core business generates revenues that are designed to recover their respective cost of service. The core businesses are Water Supply, Water Delivery, Wastewater, and Chilled Water and Steam.

The following table summarizes the consolidated Sources and Uses of Funds for all core businesses.

COMBINED SOURCES & USES OF FUNDS						
	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
<i>(dollars in thousands)</i>						
SOURCES OF FUNDS						
Operating Revenues						
Sewer Service Charges	\$ 127,767	\$ 145,676	\$ 163,782	\$ 161,183	\$ 161,688	\$ 184,433
Metered Water Sales	116,036	129,985	126,246	125,517	127,956	128,392
Water Supply Fee	82,987	97,582	91,929	91,567	90,441	92,107
EAA Fee	9,854	8,255	19,944	18,329	19,097	19,097
Chilled Water & Steam Sales	12,223	11,631	12,378	11,816	11,816	11,816
Conservation	7,275	10,384	9,939	9,830	9,314	9,419
Industrial Waste Surcharge	4,861	4,817	5,139	4,700	4,771	4,771
Stormwater	3,746	4,161	4,567	4,561	4,561	4,561
Recycled Water System	4,003	5,071	5,038	4,585	4,585	4,585
Recovery of TCEQ Fees	1,245	1,642	1,475	1,680	1,700	1,700
Reduction for Affordability Program	(1,217)	(1,335)	(1,908)	(1,600)	(2,090)	(2,201)
Total Operating Revenues	368,780	417,869	438,529	432,168	433,839	458,680
Nonoperating Revenues	1,969	2,210	6,150	1,000	4,956	4,957
Build America Bonds Subsidy	1,772	3,970		4,014		
Total Revenues	372,521	424,049	444,679	437,182	438,795	463,637
Capital Recovery Fees	25,038	23,263	36,761	22,000	22,000	36,000
Draw on Equity	1,751	-	6,901	300	-	1,400
Total Sources of Funds	399,310	447,312	488,341	459,482	460,795	501,037
USES OF FUNDS						
Operations and Maintenance	195,916	193,254	233,919	230,336	228,552	243,937
Operating Reserve	(694)	1,272	3,163	1,593	1,588	5,664
Revenue Bond Debt Requirement	128,974	135,025	138,606	152,085	154,898	160,683
Other Debt Service Requirement	3,596	3,206	2,935	3,997	3,453	3,453
Transfer to the City of San Antonio	9,565	10,926	11,160	10,994	11,018	11,689
Balance Available for:						
Renewal and Replacement Fund (Restricted)	25,527	23,412	36,761	22,100	22,000	36,000
Renewal and Replacement Fund (Unrestricted)	36,426	80,217	61,797	38,377	39,286	39,611
Total Uses of Funds	\$ 399,310	\$ 447,312	\$ 488,341	\$ 459,482	\$ 460,795	\$ 501,037

FINANCIAL PLAN SUMMARY BY CORE BUSINESS

The following schedule reflects the 2013 consolidating summary of Sources and Uses of Funds by core business:

SUMMARY OF SOURCES AND USES OF FUNDS BY CORE BUSINESS					
	Water Supply	Water Delivery	Wastewater	Chilled Water and Steam	Total
<i>(dollars in thousands)</i>					
SOURCES OF FUNDS					
Operating Revenues					
Sewer Service Charges	\$ -	\$ -	\$ 184,433	\$ -	\$ 184,433
Metered Water Sales		128,392			128,392
Water Supply Fee	92,107				92,107
EAA Fee	19,097				19,097
Chilled Water & Steam Sales				11,816	11,816
Conservation	9,419				9,419
Industrial Waste Surcharge			4,771		4,771
Stormwater	4,561				4,561
Recycled Water System	4,585				4,585
Recovery of TCEQ Fees		1,208	492		1,700
Reduction for Affordability Program	(602)	(602)	(997)		(2,201)
Intercompany Reallocations	5,630	(5,630)			-
Total Operating Revenues	134,797	123,368	188,699	11,816	458,680
Nonoperating Revenues	281	187	462	20	950
Build America Bonds Subsidy	1,050	1,228	1,729	-	4,007
Total Revenues	136,128	124,783	190,890	11,836	463,637
Capital Recovery Fees	9,818	11,455	14,727	-	36,000
Draw on Equity	1,400	-	-	-	1,400
Total Sources of Funds	\$ 147,346	\$ 136,238	\$ 205,617	\$ 11,836	\$ 501,037
USES OF FUNDS					
Operations and Maintenance	\$ 79,960	\$ 60,309	\$ 94,272	\$ 9,396	\$ 243,937
Operating Reserve	1,288	(413)	4,755	34	5,664
Revenue Bond Debt Requirement	44,753	43,641	69,651	2,638	160,683
Other Debt Service Requirement	487	974	1,981	11	3,453
Transfer to the City of San Antonio	2,927	3,336	5,106	320	11,689
Balance Available for:					
Renewal and Replacement Fund (Restricted)	9,818	11,455	14,727	-	36,000
Renewal and Replacement Fund (Unrestricted)	8,113	16,936	15,125	(563)	39,611
Total Uses of Funds	\$ 147,346	\$ 136,238	\$ 205,617	\$ 11,836	\$ 501,037

WATER SUPPLY CORE BUSINESS

The Water Supply core business is responsible for all functions related to the development and provision of additional water resources, including recycled water. In order to support the cost associated with these initiatives, SAWS implemented the Water Supply Fee, which is a separate funding mechanism for water supply development and water quality protection. The Water Supply core business also strives to extend SAWS' existing water supplies by promoting water conservation practices.

Water Supply						
	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
<i>(dollars in thousands)</i>						
SOURCES OF FUNDS						
Operating Revenues						
Water Supply Fee	82,987	97,582	91,929	91,567	90,441	92,107
Conservation	7,275	10,384	9,939	9,830	9,314	9,419
EAA Fee	9,854	8,255	19,944	18,329	19,097	19,097
Recycled Water System	4,003	5,071	5,038	4,585	4,585	4,585
Stormwater	3,746	4,161	4,567	4,561	4,561	4,561
Reduction for Affordability Program	(293)	(327)	(343)	(437)	(547)	(602)
Intercompany Reallocations	9,830	5,630	5,630	5,630	5,630	5,630
Total Operating Revenues	117,402	130,756	136,704	134,065	133,081	134,797
Nonoperating Revenues	520	570	2,072	296	281	281
Build America Bonds Subsidy	684	1,045		1,051	1,050	1,050
Total Revenues	118,606	132,371	138,776	135,412	134,412	136,128
Capital Recovery Fees	6,686	6,384	9,645	6,000	6,000	9,818
Draw on Equity	1,751	-	1,660	100	-	1,400
Total Sources of Funds	\$ 127,043	\$ 138,755	\$ 150,081	\$ 141,512	\$ 140,412	\$ 147,346
USES OF FUNDS						
Operations and Maintenance	58,697	37,531	78,564	81,978	79,680	79,960
Operating Reserve	(690)	94	2,457	466	1,692	1,288
Revenue Bond Debt Requirement	36,392	38,614	39,790	40,658	42,968	44,753
Other Debt Service Requirement	583	654	419	814	487	487
Transfer to the City of San Antonio	2,852	3,208	3,164	2,928	2,881	2,927
Balance Available for:						
Renewal and Replacement Fund (Restricted)	6,743	6,376	9,642	6,030	6,000	9,818
Renewal and Replacement Fund (Unrestricted)	22,466	52,278	16,045	8,638	6,704	8,113
Total Uses of Funds	\$ 127,043	\$ 138,755	\$ 150,081	\$ 141,512	\$ 140,412	\$ 147,346

WATER DELIVERY CORE BUSINESS

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

Water Delivery						
	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
<i>(dollars in thousands)</i>						
SOURCES OF FUNDS						
Operating Revenues						
Metered Water Sales	116,036	129,985	126,246	125,517	127,956	128,392
Recovery of TCEQ Fees	964	1,178	1,064	1,194	1,208	1,208
Reduction for Affordability Program	(306)	(345)	(602)	(438)	(546)	(602)
Intercompany Reallocations	(9,830)	(5,630)	(5,630)	(5,630)	(5,630)	(5,630)
Total Operating Revenues	106,864	125,188	121,078	120,643	122,988	123,368
Nonoperating Revenues						
Build America Bonds Subsidy	457	1,214	-	1,230	1,227	1,228
Total Revenues	107,632	126,809	122,616	122,070	124,402	124,783
Capital Recovery Fees	8,847	8,688	13,464	7,000	7,000	11,455
Draw on Equity	-	-	2,094	200	-	-
Total Sources of Funds	\$ 116,479	\$ 135,497	\$ 138,174	\$ 129,270	\$ 131,402	\$ 136,238
USES OF FUNDS						
Operations and Maintenance	57,888	69,249	62,702	62,150	60,023	60,309
Operating Reserve	101	521	76	504	(461)	(413)
Revenue Bond Debt Requirement	33,735	35,699	37,541	42,181	43,642	43,641
Other Debt Service Requirement	1,471	947	785	955	974	974
Transfer to the City of San Antonio	2,789	3,316	3,099	3,262	3,325	3,336
Balance Available for:						
Renewal and Replacement Fund (Restricted)	8,963	8,756	13,472	7,020	7,000	11,455
Renewal and Replacement Fund (Unrestricted)	11,532	17,009	20,499	13,198	16,899	16,936
Total Uses of Funds	\$ 116,479	\$ 135,497	\$ 138,174	\$ 129,270	\$ 131,402	\$ 136,238

WASTEWATER CORE BUSINESS

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

Wastewater						
	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
<i>(dollars in thousands)</i>						
SOURCES OF FUNDS						
Operating Revenues						
Sewer Service Charges	127,767	145,676	163,782	161,183	161,688	184,433
Industrial Waste Surcharge	4,861	4,817	5,139	4,700	4,771	4,771
Recovery of TCEQ Fees	281	464	411	486	492	492
Reduction for Affordability Program	(618)	(662)	(963)	(725)	(997)	(997)
Total Operating Revenues	132,291	150,295	168,369	165,644	165,954	188,699
Nonoperating Revenues	959	1,035	2,390	486	462	462
Build America Bonds Subsidy	631	1,711	-	1,733	1,729	1,729
Total Revenues	133,881	153,041	170,759	167,863	168,145	190,890
Capital Recovery Fees	9,506	8,190	13,651	9,000	9,000	14,727
Draw on Equity	-	-	2,970	-	-	-
Total Sources of Funds	\$ 143,387	\$ 161,231	\$ 187,380	\$ 176,863	\$ 177,145	\$ 205,617
USES OF FUNDS						
Operations and Maintenance	69,721	76,685	82,984	77,010	79,516	94,272
Operating Reserve	(160)	646	673	578	334	4,755
Revenue Bond Debt Requirement	57,114	59,000	59,240	67,166	65,650	69,651
Other Debt Service Requirement	1,487	1,539	1,710	2,127	1,981	1,981
Transfer to the City of San Antonio	3,589	4,083	4,559	4,484	4,492	5,106
Balance Available for:						
Renewal and Replacement Fund (Restricted)	9,821	8,280	13,811	9,049	9,000	14,727
Renewal and Replacement Fund (Unrestricted)	1,815	10,998	24,403	16,449	16,172	15,125
Total Uses of Funds	\$ 143,387	\$ 161,231	\$ 187,380	\$ 176,863	\$ 177,145	\$ 205,617

CHILLED WATER AND STEAM

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

Chilled Water & Steam						
	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
<i>(dollars in thousands)</i>						
SOURCES OF FUNDS						
Operating Revenues						
Chilled Water and Steam Sales	12,223	11,631	12,378	11,816	11,816	11,816
Total Operating Revenues	12,223	11,631	12,378	11,816	11,816	11,816
Nonoperating Revenues	180	198	150	21	20	20
Build America Bonds Subsidy	-	-	-	-	-	-
Total Revenues	12,403	11,829	12,528	11,837	11,836	11,836
Capital Recovery Fees	-	-	-	-	-	-
Draw on Equity	-	-	177	-	-	-
Total Sources of Funds	\$ 12,403	\$ 11,829	\$ 12,705	\$ 11,837	\$ 11,836	\$ 11,836
USES OF FUNDS						
Operations and Maintenance	9,611	9,789	9,669	9,198	9,333	9,396
Operating Reserve	55	11	(43)	46	23	34
Revenue Bond Debt Requirement	1,733	1,712	2,035	2,080	2,638	2,638
Other Debt Service Requirement	55	65	21	101	11	11
Transfer to the City of San Antonio	335	319	338	320	320	320
Balance Available for:						
Renewal and Replacement Fund (Restricted)	-	-	-	2	-	-
Renewal and Replacement Fund (Unrestricted)	614	(67)	685	90	(489)	(563)
Total Uses of Funds	\$ 12,403	\$ 11,829	\$ 12,705	\$ 11,837	\$ 11,836	\$ 11,836

CHANGE IN EQUITY (FUND BALANCE)

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

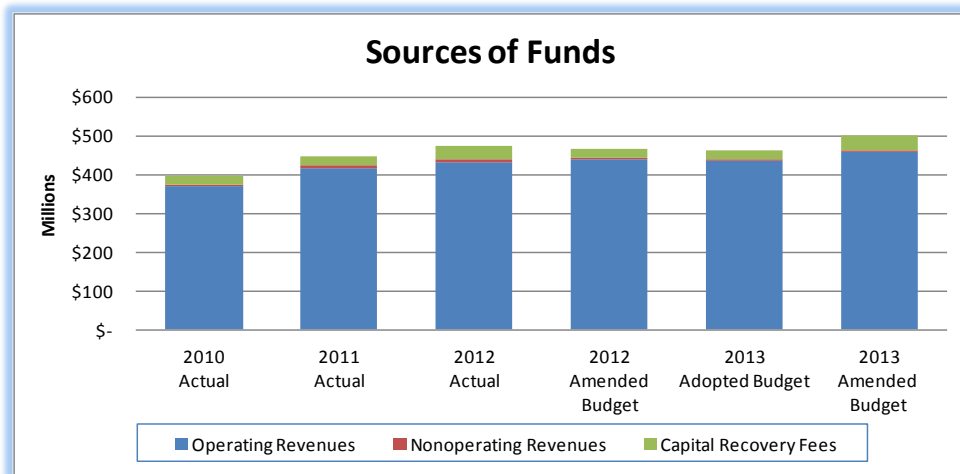
The following schedule reflects the projected change in equity for 2013.

(\$ in thousands)	System Fund	Debt Service Fund	Debt Reserve Fund	Renewal and Replacement Fund	Project Fund	Combined Total
Equity, December 31, 2012	\$1,626,758	\$34,254	\$58,681	\$200,148	\$38,100	\$1,957,941
Change in Equity - 2013	111,689	(98,726)	-	67,047	95	80,105
Transfers in (out)	(160,683)	160,683	3,674	(3,674)	-	-
Proceeds from Bond Issue	(312,007)	-	-	-	312,007	-
Bond Issue Costs	4,675	-	-	-	(4,675)	-
Retirement of Bonds	56,538	(56,538)	-	-	-	-
Commercial paper retired	2,970	(2,970)	-	-	-	-
Expenditures for plant additions	350,152	-	-	(42,722)	(307,430)	-
Equity, December 31, 2013	\$1,680,092	\$36,703	\$62,355	\$220,799	\$38,097	\$2,038,046

SOURCES OF FUNDS

The following table summarizes the 2013 budgeted Sources of Funds for all core businesses.

SOURCES OF FUNDS						
	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
<i>(dollars in thousands)</i>						
SOURCES OF FUNDS						
Operating Revenues						
Sewer Service Charges	\$ 127,767	\$ 145,676	\$ 163,782	\$ 161,183	\$ 161,688	\$ 184,433
Metered Water Sales	116,036	129,985	126,246	125,517	127,956	128,392
Water Supply Fee	82,987	97,582	91,929	91,567	90,441	92,107
EAA Fee	9,854	8,255	19,944	18,329	19,097	19,097
Chilled Water & Steam Sales	12,223	11,631	12,378	11,816	11,816	11,816
Conservation	7,275	10,384	9,939	9,830	9,314	9,418
Industrial Waste Surcharge	4,861	4,817	5,139	4,700	4,771	4,771
Stormwater	3,746	4,161	4,567	4,561	4,561	4,561
Recycled Water System	4,003	5,071	5,038	4,585	4,585	4,585
Recovery of TCEQ Fees	1,245	1,642	1,475	1,680	1,700	1,700
Reduction for Affordability Program	(1,217)	(1,335)	(1,910)	(1,600)	(2,091)	(2,200)
Total Operating Revenues	368,780	417,869	438,527	432,168	433,838	458,680
Nonoperating Revenues						
Nonoperating Revenues	1,969	2,210	6,151	1,000	4,957	4,957
Build America Bonds Subsidy	1,772	3,970	-	4,014	-	-
Total Revenues	372,521	424,049	444,678	437,182	438,795	463,637
Capital Recovery Fees	25,038	23,263	36,761	22,000	22,000	36,000
Draw on Equity	1,751	-	6,900	300	-	1,400
Total Sources of Funds	399,310	447,312	488,339	459,482	460,795	501,037



REVENUES

Sources of funds consist of operating revenues, non-operating revenues, Build America Bonds subsidy, and capital recovery fees. Operating revenues include revenues from water (potable and recycled), water supply, and wastewater services accounted for through metered billings. Additional revenues include Special Services fees designed to recover costs associated with providing services that typically benefit a particular customer or type of service. These services include various permit, sampling or laboratory fees, and account services.

WATER AND WASTEWATER CUSTOMER AND USAGE TRENDS

Approximately 92.4% of operating revenues consist of the Water Supply Fee, Metered Water Sales, EAA Fee and Sewer Service Charges, all of which are highly dependent upon customers' metered water usage. Fluctuations in metered water usage is primarily the result of changes in:

- the number of customers
- the average use per customer

In the budget process, customer and usage data, statistics and trends are tracked by each rate block to generate multiple revenue forecast projections, including:

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

Due to this systematic and comprehensive approach to forecasting the metered revenues, SAWS has been able to identify developing shifts in usage patterns and underlying trends in the uses of the water resources of the System. These customer and usage forecasts are aggregated to develop a comprehensive forecast for water, irrigation and wastewater revenues of the system.

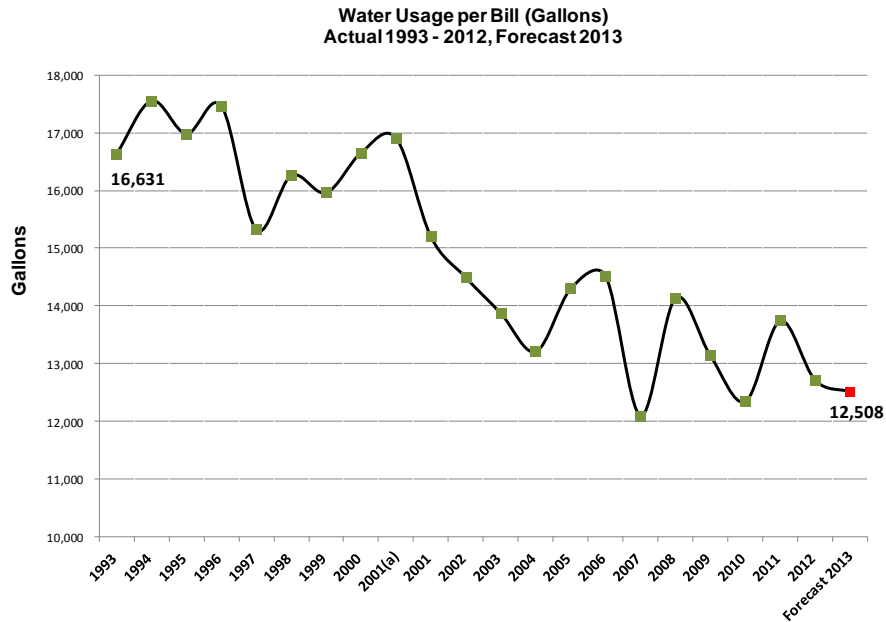
Over the last several years, the wastewater customer growth has exhibited slightly higher growth than that of the SAWS water service area. With this trend expected to continue, 2013 customer growth is forecasted at 1.6% with the following breakdown between water and wastewater:

- 1.4% for water customers
- 1.8% for wastewater customers

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

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

- A significant, persistent downward trend: 1999 - 2010
- Usage peaks in dry or drought years: 2005-2006, 2008-2009, and 2011
- Lower usage in recent years of above average rain: 2004, 2007, 2010, and 2012
- Volatility around the trend since 2004 due to extreme weather variations
- Effects of conservation drought restrictions: 2008 dry without restrictions; 2009, 2011 with restrictions



With extreme weather fluctuations, from very rainy to dry drought conditions, and resulting drought restrictions expected to be factors in future water usage scenarios, usage profiles from 2007 and 2011 provide a proxy for the expected range of usage conditions in the future.

During 2007, rainfall fell for most of the year resulting in the lowest usage per bill from the historical sample horizon. As a result, 2007 provides a possible lower range of expected usage in the future. 2011 was extremely dry but also had drought restrictions for most of the year, unlike 2008 which was very dry without restrictions. Given the likelihood of drought restrictions during extremely dry periods, 2011 provides a possible upper range of expected usage in the future. Within this general usage range profile, planned conservation effects on usage can be incorporated into the forecast planning horizon.

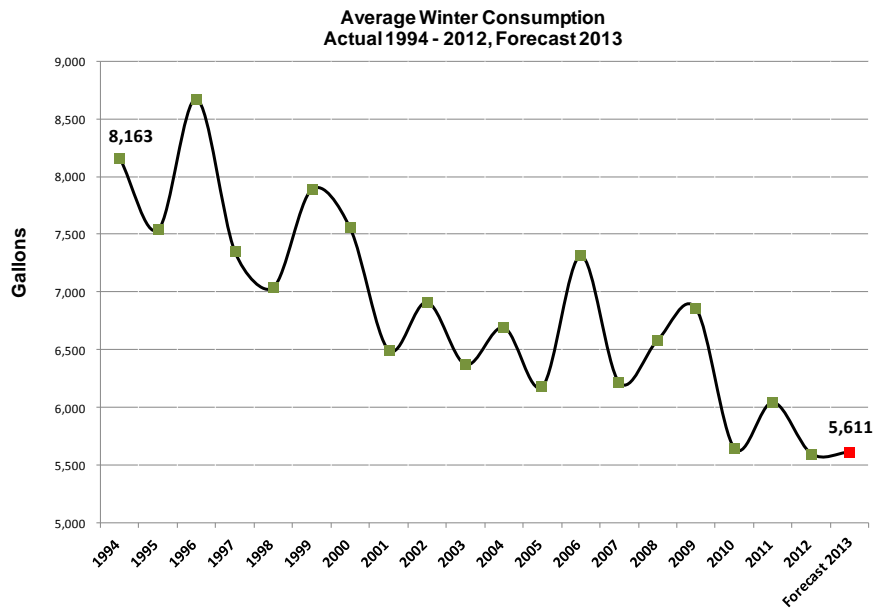
The 2013 use per customer forecast compared to the 2007 and 2011 range is an indication of the conservative nature and reduced revenue risk of the water revenue forecast. Details of the 2013 water usage forecast are as follows:

- Use per customer forecast of 12,508 gallons is at the 26th percentile of the 2007 and 2011 range
- Total adjusted water usage is forecasted at 54.4 billion gallons, slightly lower than 2012 billed gallons of 55.5 billion gallons

Metered wastewater volumetric revenues are based on contributed flow estimated through water usage. For the commercial class, water usage for irrigation (metered or assumed) is not subject to wastewater charges. For the residential class, the contributed flow is estimated through the average winter consumption (AWC), which is the average water usage for a 90 day period during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year.

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

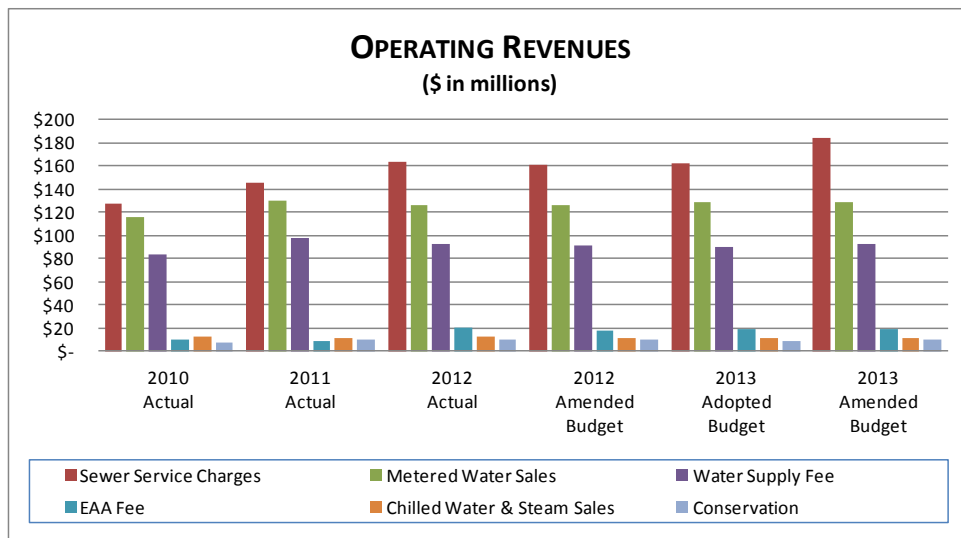
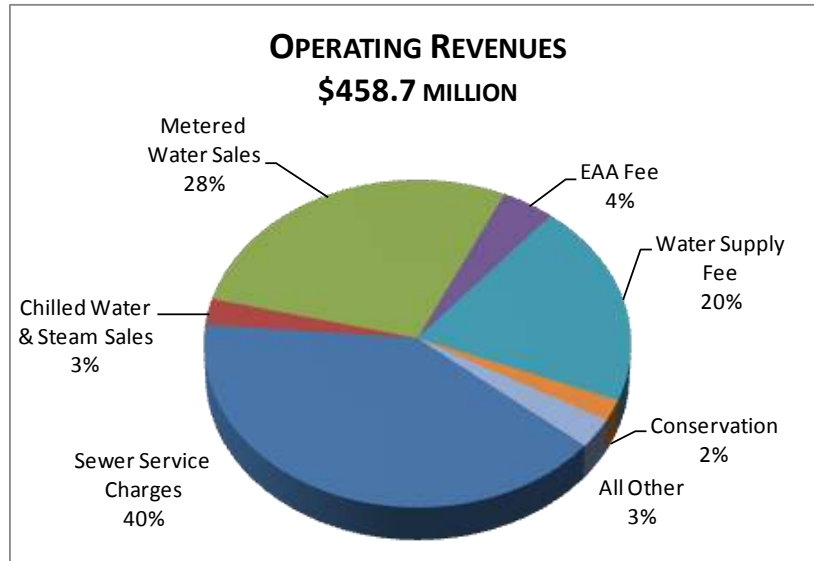
- 2010-2012 AWC levels were significantly lower than 2006-2009 values
- 2013 AWC budget of 5,611 gallons is just slightly higher than 5,596 gallons in 2012



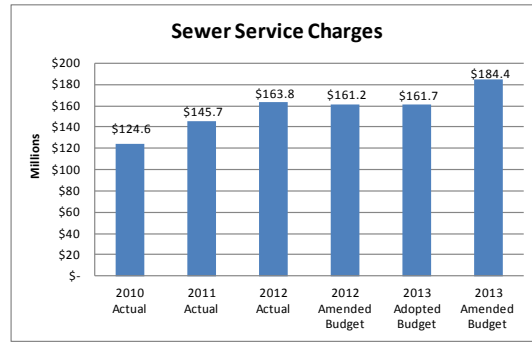
OPERATING REVENUES

The 2013 revenue budget includes a rate adjustment of 7.0% on an average residential bill. Details of this proposed rate adjustment are as follows:

- 8.4% average residential bill increase due to Water Supply Fee and wastewater rate increases, effective for usage beginning March 1, 2013 (7,788 gallons water; 6,178 wastewater assumed)
- 2.5% Water Supply Fee and 16.5% wastewater rate adjustments
- 1.4% reduction in the average residential bill due to EAA Fee and TCEQ Fee rate reductions
- \$22.6M in additional metered Water Supply Fee and Wastewater revenues in 2013



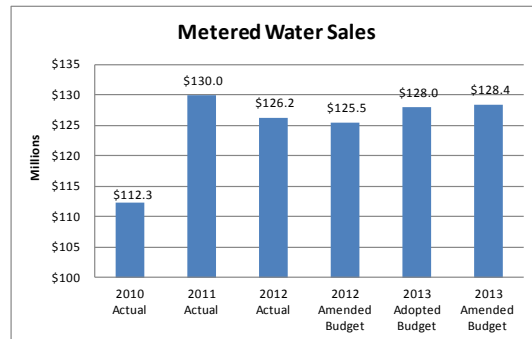
Sewer Service Charges



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

2013 wastewater revenues are forecast at \$184.4 million, excluding \$4.8 million of sewer surcharge revenues. Net metered wastewater revenues include a 16.5% rate adjustment forecast to generate \$21.2 million in additional wastewater revenue in 2013.

Metered Water Sales

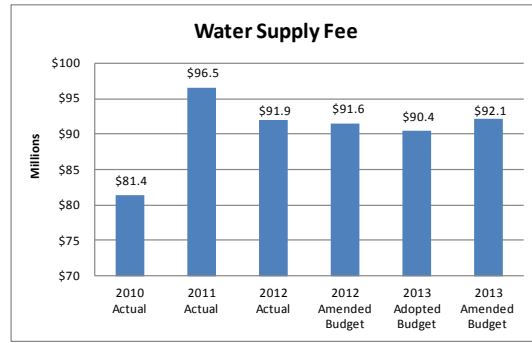


Water charges are designed to recover the costs associated with the production, transmission, and distribution of water to the customer. 2013 net metered water revenues are forecast at \$128.4 million with no rate adjustment assumed for water delivery fees.

The 2013 revenue forecast assumes that total water sales will increase slightly to 54.4 billion gallons from the 53.5 billion gallons forecasted for 2012. The assumed customer growth of 1.4% more than offsets the impact of the assumed reduction in use per bill.

From the metered water sales revenues, \$5.6 million is budgeted to be transferred to the Water Supply core business to account for a portion of the water delivery rate schedule that continues to fund those Water Supply programs implemented before the Water Supply Fee was developed.

Water Supply Fee Revenues



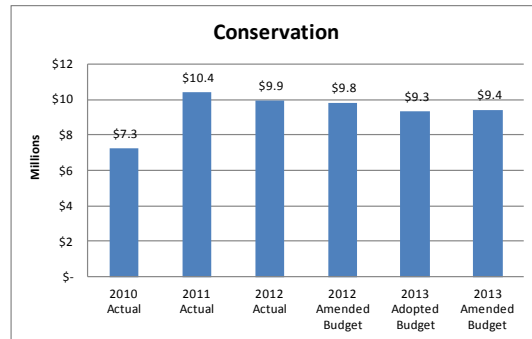
The Water Supply Fee was adopted in 2000 to support one of SAWS fundamental responsibilities: developing and procuring additional water supplies. In 2013, net metered water supply fee revenues are projected at \$92.1 million including a 2.5% Water Supply Fee rate adjustment forecast to generate \$1.4 million in additional revenue in 2013.

Consistent with Water Delivery, the revenue forecast is based on 54.4 billion gallons of billed water usage, with an additional \$5.6 million being transferred from the Water Delivery core business as previously discussed.

Recycled Water Revenues

Metered recycled water revenues are projected to account for \$4.6 million or 3.4% of Water Supply operating revenues. Recycled water sales and operations are considered to be a part of the Water Supply core business. Revenues of \$3.0 million from the CPS Energy contract contribute 65.0% of recycled water metered revenues.

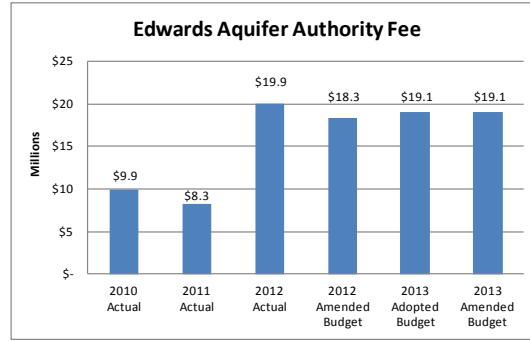
Conservation Revenues



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

For 2013, conservation revenues are budgeted at \$9.4 million or 7.0% of Water Supply operating revenues.

Edwards Aquifer Authority Fee



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

The 2013 EAA Fee budget revenue is \$19.1 million, based on preliminary estimates for the permit fee to be charged by the Edwards Aquifer Authority (EAA) for the amount of acre feet held by SAWS and the price to be charged by the EAA. With the actual 2013 EAA permit fee received, the fee is charged on 252,102 acre feet at \$84 per acre foot, totaling \$21.2 million. For the EAA Fee to be collected from our water customers, EAA rebates received in 2012 of \$2.3 million and \$0.3 million in over recovery of EAA revenues in 2012 are subtracted from the EAA permit fee of \$21.2 million, resulting in \$18.6 million to be recovered in 2013 EAA Fee billings. Thus, the implementation of the 2013 EAA Fee is expected to recover \$18.6 million, slightly lower than the budget of \$19.1 million.

Stormwater Fee

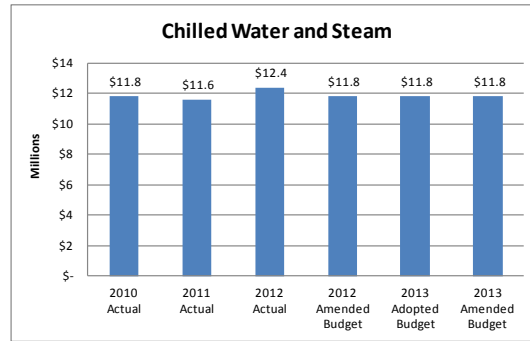
The San Antonio Water System bills stormwater charges and provides certain other services related to the City of San Antonio’s Stormwater Program. The City provides a reimbursement to SAWS which substantially offsets the cost of providing those services. For 2013, \$4.6 million in stormwater expenses are budgeted to be recovered from revenues retained through the stormwater billings. 2013 stormwater costs are projected at \$5.1 million, comprised of \$4.9 million in operations and maintenance expenses and \$0.2 million in capital outlay expenses.

State-Imposed TCEQ Fee

The TCEQ Fee is a monthly pass-through fee charged by SAWS to its water and wastewater customers necessary to recover fees assessed to SAWS by the Texas Commission on Environmental Quality (TCEQ). The fee is expected to generate \$1.7 million in operating revenue in 2013.

The TCEQ Fee applies to all billed retail water and wastewater accounts of SAWS, excluding irrigation and recycled water only accounts. Additionally, the TCEQ Fee is structured so that SAWS is delegated the authority to administratively adjust such TCEQ Fee pass-through on an annual basis. For 2013, the water TCEQ Fee remains at \$0.17 per water customer per month, whereas the wastewater TCEQ Fee lowers from \$0.06 to \$0.05 per wastewater customer per month.

Chilled Water and Steam Sales



SAWS provides chilled water and steam for heating and cooling purposes primarily to commercial customers located in downtown San Antonio and the Port Authority of San Antonio. 2013 revenues are projected at \$11.8 million, or 2.6% of total operating revenues.

Affordability Program

The San Antonio Water System provides a variety of assistance to low income customers through its Affordability Program. One type of assistance, the Affordability Discount, provides a sliding scale bill discount based on the income level of those certified under the affordability program. For 2013, \$2.2 million has been set aside for the discount, which is a \$0.6 million or 37.5% increase from the amount budgeted in 2012.

NON-OPERATING REVENUES

2013 non-operating revenues, budgeted at \$5.0 million, are comprised of \$1.0 million of interest earnings on investments and a \$4.0 million federal subsidy to be received on Build America Bonds. In total, non-operating revenues account for 1.0% of the total sources of funds for 2013.

For the 2013 budget, the average investment base is assumed to be \$475 million, while the interest earnings rate is estimated to be a 0.2% annual rate. The average investment yield continues to remain at approximately 0.2% with future expectations for the rate to remain low.

DRAW ON EQUITY

The 2013 Draw on Equity of \$1.4 million is based on projected annual payments from the Lower Colorado River Authority (LCRA). LCRA and SAWS settled a lawsuit in 2011 stipulating that LCRA pay \$1.4 million annually through 2019.

CAPITAL RECOVERY FEES

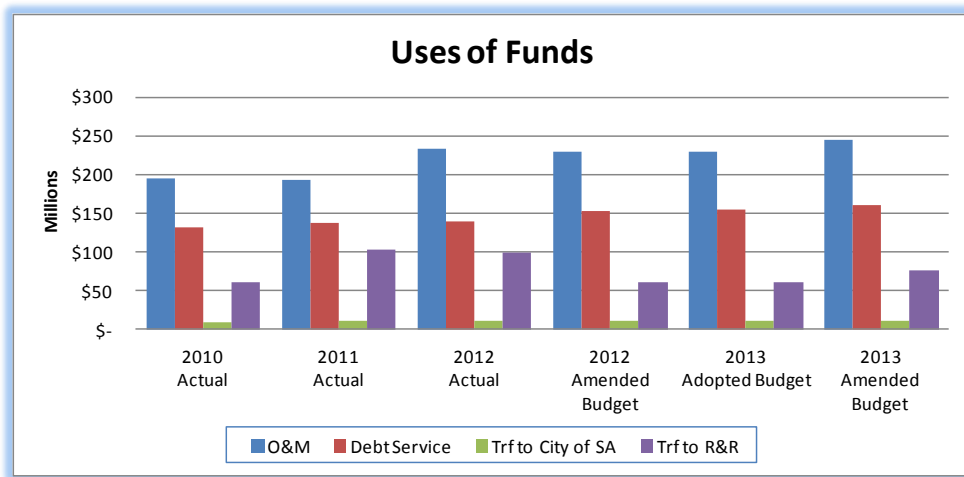
Capital recovery fees are codified in Chapter 395 of the Texas Local Government Code and provide for collection of fees to recover capital improvement costs necessary to serve new development. Through the city ordinances that formed SAWS, capital recovery fees are not considered to be included in Gross Revenues in the flow of funds. Instead, these fees are treated as capital contributions dedicated to fund eligible projects in the capital improvement program.

For 2013, capital recovery fees and grant revenues are projected at \$36.0 million, based solely from capital recovery fee revenue projections. The 2013 projection remains close to the 2012 capital recovery fee revenues of \$37 million and assumes no grant revenues. In total, capital recovery fees account for 7.2% of the total sources of funds for 2013.

USES OF FUNDS

Uses of funds are summarized in the following table:

USES OF FUNDS						
(dollars in thousands)	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
USES OF FUNDS						
Operations and Maintenance	195,916	193,254	233,917	230,336	228,552	243,937
Operating Reserve	(694)	1,272	3,162	1,593	1,588	5,664
Revenue Bond Debt Requirement	128,974	135,025	138,606	152,085	154,898	160,683
Other Debt Service Requirement	3,596	3,206	2,934	3,997	3,452	3,452
Transfer to the City of San Antonio	9,565	10,926	11,161	10,994	11,017	11,688
Balance Available for:						
Renewal and Replacement Fund (Restricted)	25,527	23,412	36,761	22,100	22,000	36,000
Renewal and Replacement Fund (Unrestricted)	36,426	80,217	61,798	38,377	39,288	39,613
Total Uses of Funds	\$ 399,310	\$ 447,312	\$ 488,339	\$ 459,482	\$ 460,795	\$ 501,037

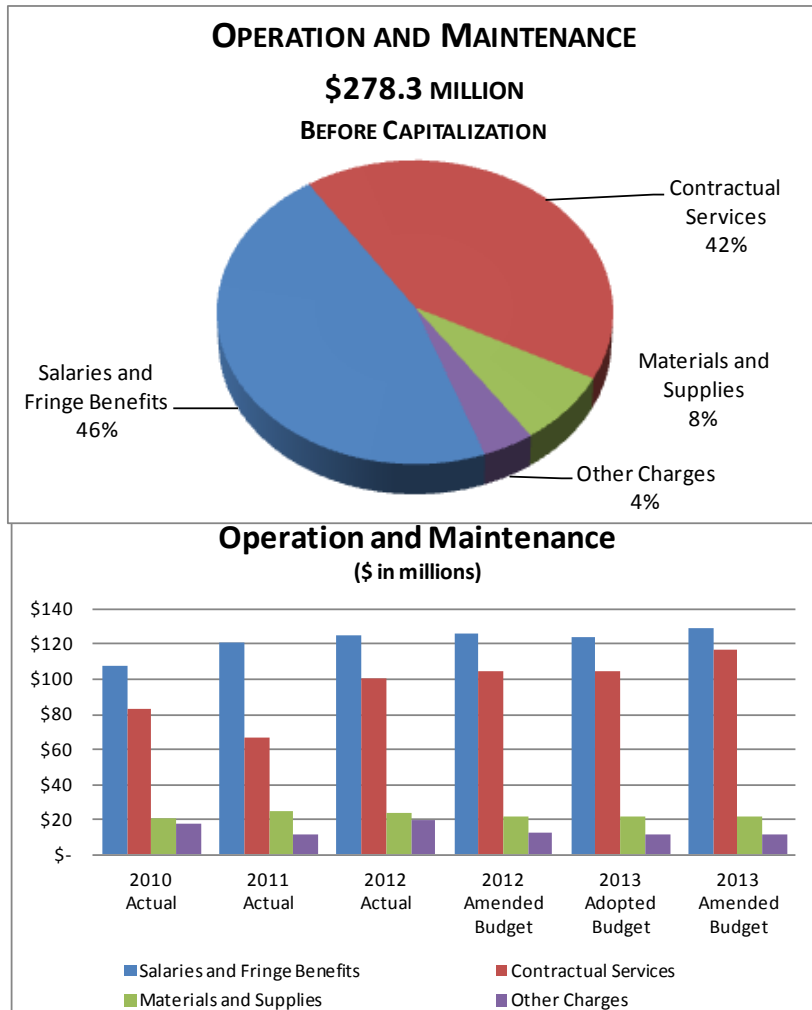


OPERATION AND MAINTENANCE EXPENSE

The cost to operate and maintain the System on a daily basis comprises the largest single requirement of SAWS' revenues. Approximately 50 cents of every dollar collected from customers goes to support ongoing operations and maintenance. The costs in the adopted budget are prudent and necessary for:

- Planning and development of water resources
- Production and delivery of quality drinking water
- Repair and maintenance of distribution mains and pumping facilities
- Collection and treatment of wastewater
- Implementation of new and expanded programs designed to further reduce sewer overflows
- Billing and collection of customer accounts
- Responding to customer inquiries
- Maintaining books and accounts of records
- Administrative and planning activities

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



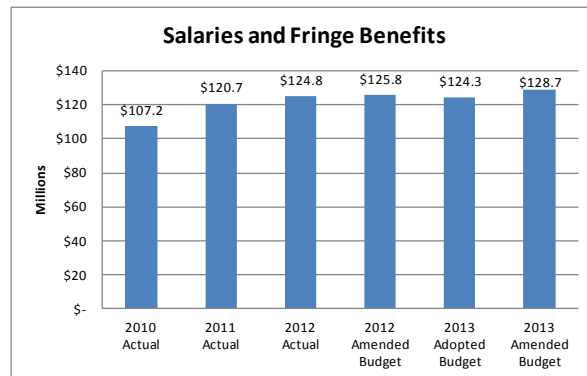
OPERATION AND MAINTENANCE BY EXPENSE CLASSIFICATION

(\$ in thousands)	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Salaries and Fringe Benefits						
511100 Salaries	79,363	79,872	80,769	81,152	80,335	82,734
511140 Overtime Pay	2,362	3,222	3,070	2,341	2,382	2,398
511150 On-Call Pay	387	333	405	323	340	340
511160 Employee Insurance	6,572	15,450	14,358	15,495	14,206	14,677
511162 Retirement	17,598	19,439	20,074	20,182	21,594	22,181
511164 Unused Sick Leave Bonus	28	29	33	75	75	35
511164 Unused Sick Leave Buyback	823	851	874	850	887	887
511166 Personal Leave Buyback	(193)	1,176	876	1,119	169	1,169
511170 Incentive Pay	288	319	287	248	296	296
511175 Other Post Employment Benefits	-	-	4,033	4,000	4,000	4,000
Salaries and Fringe Benefits Total	107,229	120,690	124,779	125,785	124,285	128,718
Contractual Services						
511210 Operating Expense	1,970	1,951	2,092	1,948	1,865	1,808
511211 Rental of Facilities	228	336	255	300	237	237
511212 Alarm and Security	1,587	1,838	1,606	1,545	1,576	1,576
511213 Collection Expense	210	189	160	217	82	82
511214 Uniforms and Shoe Allowance	67	62	88	93	256	258
511216 Catering Svcs & Luncheons	88	113	89	126	92	92
511219 Program Rebates	842	400	404	1,004	935	935
511220 Maintenance Expense	8,407	10,141	9,395	8,776	9,317	9,317
511221 Street Cut Permit Admin Fee	796	692	602	886	886	886
511222 St Pave/Repair Fee	821	4,652	986	2,198	1,002	1,002
511223 Preventive Maintenance	53	61	65	67	67	67
511224 Corrective Maintenance	966	1,120	1,283	1,025	1,050	1,050
511225 Damage Repair	135	227	133	100	175	175
511230 Equipment Rental Charges	452	535	540	358	340	340
511240 Travel	79	184	172	176	238	165
511245 Training	573	639	614	661	542	542
511247 Conferences	23	55	40	87	93	44
511250 Memberships and Subscriptions	283	416	395	410	345	346
511260 Utilities	22,456	24,930	23,319	23,192	24,368	24,368
511261 Water Options	14,770	15,069	15,406	15,651	16,789	16,789
511265 Ground Water District Pay	7,708	7,261	19,471	21,732	21,351	21,351
511270 Mail and Parcel Post	1,884	2,000	1,990	1,838	2,082	2,082
511280 Telemetry Charges	47	46	45	50	50	50
511309 Educational Assist-Books	15	15	8	15	15	15
511310 Educational Assistance	216	207	140	200	210	210
511312 Contractual Prof Svcs	10,952	(14,644)	10,886	12,493	12,381	22,983
511313 Inspect & Assessment Fees	1,489	1,466	1,497	1,605	1,646	1,646

OPERATION AND MAINTENANCE BY EXPENSE CLASSIFICATION (Continued)

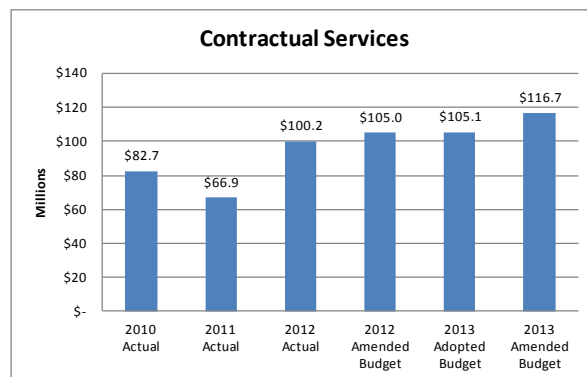
(\$ in thousands)	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Contractual Services (Continued)						
511315 Temporary Employees	280	614	799	554	468	468
511320 Legal Services	1,555	2,162	3,310	3,192	1,987	3,287
511370 Communications	1,001	1,014	963	1,231	1,238	1,138
511381 Software and Hardware Maintenance	2,755	3,145	3,413	3,235	3,434	3,434
Contractual Services Total	82,711	66,900	100,165	104,965	105,118	116,743
Materials and Supplies						
511410 Small Tools	505	850	716	519	578	578
511417 Copy and Printing Expense	18	19	10	24	25	25
511420 Operating Materials	2,245	3,071	2,734	2,307	2,465	2,466
511421 Heating Fuel	85	80	44	77	77	77
511422 Chemicals	5,666	6,314	6,602	6,329	6,479	6,479
511425 Education of School Children	31	34	50	25	25	25
511427 Enforcement	10	34	33	214	120	120
511428 Program Materials	1,618	1,620	1,333	1,572	863	864
511430 Maintenance Materials	6,315	7,834	7,354	6,070	6,344	6,344
511440 Safety Materials & Supplies	697	914	728	741	746	748
511441 Inventory Variances	(20)	(8)	5	20	19	19
511450 Tires and Tubes	454	572	652	416	501	501
511451 Motor Fuel & Lubricants	2,694	3,534	3,705	3,045	3,204	3,204
Materials and Supplies Total	20,317	24,868	23,966	21,359	21,446	21,450
Other Charges						
511510 Judgements and Claims	655	685	2,439	474	621	621
511511 AL & GL Claims Contingent Liab. Adj.	677	492	(292)	500	482	482
511520 Bank Charges	829	830	881	979	830	830
511530 Employee Relations	285	310	271	280	295	270
511540 Retiree Insurance	12,723	6,840	14,721	7,901	6,824	6,824
511570 Casualty Insurance	1,155	1,147	1,218	1,250	1,414	1,414
511580 Unemployment Compensation	23	50	75	42	42	42
511590 Workers Comp Medical	585	813	479	600	800	600
511600 WC-Contigent Liab Adjust	407	(288)	(309)	120	-	-
511610 Workers Comp Benefits	305	253	62	276	250	250
511620 WC-Misc Claims Expense	48	27	35	40	30	30
Other Charges Total	17,694	11,159	19,580	12,463	11,588	11,363
O&M Before Capitalized Cost Total	227,951	223,616	268,490	264,572	262,436	278,274
Capitalized Cost	(32,036)	(30,362)	(33,414)	(34,236)	(33,884)	(34,337)
Intercenter Transfers	1	-	(1,160)	-	-	-
Grand Total	\$ 195,916	\$ 193,254	\$ 233,917	\$ 230,336	\$ 228,552	\$ 243,937

Salaries and Fringe Benefits



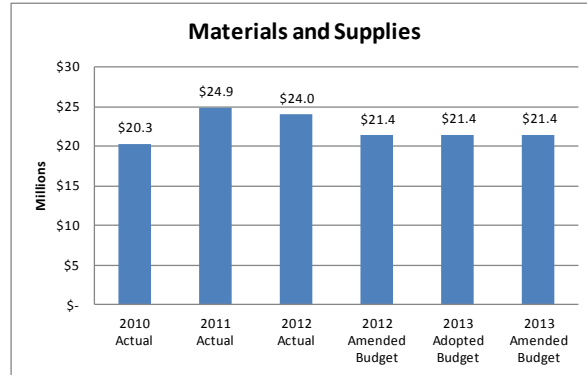
Salaries and fringe benefits are the single largest operating and maintenance expense. This category includes full time and part time salaries, overtime, on-call pay, employees' insurance and retirement benefits, and contributions to a trust established to ultimately provide other post-employment benefits (OPEB). Total salary and fringe benefit costs for 2013 are estimated at \$128.7 million, or 46.3% of gross operation and maintenance expenditures, and reflect a 2.3% increase over the prior year budget. The two primary drivers behind this increase are budgeted salary increases totaling 2.5% in aggregate and a \$1.5 million increase in the budgeted level of SAWS defined benefit plan contribution. The defined benefit plan contribution increase stems in large part to a reduction in the plan's assumed discount rate from 7.5% to 7.0%. This assumption change should reduce some of the volatility in the level of required contributions going forward and is more in line with current long-term investment return projections for similar plans.

Contractual Services



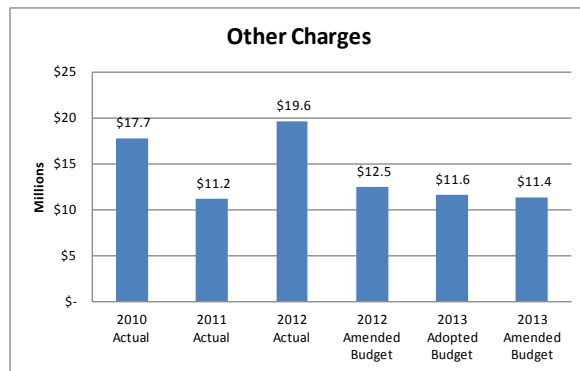
Contractual services costs are generally expenditures for services that are obtained by express or implied contract. Total Contractual Services for 2013 are budgeted at \$116.7 million, which is 42.0% of the gross operation and maintenance expenditures and reflects an 11.2% increase from the 2012 budget. The bulk of this increase is to begin funding the operational aspects of SAWS' accelerated SSO reduction program. Specifically, these amounts will fund additional sewer line cleaning and televising as well as the engagement of a program manager with external technical expertise to ensure the SSO reduction program meets agreed upon objectives and milestones. The additional funding will also expand the current flow meter program, field investigations and hydraulic modeling to further assist SAWS' SSO reduction efforts. Other increases are attributed to a projected \$1.2 million increase in utility costs associated with the transportation of water from SAWS Regional Carrizo Water Supply project as well as a \$1.1 million increase in Water Options related to water to be obtained by SAWS under the Water Exploration Co. (WECO) agreement inherited with the assumption of the District Special Project.

Materials and Supplies



The Materials and Supplies budget of \$21.4 million (7.7% of gross operation and maintenance expenditures) has increased minimally as compared to the prior year budget. This slight increase is attributable to slight inflationary increases in Operating Materials, Chemicals, Maintenance Materials, and Motor Fuel offset by a reduction in Conservation Program Materials. The reduction in Program Materials reflects a reduction in the budget for high efficiency toilets with these dollars being redirected to other Conservation initiatives.

Other Charges



Other Charges, totaling \$11.4 million, consist of costs associated with liability, property, and workers' compensation risk exposures. Also budgeted in this category are bank charges and retirees' health insurance costs. The 8.8% decrease in this expense category reflects primarily the decrease in the projected cost of medical benefits for SAWS' retirees in 2013.

Capitalized Costs

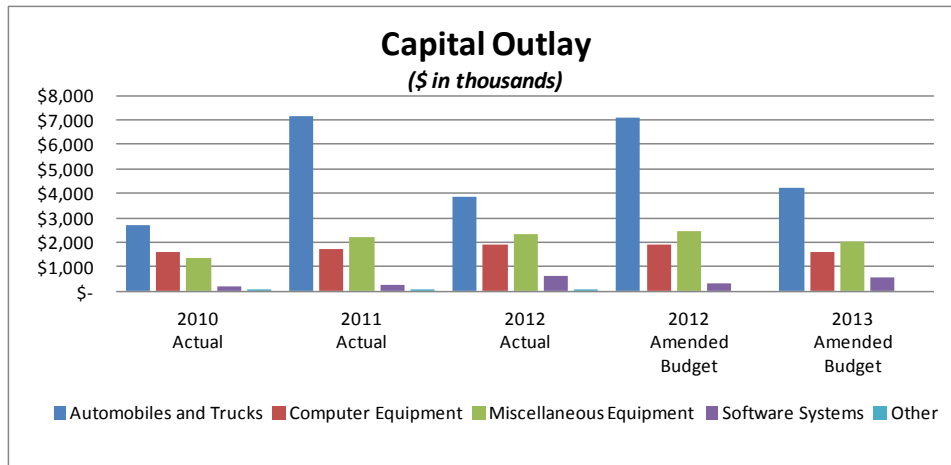
Operating and maintenance costs that support functions directly related to capital acquisitions are reflected as reductions to the gross Operations and Maintenance costs and are funded as part of SAWS Capital Improvement Program. In 2013, Capitalized Costs are estimated at \$34.3 million, which is an increase of 0.3% from 2012.

CAPITAL OUTLAY

Capital Outlay expenditures are expenditures for certain capital assets not included in SAWS Capital Improvement Program. These assets have an individual cost of \$5,000 or more and a useful life greater than one year but less than fifteen years. This includes machinery and equipment, computer hardware, software systems, laboratory equipment, vehicles, heavy equipment, communication equipment, and miscellaneous equipment. The Capital Outlay budget is based on priorities established by executive management. The 2013 capital outlay budget will fund \$8.5 million of capital expenditures meeting the above criteria

The table below summarizes the planned 2013 expenditures for the capital outlay program. The proposed expenditure level represents a decrease of \$3.3 million from the prior-year level.

	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Amended Budget
<i>(\$ in thousands)</i>					
Automobiles and Trucks	\$ 2,689	\$ 7,162	\$ 3,878	\$ 7,089	\$ 4,230
Communications Equipment	28	48	-	-	281
Computer Equipment	1,634	1,725	1,941	1,890	1,600
Heavy Equipment	123	1,235	1,266		
Lab Equipment	-	-	69		242
Light Equipment	28	104	-	-	94
Machinery and Equipment	-	-	-	250	210
Miscellaneous Equipment	997	759	907	2,145	486
Office Furniture and Equipment	-	-	46	42	-
Pumping Equipment	181	69	61		739
Software Systems	187	239	630	337	590
Structures and Improvements	51	25	45	-	-
Total	\$ 5,918	\$ 11,366	\$ 8,843	\$ 11,753	\$ 8,472



OTHER USES OF FUNDS

Operating Reserve

The operating reserve requirement reflects compliance with Ordinance No. 75686, which dictates that SAWS maintain a “two month reserve amount based upon the budgeted amount of operations and maintenance expenses for the current fiscal year”. In 2013, the projected operating reserve requirement is \$5.7 million as a result of the budgeted increase in operating and maintenance expenditures between 2013 and 2014.

Transfer to the City of San Antonio

Pursuant to City Ordinance No. 75686, SAWS is required to transfer to the General Fund of the City an amount of money (as determined by City Council) up to 5% of the Gross Revenues. Since the inception of SAWS in 1992, the percentage of the transfer amount to the City has been set at 2.7% of non-exempt total revenues. Assuming this same level of transfer, SAWS has budgeted the amount of this transfer at \$11.7 million for 2013.

Balance Available for Transfer to Renewal and Replacement Fund

After meeting all other requirements of system revenues including operations and maintenance, operating reserve, debt service, and transfer to the City’s General Fund, \$75.6 million is estimated to be available for transfer to the Renewal and Replacement Fund (R&R). The Renewal and Replacement Fund is used for the purpose of funding improvements, extensions, additions, replacements, or other capital expenditures related to the System and for any other lawful purpose. At a minimum, SAWS is required to transfer to this fund an amount equal to the amount transferred to the City’s General Fund.

The Renewal and Replacement Fund also pays for capital outlay expenditures, as discussed previously.

After funding of \$8.5 million for 2013 capital outlay expenditures, \$72.8 million is expected to be added to the Renewal and Replacement Fund. These funds are expected to be utilized to provide pay-as-you-go funding to support the 2014 Capital Improvement Program.

DEBT SERVICE

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

REVENUE BONDS

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

- **Senior Lien Water System Revenue Bonds** - comprised of Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, Series 2009B, Series 2010B, Series 2011, Series 2011A, Series 2012, and Series 2012A outstanding in the amount of \$1,605,165,000 as of December 31, 2012, are collateralized by a senior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System and maintaining an operating reserve for operating and maintenance expenses.
- **Junior Lien Water System Revenue Bonds** - comprised of Series 2003, Series 2004, Series 2004-A, Series 2007, Series 2007A, Series 2008, Series 2008A, Series 2009, Series 2009A, Series 2010, Series 2010A, Series 2011, Series 2011A, Series 2012 (NO RESERVE), and Series 2012 outstanding in the amount of \$382,645,000 as of December 31, 2012, are collateralized by a junior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System, maintaining an operating reserve for operating and maintenance expenses, and the debt service on senior lien debt.
- **Subordinate Lien Revenue and Refunding Bonds - Interest Rate Hedge Agreement (Swap)** - In March 2003, \$122.5 million of "City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B" (the "Subordinate Lien Obligations") were issued in a weekly interest rate mode. To hedge against changes in interest expenses, the City of San Antonio, through SAWS, entered into an interest rate hedge agreement (the "Swap Agreement") under which SAWS must pay a fixed rate of 4.18% and receive a variable rate which corresponds to the Municipal Swap Index published by The Securities Industry and Financial Markets Association. The rates are applied to a specified notional amount which matches the amortization schedule of the principal amount of the Subordinate Lien Obligations. The payments under this obligation are collateralized by a subordinate lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the system, maintaining an operating reserve for operating and maintenance expenses, and debt service on senior lien and junior lien debt.

On August 7, 2008, SAWS issued a Notice of Partial Redemption for \$110.6 million of the Subordinate Lien Obligations due to unfavorable market conditions relating to variable rate demand obligations, resulting in the related interest rate hedge agreement not providing an effective hedge against short term interest rate movements applicable to the related obligations. The Subordinate Lien Obligations were redeemed with commercial paper notes. \$100,970,000 of the commercial paper notes outstanding at December 31, 2012 are hedged by the Swap Agreement.

SAWS still considers the Swap Agreement to be a valuable variable rate management tool within its debt portfolio. The obligation to pay the fixed rate of 4.18% on the notional amount outstanding remains and is included in the 2013 budgeted debt service requirements of SAWS at the original principal amortization of the Subordinate Lien Obligations.

Bond and Commercial Paper Ratings

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

	Senior Lien	Junior Lien	TECP Series A/TECP Series B
Fitch Ratings	AA+	AA	F1/F1+
Moody's Investors Service	Aa1	Aa2	P-1/P-1
Standard & Poor's	AA+	AA	A-1+/A-1+

Annual Revenue Bond Debt Service Requirement

The bonded debt service requirement is comprised of bond interest costs and the retirement of a certain portion of bond principal. This requirement is projected based on maturity schedules or ordinance formula. The debt service schedules assume the issuance of approximately \$330.3 million of bonds in 2013. The amount necessary to fulfill total bonded debt service requirements in 2013 is projected to be \$164.1 million.

Reserve Fund Requirement

SAWS' bond ordinance requires the maintenance of a reserve fund for the payment of senior lien and junior lien debt obligations in an amount equal to 100% of the maximum annual debt service requirement for the senior lien obligations and 100% of the average annual debt service requirement for the junior lien obligations. The ordinance provides for the use of cash, debt, and surety policies or a combination thereof, to satisfy the reserve fund requirement. The debt service schedules for the 2013 bonds anticipated to be issued assumes the funding of the reserve fund from bond proceeds.

Debt Coverage

SAWS is required by ordinance to maintain a debt coverage ratio of 1.25 times the annual debt service on outstanding senior lien debt. The 2013 Operating Budget projects an estimated annual Senior Lien Debt Coverage ratio of 1.86 times, which exceeds the ordinance requirement of 1.25 times.

DEBT COVERAGE CALCULATION	
Total Sources of Funds	\$501,037,066
Less Revenues from:	
City Public Service contract	2,982,500
Interest on CPS contract	
Capital Recovery Fees	36,000,000
Transfer from Renewal & Replacement Fund	1,400,000
Interest on Project Funds	95,000
Gross Revenues as defined by Ordinance No. 75686	\$ 460,559,566
Less: Operations & Maintenance	243,936,987 *
Pledged Revenues as defined by Ordinance No. 75686	\$ 216,622,579
Annual Senior Lien Debt Service Requirement	\$ 116,366,527
Annual Senior Lien Debt Coverage Ratio	<u>1.86</u>
Maximum Annual Senior Lien Debt Service Requirement (Year 2027)	\$ 130,113,370
Maximum Annual Senior Lien Debt Coverage Ratio	<u>1.66</u>
Annual Combined Debt Service Requirement	\$ 160,683,161
Annual Combined Debt Coverage Ratio	<u>1.35</u>
Maximum Annual Combined Bonded Debt Service Requirement (Year 2017)	\$ 166,139,553
Maximum Annual Combined Bonded Debt Coverage Ratio	<u>1.30</u>

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

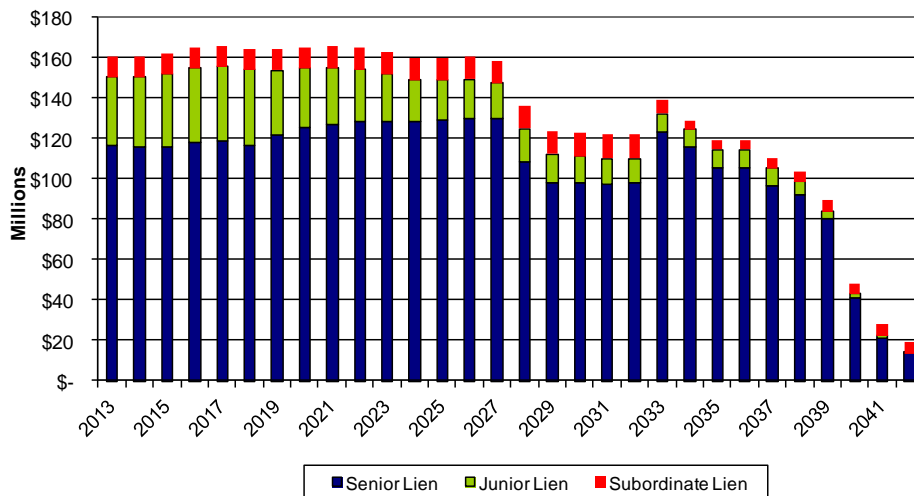
Budgeted Revenue and Refunding Bonds Debt Service Schedules

Fiscal Year December 31.	Senior Lien			Junior Lien		
	Principal	Interest	Total	Principal	Interest	Debt Service
2013	\$ 31,949,366	\$ 84,417,161	\$ 116,366,527	\$ 22,714,167	\$ 11,613,700	\$ 34,327,867
2014	33,151,124	82,935,701	116,086,825	23,208,333	11,078,090	34,286,423
2015	34,580,134	81,319,970	115,900,104	25,361,666	10,896,704	36,258,370
2016	38,043,767	79,774,062	117,817,829	26,686,667	10,474,809	37,161,476
2017	40,725,545	77,998,333	118,723,878	27,411,666	9,734,121	37,145,787
2018	40,440,284	76,106,610	116,546,894	28,820,000	8,913,494	37,733,494
2019	47,641,315	74,262,520	121,903,835	24,061,667	8,034,007	32,095,674
2020	53,695,307	72,059,035	125,754,342	21,831,667	7,329,828	29,161,495
2021	57,712,259	69,481,897	127,194,156	21,075,000	6,704,959	27,779,959
2022	61,643,650	66,678,216	128,321,866	19,745,000	6,089,691	25,834,691
2023	65,068,187	63,651,088	128,719,275	17,823,334	5,530,872	23,354,206
2024	68,333,830	60,447,014	128,780,844	15,243,333	5,140,383	20,383,716
2025	72,509,101	57,070,336	129,579,437	14,595,000	4,717,329	19,312,329
2026	76,510,663	53,466,776	129,977,439	15,003,333	4,319,326	19,322,659
2027	80,443,332	49,670,038	130,113,370	13,481,667	3,897,953	17,379,620
2028	62,832,106	45,919,398	108,751,504	12,895,000	3,514,471	16,409,471
2029	55,010,323	42,930,679	97,941,002	11,290,000	3,147,200	14,437,200
2030	57,596,496	40,253,226	97,849,722	10,631,667	2,813,473	13,445,140
2031	60,285,258	37,438,578	97,723,836	10,013,333	2,496,399	12,509,732
2032	63,588,457	34,535,132	98,123,589	9,841,666	2,183,784	12,025,450
2033	92,102,761	31,518,090	123,620,851	6,915,000	1,901,489	8,816,489
2034	88,664,842	26,977,091	115,641,933	7,186,667	1,639,102	8,825,769
2035	82,701,172	23,143,214	105,844,386	7,470,000	1,363,859	8,833,859
2036	86,671,758	19,042,463	105,714,221	7,761,666	1,076,107	8,837,773
2037	81,718,260	14,791,913	96,510,173	8,070,000	776,053	8,846,053
2038	81,114,017	10,738,844	91,852,861	6,331,667	461,492	6,793,159
2039	73,699,212	6,672,332	80,371,544	3,483,334	216,128	3,699,462
2040	37,993,287	2,965,270	40,958,557	1,983,334	93,828	2,077,162
2041	20,326,800	1,115,792	21,442,592	1,105,000	33,818	1,138,818
2042	12,983,820	352,224	13,336,044	266,667	5,550	272,217
	\$1,759,736,433	\$1,387,733,003	\$3,147,469,436	\$ 422,307,501	\$ 136,198,019	\$ 558,505,520

Budgeted Revenue and Refunding Bonds Debt Service Schedules

Fiscal Year December 31.	Interest Rate Hedge (Swap)			Total Bonded Debt Service		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 4,844,916	\$ 5,143,851	\$ 9,988,767	\$ 59,508,449	\$ 101,174,712	\$ 160,683,161
2014	5,055,536	4,997,734	10,053,270	61,414,993	99,011,525	160,426,518
2015	5,278,196	4,845,089	10,123,285	65,219,996	97,061,763	162,281,759
2016	5,511,229	4,685,541	10,196,770	70,241,663	94,934,412	165,176,075
2017	5,751,116	4,518,772	10,269,888	73,888,327	92,251,226	166,139,553
2018	6,003,045	4,344,553	10,347,598	75,263,329	89,364,657	164,627,986
2019	6,265,346	4,162,496	10,427,842	77,968,328	86,459,023	164,427,351
2020	6,539,686	3,972,286	10,511,972	82,066,660	83,361,149	165,427,809
2021	6,827,734	3,773,536	10,601,270	85,614,993	79,960,392	165,575,385
2022	7,131,345	3,565,781	10,697,126	88,519,995	76,333,688	164,853,683
2023	7,443,474	3,348,571	10,792,045	90,334,995	72,530,531	162,865,526
2024	7,769,497	3,121,585	10,891,082	91,346,660	68,708,982	160,055,642
2025	8,112,561	2,884,429	10,996,990	95,216,662	64,672,094	159,888,756
2026	8,464,331	2,636,512	11,100,843	99,978,327	60,422,614	160,400,941
2027	8,834,995	2,377,576	11,212,571	102,759,994	55,945,567	158,705,561
2028	9,224,552	2,107,012	11,331,564	84,951,658	51,540,881	136,492,539
2029	9,629,671	1,824,198	11,453,869	75,929,994	47,902,077	123,832,071
2030	10,051,829	1,528,678	11,580,507	78,279,992	44,595,377	122,875,369
2031	10,493,069	1,219,836	11,712,905	80,791,660	41,154,813	121,946,473
2032	10,953,202	897,120	11,850,322	84,383,325	37,616,036	121,999,361
2033	6,387,229	559,917	6,947,146	105,404,990	33,979,496	139,384,486
2034	4,135,150	418,493	4,553,643	99,986,659	29,034,686	129,021,345
2035	4,303,818	376,298	4,680,116	94,474,990	24,883,371	119,358,361
2036	4,479,900	332,381	4,812,281	98,913,324	20,450,951	119,364,275
2037	4,663,396	286,664	4,950,060	94,451,656	15,854,630	110,306,286
2038	4,854,307	237,230	5,091,537	92,299,991	11,437,566	103,737,557
2039	5,050,777	189,568	5,240,345	82,233,323	7,078,028	89,311,351
2040	5,258,369	138,022	5,396,391	45,234,990	3,197,120	48,432,110
2041	5,471,521	84,373	5,555,894	26,903,321	1,233,983	28,137,304
2042	5,699,500	30,363	5,729,863	18,949,987	388,137	19,338,124
	\$ 200,489,297	\$ 68,608,465	\$ 269,097,762	\$2,382,533,231	\$1,592,539,487	\$3,975,072,718

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



OTHER DEBT SERVICE REQUIREMENTS

Tax Exempt Commercial Paper (TECP)

SAWS also maintains a commercial paper program that is used to provide funds for the interim financing of a portion of the capital improvements program. City Council of the City of San Antonio has authorized a commercial paper program of up to \$500 million. The TECP program is supported by two revolving credit agreements, one with Bank of Tokyo-Mitsubishi UFJ, Ltd., and the other with Wells Fargo Bank, N.A (the "Agreements"). Bank of Tokyo-Mitsubishi UFJ, Ltd. currently supports a \$250 million program of Series A TECP notes, and Wells Fargo Bank, N.A. currently supports a \$150 million program of Series B TECP notes. The current Agreements extend to October 5, 2015. Pursuant to the Agreements, the revolving line of credit currently totals \$400 million.

The 2013 Budget assumes \$250 million of commercial paper will be outstanding to fund ongoing capital improvement projects through 2013. As stated in the "Interest Rate Hedge Agreement (Swap)" section herein, \$101.0 million of the commercial paper program is attributable to the redemption of the Subordinate Lien Obligations. The 2013 Budget assumes that the interest to be paid on the \$101.0 million of TECP attributable to the redemption of the Subordinate Lien Obligations will be offset in its entirety by the amount to be received under the variable rate leg of the Swap, and this amount has been subtracted from the projected average commercial paper balance in calculating the projected commercial paper interest expense. SAWS' capital financing plan provides for the refunding of commercial paper as the outstanding balance trends toward the upper limit of the Agreement to ensure the outstanding balance does not exceed the revolving line of credit amount.

Other Debt Expense

SAWS expects to pay approximately \$2.8 million in debt related expenses in 2013. These expenses include remarketing agent fees, credit liquidity facility fees, rating agency fees, and paying agent fees. Remarketing agents are investment-banking firms responsible for the marketing and remarketing of variable rate obligations to investors as they mature. The credit liquidity facility provider commits to purchasing the maturing variable rate obligations should the remarketing agent be unable to remarket the variable rate obligations.

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ORGANIZATION AND STAFFING

OPERATION AND MAINTENANCE EXPENSE SUMMARY BY DEPARTMENT

(\$ in thousands)	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Board of Trustees and Pres/CEO Group						
Office of the President-CEO	\$ 908	\$ 990	\$ 919	\$ 990	\$ 912	\$ 909
Board of Trustees	56	49	59	63	62	57
Board of Trustees Support	367	397	375	386	353	353
Internal Audit Dept	431	476	382	521	405	403
Board of Trustees and Pres/CEO Group Total	1,761	1,912	1,735	1,960	1,732	1,722
Engineering and Construction Group						
Office of the VP - Strategic Resources	429	329	363	406	631	629
Collection and Distribution Department	1,284	1,426	1,519	1,347	1,493	1,489
Governmental Engineering Department	1,982	1,917	2,216	1,963	2,220	2,220
Infrastructure Planning Department	4,462	4,454	4,814	4,535	5,060	5,057
Pipeline Inspections Department	3,946	4,169	4,343	4,098	4,468	4,468
Production, Recycle, Treatment Engineering Department	3,080	3,156	3,378	3,075	3,452	3,446
Operations and Maintenance Eng.	812	792	816	734	785	785
Engineering and Construction Group Total	15,995	16,243	17,450	16,158	18,108	18,095
Water Resources and Conservation Group						
VP - Water Resources	230	253	226	231	216	215
Conservation Department	5,079	5,068	4,481	5,140	4,854	4,850
Water Resources Department	24,802	(2,885)	37,230	39,900	40,577	40,571
Regional Initiatives and Special Projects	275	320	206	401	-	-
Water Resources and Conservation Group Total	30,385	2,757	42,143	45,672	45,647	45,636
Operations Group						
Environmental Services	4,832	5,431	5,554	5,727	5,587	5,585
Sewer System Improvements	1,096	1,047	1,249	1,023	1,284	13,667
Ofc of Chief Operating Officer	558	543	525	1,155	405	396
Safety and Environmental Health	1,081	1,023	1,089	1,080	1,195	1,166
Operations Group Total	7,567	8,044	8,417	8,985	8,471	20,814
Distribution and Collection Operations Group						
Office of the VP - Distribution and Collection	310	326	318	401	284	278
Construction and Maintenance	9,351	12,455	12,193	11,848	12,348	12,348
Distribution and Collection Support Services	730	696	743	677	711	711
Dos Rios Service Center	-	-	-	-	622	622
Eastern Service Centers	11,776	14,352	11,426	10,868	10,301	10,301
Fleet Management	7,367	8,885	9,388	7,830	8,290	8,288
Medio Creek Service Center	-	-	-	-	652	652
Western Service Centers	10,037	13,063	10,095	9,692	7,887	7,887
Distribution and Collection Operations Group Total	39,571	49,776	44,163	41,316	41,097	41,088
Operations Services Group						
Office of VP - Operations Services	392	411	262	391	334	333
Corporate Real Estate Department	846	878	775	955	731	730
Facilities Maintenance	2,340	3,036	3,603	3,118	3,398	3,397
Facilities Management	1,980	2,058	2,008	1,965	1,801	1,801
Heating and Cooling Department	7,903	7,642	7,728	7,435	7,787	7,787
Laboratory Technical Services Department	1,886	1,908	1,649	2,131	1,715	1,712
Resource Protection & Compliance Div	4,989	5,498	5,698	6,281	5,715	5,710
Security	2,245	2,904	2,519	2,541	2,572	2,571
Service Center Facility Plan	93	106	112	105	108	107
Operations Services Group Total	22,673	24,442	24,354	24,923	24,161	24,147

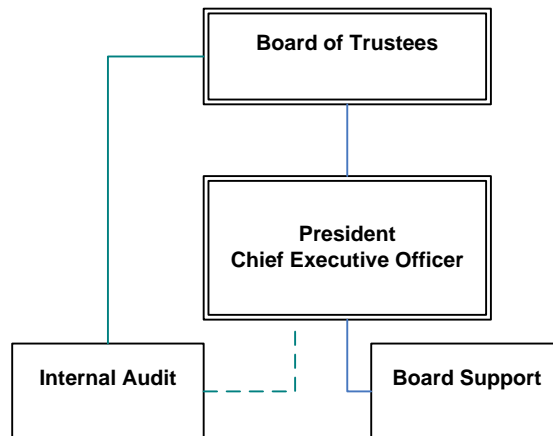
OPERATION AND MAINTENANCE EXPENSE SUMMARY BY DEPARTMENT (continued)

(\$ in thousands)	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Production and Treatment Operations						
Office of the VP - Production and Treatment	43	100	108	30	30	30
Production Department	24,919	27,333	25,432	26,694	27,686	27,684
Treatment Maintenance Management	8,789	9,285	10,165	8,057	8,855	8,851
Treatment Operations Management	15,859	15,870	16,908	15,436	17,358	17,356
Predictive Maintenance	765	790	908	839	865	865
Production and Treatment Operations Total	50,376	53,378	53,521	51,057	54,795	54,786
Legal Group						
Contracting Department	1,377	1,527	1,669	1,475	1,876	1,874
Legal Department	4,783	5,086	6,510	6,487	5,569	6,866
Legal Group Total	6,160	6,612	8,180	7,962	7,444	8,740
Human Resources Group						
Office of the VP - Human Resources	735	631	645	701	582	580
Corporate Training	1,378	1,478	1,388	1,473	1,152	1,151
Human Resources Div	2,055	2,009	1,887	2,200	2,380	2,327
Human Resources Group Total	4,169	4,118	3,920	4,374	4,114	4,058
Financial Services Group						
Office of the CFO	317	333	335	335	309	308
Accounting	2,221	2,332	2,255	2,420	2,349	2,349
Treasury	347	342	333	411	374	372
Financial Planning	718	648	597	688	633	632
Purchasing	634	633	539	636	506	505
Financial Services Group Total	4,237	4,288	4,060	4,488	4,172	4,167
Information Systems						
Application Services Section	1,740	2,420	2,515	2,530	2,576	2,571
Information Technology	8,373	8,820	8,576	8,510	9,218	9,113
Program Management and Administration	1,260	956	850	1,086	1,079	1,076
Information Systems Total	11,373	12,196	11,941	12,125	12,872	12,761
Customer Service Administration						
Customer Care	4,709	4,905	4,514	4,976	4,854	4,847
Field Operations	6,184	6,647	6,862	6,265	6,694	6,687
Quality and Training	405	477	440	541	714	714
Customer Service Total	11,549	12,303	12,245	12,034	12,780	12,764
Public Affairs Administration						
Communications	1,460	1,708	1,841	2,048	1,793	1,517
External Relations	2,141	2,173	2,086	2,187	2,149	2,133
Public Affairs Total	4,055	4,245	4,259	4,633	4,319	4,026
Other Requirements	18,080	23,301	32,103	28,883	22,723	25,469
Total Operations and Maintenance						
Before Capitalized Costs	227,951	223,616	268,490	264,572	262,436	278,274
Capitalized Cost	(32,036)	(30,362)	(33,414)	(34,236)	(33,884)	(34,337)
Intercenter Transfers	1	-	(1,160)	-	-	-
Grand Total	\$ 195,916	\$ 193,254	\$ 233,916	\$ 230,336	\$ 228,552	\$ 243,937

BOARD OF TRUSTEES AND PRESIDENT/CEO

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

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

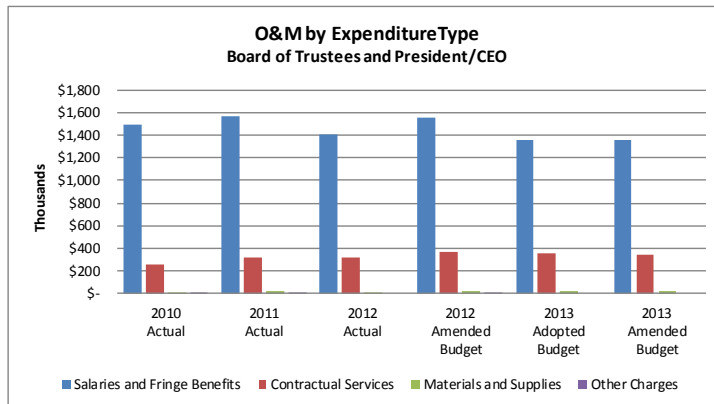


BOARD OF TRUSTEES AND PRESIDENT/CEO (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 1,487.8	\$ 1,570.5	\$ 1,404.9	\$ 1,557.1	\$ 1,360.2	\$ 1,360.2
Contractual Services	255.1	317.1	316.3	371.3	355.4	344.7
Materials and Supplies	15.8	18.5	14.0	22.2	16.7	16.7
Other Charges	2.8	6.0	-	9.3	-	-
Total O&M Before Capitalized Cost	1,761.5	1,912.2	1,735.2	1,959.9	1,732.3	1,721.6
Capitalized Cost	-	-	-	-	-	-
Intercenter Transfers	-	-	-	-	-	-
Net Change in Equity Total	\$ 1,761.5	\$ 1,912.2	\$ 1,735.2	\$ 1,959.9	\$ 1,732.3	\$ 1,721.6
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the President-CEO	907.8	989.9	919.3	990.5	912.0	908.7
Board of Trustees	55.5	49.1	58.8	62.6	62.4	57.0
Board of Trustees Support	366.7	397.2	375.4	386.2	352.5	352.5
Internal Audit Dept	431.5	476.0	381.7	520.7	405.4	403.4
O&M Before Capitalized Cost Total	1,761.5	1,912.2	1,735.2	1,959.9	1,732.3	1,721.6
Capitalized Cost	-	-	-	-	-	-
Intercenter Transfers	0.1	-	-	-	-	-
Net Change in Equity Total	\$ 1,761.5	\$ 1,912.2	\$ 1,735.2	\$ 1,959.9	\$ 1,732.3	\$ 1,721.6

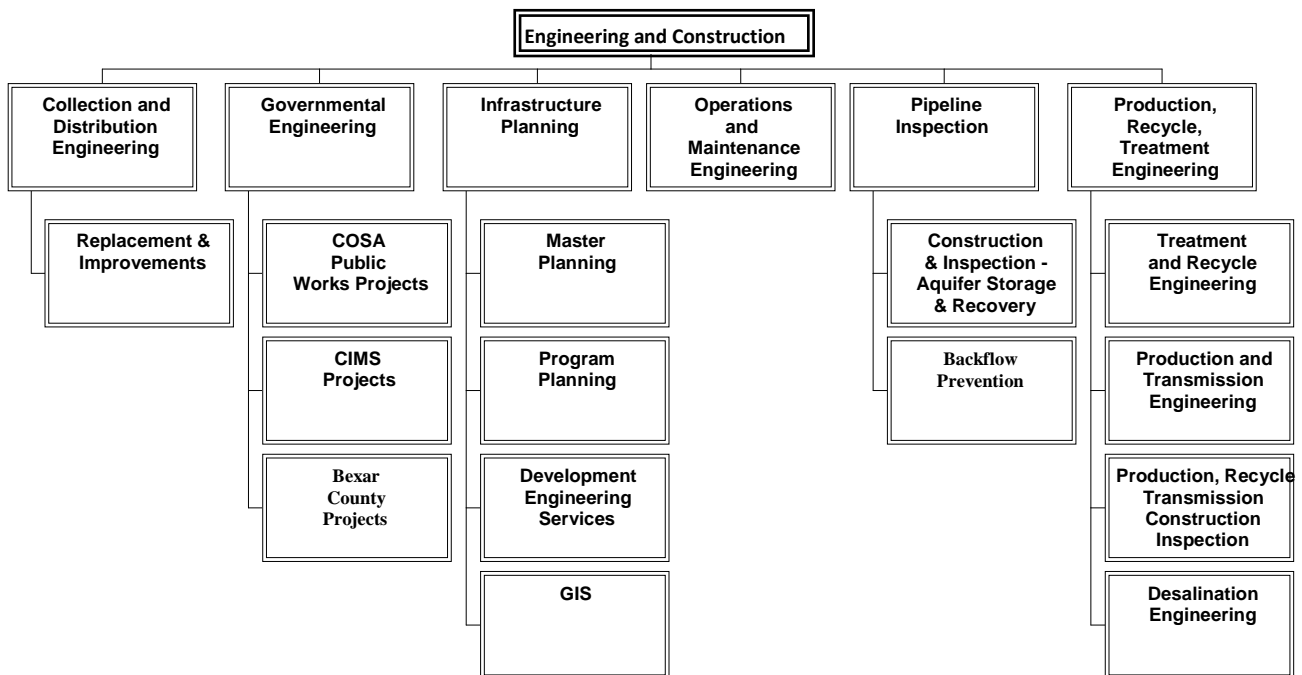
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the President-CEO	6	6	6	6	6
Board of Trustees	-	-	-	-	-
Board of Trustees Support	2	2	2	2	2
Internal Audit Dept	5	5	5	5	5
Total Authorized Positions	13	13	13	13	13



ENGINEERING AND CONSTRUCTION

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

- **Collection and Distribution Engineering** – Plans and designs water distribution and the wastewater collection systems.
- **Governmental Engineering** – Plans and designs water distribution and wastewater collection systems that support intergovernmental capital projects.
- **Infrastructure Planning** – Manages SAWS’ impact fee program, maintains infrastructure maps and GIS databases, tracks population growth, and develops the water and wastewater master plans.
- **Operations and Maintenance Engineering** – Provides operational and maintenance engineering support for Production and Treatment, and Distribution and Collection.
- **Pipeline Inspections** – Inspects pipeline construction projects and water supply projects, and manages the backflow prevention program.
- **Production, Recycle, Treatment Engineering** – Handles planning, design and construction management of water production facilities, recycled water infrastructure, and wastewater treatment facilities.

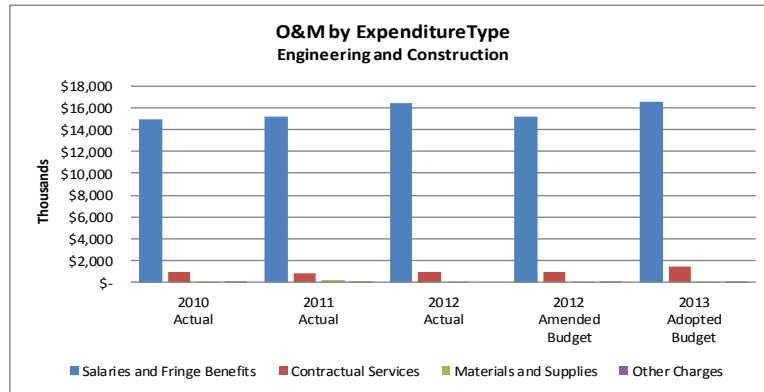


ENGINEERING AND CONSTRUCTION (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget
O&M Before Capitalized Cost					
Salaries and Fringe Benefits	\$ 14,949.9	\$ 15,184.7	\$ 16,448.1	\$ 15,132.6	\$ 16,570.8
Contractual Services	934.7	873.9	920.5	939.4	1,455.7
Materials and Supplies	110.3	184.7	81.7	85.9	81.3
Other Charges	0.4	0.2	-	0.1	0.2
Total O&M Before Capitalized Cost	15,995.3	16,243.5	17,450.3	16,158.0	18,108.0
Capitalized Cost	(14,526.1)	(14,895.9)	(16,002.6)	(14,858.7)	(16,542.3)
Intercenter Transfers	4.8	0.6	1.5	-	-
Net Change in Equity Total	\$ 1,474.0	\$ 1,348.2	\$ 1,449.2	\$ 1,299.3	\$ 1,565.7
Capital Outlay	\$ -	\$ 11.4	\$ 19.8	\$ 26.0	\$ 16.0

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget
Office of the VP - Strategic Resources	429.0	329.2	363.3	406.1	630.7
Collection and Distribution Department	1,284.4	1,426.1	1,519.3	1,346.6	1,492.6
Governmental Engineering Department	1,982.2	1,916.8	2,215.9	1,963.1	2,219.6
Infrastructure Planning Department	4,461.7	4,454.5	4,814.4	4,534.9	5,059.6
Operations and Maintenance Eng.	811.6	792.3	816.1	734.4	785.1
Pipeline Inspections Department	3,946.5	4,169.1	4,343.4	4,098.1	4,468.2
Production, Recycle, Treatment Engineering	3,079.9	3,155.6	3,378.0	3,074.9	3,452.2
O&M Before Capitalized Cost Total	15,995.3	16,243.5	17,450.3	16,158.0	18,108.0
Capitalized Cost	(14,526.1)	(14,895.9)	(16,002.6)	(14,858.7)	(16,542.3)
Intercenter Transfers	4.8	0.6	1.5	-	-
Net Change in Equity Total	\$ 1,474.0	\$ 1,348.2	\$ 1,449.2	\$ 1,299.3	\$ 1,565.7

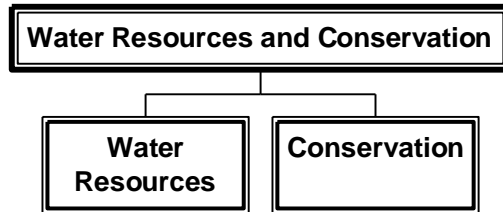
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget
Office of the VP - Strategic Resources	4	3	3	7
Collection and Distribution Department	15	16	17	17
Governmental Engineering Department	26	26	25	26
Infrastructure Planning Department	67	62	59	59
Operations and Maintenance Eng.	11	10	9	9
Pipeline Inspections Department	62	60	62	64
Production, Recycle, Treatment Engineering Department	35	33	34	36
Total Authorized Positions	220	210	209	218



WATER RESOURCES AND CONSERVATION

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

- **Water Resources** – Develops and implements long-term, sustainable water projects while proactively managing existing supplies. SAWS has already successfully developed projects from Canyon Lake, the Trinity Aquifer and the Carrizo Aquifer to supplement our foundational Edwards Aquifer supply. Potential future supplies include supply from the Carrizo Aquifer in Western Gonzales County and groundwater desalination. Other proven innovations, such as SAWS' 100-mile recycled water system and underground storage reservoir, leverage technology to secure San Antonio's water future.
- **Conservation** – Delivers national recognized programs that achieve cost-effective water savings while enhancing quality of life. San Antonio's cheapest source of water is conservation — water we don't use. To help keep rates affordable, SAWS aggressively promotes more efficient landscape water use through education, outreach, drought ordinance rules, and inverted block structure pricing, while continuing to encourage indoor conservation via high-efficiency fixtures for homes and businesses.

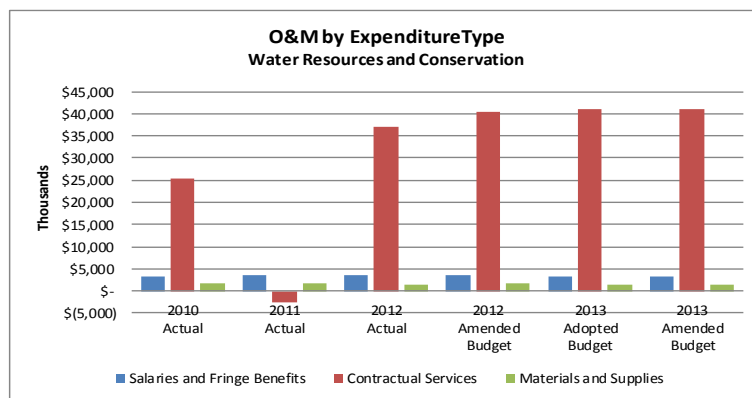


WATER RESOURCES AND CONSERVATION (continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 3,189.3	\$ 3,528.5	\$ 3,557.1	\$ 3,471.3	\$ 3,264.6	\$ 3,264.6
Contractual Services	25,529.4	(2,585.4)	37,163.2	40,524.2	41,105.6	41,094.1
Materials and Supplies	1,666.6	1,813.5	1,422.8	1,676.9	1,277.1	1,277.1
Other Charges	-	-	-	-	-	-
Total O&M Before Capitalized Cost	30,385.4	2,756.6	42,143.1	45,672.5	45,647.3	45,635.8
Capitalized Cost	(876.1)	(87.5)	(169.9)	(166.8)	(167.5)	(166.8)
Intercenter Transfers	-	0.2	(2.0)	-	-	-
Net Change in Equity Total	\$ 29,509.2	\$ 2,669.3	\$ 41,971.3	\$ 45,505.7	\$ 45,479.8	\$ 45,469.0
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
VP - Water Resources	230.2	252.9	225.9	231.0	216.2	214.9
Conservation Department	5,078.6	5,068.3	4,481.2	5,139.9	4,853.8	4,850.0
Regional Initiatives and Special Projects	274.6	320.1	206.2	401.5	-	-
Water Resources Department	24,802.0	(2,884.6)	37,229.7	39,900.1	40,577.4	40,570.9
O&M Before Capitalized Cost Total	30,385.4	2,756.6	42,143.1	45,672.5	45,647.3	45,635.8
Capitalized Cost	(876.1)	(87.5)	(169.9)	(166.8)	(167.5)	(166.8)
Intercenter Transfers	-	0.2	(2.0)	-	-	-
Net Change in Equity Total	\$ 29,509.2	\$ 2,669.3	\$ 41,971.3	\$ 45,505.7	\$ 45,479.8	\$ 45,469.0

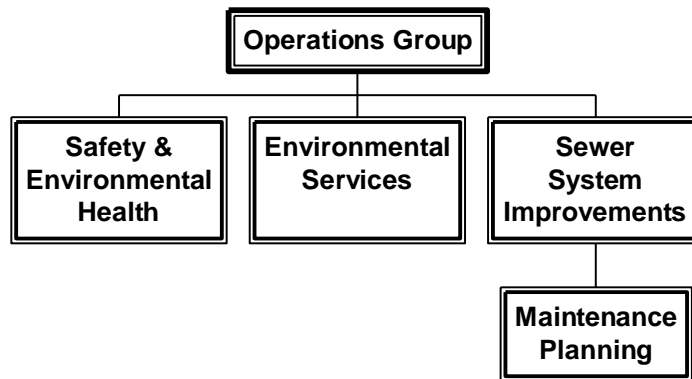
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
VP - Water Resources	2	2	2	2	2
Conservation Department	28	27	27	46	46
Regional Initiatives and Special Projects	3	2	2	-	-
Water Resources Department	18	18	18	20	20
Total Authorized Positions	51	49	49	68	68



OPERATIONS GROUP

The Operations Group over sees the overall Production & Treatment Group, Distribution & Collection and Operations Services Groups. Housing the Chief Operating Office, the area is responsible for overseeing the Wastewater infrastructure and ensuring the integrity of the system.

- **Safety** –Safety coordinates all SAWS safety activities and ensures a safe environment for all SAWS employees.
- **Environmental Services** – supports engineering services, handles regulatory permitting and manages external contracts. Also manages the Emergency Operations center.
- **Maintenance Planning** - The Maintenance Planning Department oversees work order data, plans maintenance schedules, and provides overall data management and reporting pertaining to field and plant operations. In addition, the department is responsible for performing predictive maintenance and failure analysis on identified critical equipment for these systems.
- **Sewer System Improvements** - Sewer System Improvements is a program of capital investments and operating requirements that will help the system meet the endorsed levels of service goals for regulatory permit compliance, system reliability and functionality, and sustainable operations of the System’s sewer system. SSI capital investments include the rehabilitation of sewer pipelines and manholes that contribute to SSOs due to compromised structural conditions. SSI operating requirements include expanding the efforts to televise sewer lines throughout the system and identify and prevent structural integrity of the system.

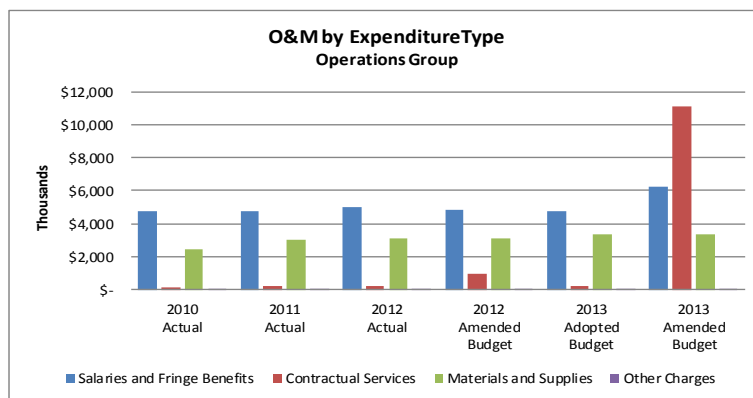


OPERATIONS GROUP (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 4,796.3	\$ 4,739.2	\$ 4,971.8	\$ 4,821.5	\$ 4,772.9	\$ 6,266.8
Contractual Services	188.3	196.4	237.3	975.7	263.9	11,133.7
Materials and Supplies	2,479.0	3,007.4	3,118.0	3,097.6	3,337.6	3,341.7
Other Charges	103.2	101.1	89.7	90.0	97.0	72.0
Total O&M Before Capitalized Cost	7,566.8	8,044.2	8,416.8	8,984.7	8,471.4	20,814.2
Capitalized Cost	(558.0)	(311.6)	(336.8)	(435.0)	(399.2)	(667.4)
Intercenter Transfers	202.4	132.1	89.4	-	-	-
Net Change in Equity Total	\$ 7,211.2	\$ 7,864.7	\$ 8,169.3	\$ 8,549.7	\$ 8,072.2	\$ 20,146.8
Capital Outlay	\$ -	\$ -	\$ 177.1	\$ 200.0	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Ofc of Chief Operating Officer	558.1	543.2	525.4	1,154.9	404.8	396.3
Environmental Services	4,831.8	5,430.9	5,554.0	5,726.7	5,587.2	5,585.1
Safety and Environmental Health	1,080.9	1,022.8	1,088.7	1,079.8	1,195.2	1,166.2
Sewer System Improvements	1,096.1	1,047.2	1,248.8	1,023.4	1,284.2	13,666.6
O&M Before Capitalized Cost Total	7,566.8	8,044.2	8,416.8	8,984.7	8,471.4	20,814.2
Capitalized Cost	(558.0)	(311.6)	(336.8)	(435.0)	(399.2)	(667.4)
Intercenter Transfers	202.4	132.1	89.4	-	-	-
Net Change in Equity Total	\$ 7,211.2	\$ 7,864.7	\$ 8,169.3	\$ 8,549.7	\$ 8,072.2	\$ 20,146.8

AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Ofc of Chief Operating Officer	4	4	3	3	3
Environmental Services	34	34	41	37	37
Safety and Environmental Health	12	12	12	14	14
Sewer System Improvements	16	16	16	17	38
Total Authorized Positions	66	66	72	71	92



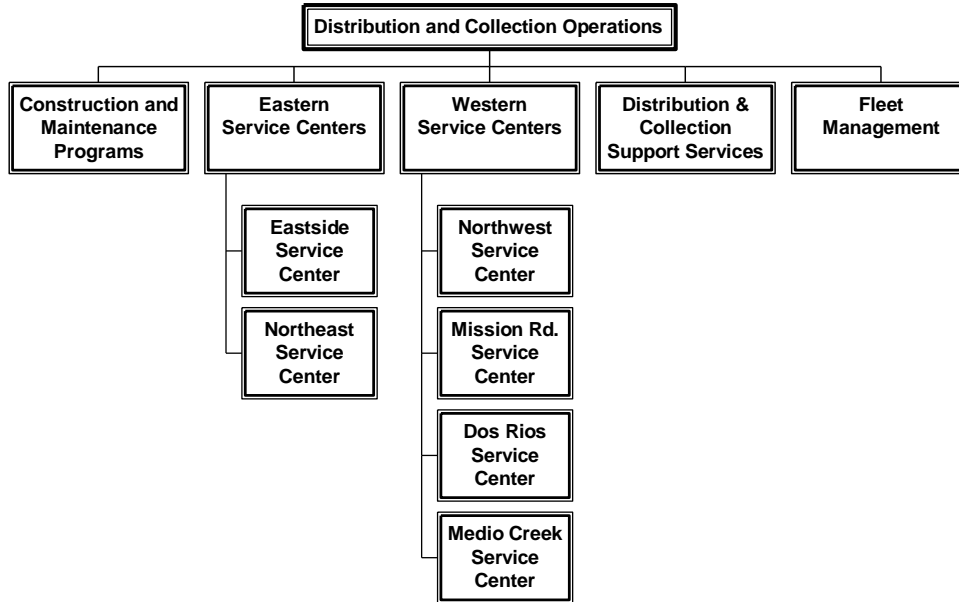
DISTRIBUTION AND COLLECTION OPERATIONS

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

This is accomplished by providing:

- **Emergency Response** – Provides critical support to SAWS customers and crews 24/7.
- **Preventative Maintenance Programs** – Ensures the integrity of water and wastewater infrastructure.
- **Construction Crews** – Offers in-house construction expertise, including asphalt and concrete services, to improve service restoration and increase customer satisfaction.
- **Sewer Televising Programs** – Equips management to make informed decisions while helping protect the quality of the Edwards Aquifer.
- **Sewer Line Cleaning** – Reduces potential for back-ups due to debris and grease.
- **Leak Detection Program** – Ensures water leaks are identified, reducing water loss.
- **Fleet** – Provides vehicles, equipment and maintenance service, and fuel for company employees; maintains corporate vehicle pool program; ensures that vehicles and heavy equipment are properly maintained and in good working condition.

SAWS distribution and collection crews are mobilized from six strategically located service centers throughout the city: Eastside, Mission Road (south central), Northeast and Northwest. Medio Creek and Dos Rios have recently been added as part of the integration of the DSP infrastructure.

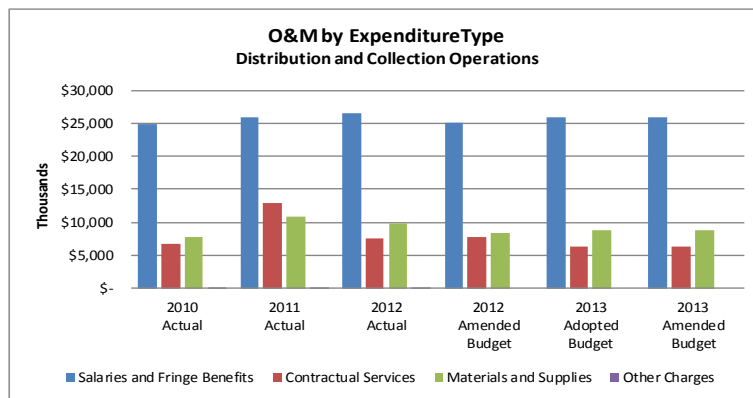


DISTRIBUTION AND COLLECTION OPERATIONS (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 24,894.1	\$ 25,857.4	\$ 26,592.6	\$ 25,041.5	\$ 25,920.0	\$ 25,920.0
Contractual Services	6,857.0	12,939.0	7,631.2	7,846.4	6,443.9	6,435.6
Materials and Supplies	7,817.7	10,970.9	9,923.0	8,428.2	8,732.7	8,732.7
Other Charges	2.3	8.8	15.8	-	-	-
Total O&M Before Capitalized Cost	39,571.1	49,776.1	44,162.6	41,316.2	41,096.5	41,088.2
Capitalized Cost	(5,992.9)	(5,051.9)	(5,519.9)	(4,713.6)	(4,773.4)	(4,765.5)
Intercenter Transfers	(125.6)	(107.2)	(944.9)	-	-	-
Net Change in Equity Total	\$ 33,452.5	\$ 44,617.0	\$ 37,697.7	\$ 36,602.6	\$ 36,323.1	\$ 36,322.7
Capital Outlay	\$ 2,839.7	\$ 8,958.0	\$ 5,146.5	\$ 7,304.0	\$ 3,165.0	\$ 6,330.1

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the VP - Distribution and Collection	310.4	325.8	318.1	401.4	284.3	278.0
Construction and Maintenance	9,351.1	12,454.6	12,192.7	11,847.6	12,348.5	12,348.5
Distribution and Collection Support Services	730.1	696.1	743.0	677.1	710.8	710.8
Dos Rios Service Center	-	-	-	-	622.2	622.2
Eastern Service Centers	11,775.9	14,351.7	11,426.2	10,868.4	10,301.1	10,301.1
Fleet Management	7,367.0	8,885.2	9,388.0	7,829.9	8,290.4	8,288.5
Medio Creek Service Center	-	-	-	-	652.0	652.0
Western Service Centers	10,036.6	13,062.6	10,094.6	9,691.8	7,887.3	7,887.3
O&M Before Capitalized Cost Total	39,571.1	49,776.1	44,162.6	41,316.2	41,096.5	41,088.2
Capitalized Cost	(5,992.9)	(5,051.9)	(5,519.9)	(4,713.6)	(4,773.4)	(4,765.5)
Intercenter Transfers	(125.6)	(107.2)	(944.9)	-	-	-
Net Change in Equity Total	\$ 33,452.5	\$ 44,617.0	\$ 37,697.7	\$ 36,602.6	\$ 36,323.1	\$ 36,322.7

AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the VP - Distribution and Collection	2	2	2	2	2
Construction and Maintenance	117	131	123	151	151
Distribution and Collection Support Services	12	13	13	13	13
Dos Rios Service Center	-	-	-	12	12
Eastern Service Centers	157	154	155	140	140
Fleet Management	47	49	49	48	48
Medio Creek Service Center	-	-	-	9	9
Western Service Centers	149	149	146	111	111
Total Authorized Positions	484	498	488	486	486



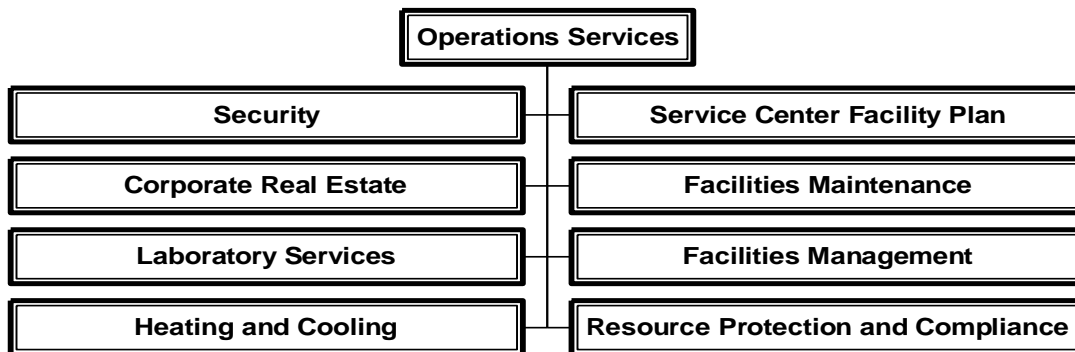
OPERATIONS SERVICES

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

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

Functions of the Individual departments within the Operations Services Group are:

- **Corporate Real Estate** – Responsible for property acquisitions, dispositions and lease management activities associated with capital improvement projects. This includes researching title issues and providing information relating to System owned property to the public and other agencies.
- **Environmental Laboratory Services** – Provides analytical services to internal business groups and one external client. Activities include sample testing, environmental and safety tests, regulatory reporting, analytical planning, training and quality assurance. The Lab was certified by the National Environmental Laboratory Accreditation Conference in 2008.
- **Facilities Management/Maintenance**– Provides building management services at corporate headquarters including space planning, office reconfigurations, oversight of electrical and HVAC systems, building repairs and internal renovation projects; manages SAWS mail room and contracts for custodial, landscaping and cafeteria services at the headquarters. The area is also responsible for maintenance of buildings and grounds at SAWS service centers, treatment plants and lift stations. This includes internal and external building maintenance and repairs as well as landscaping, fencing, parking lots, gates and roads.
- **Resource Protection & Compliance** – Implements a non-degradation policy for the Edwards aquifer and other potable aquifers to ensure water quality is protected. Staff manages regulatory programs of industrial wastewater customers discharging into the collection & treatment system, monitors best management practices at construction sites, and provides land use planning. This department utilizes an extensive sampling and monitoring network for compliance purposes.
- **Security** – Responsible to manage the security program and associated activities for all SAWS personnel and properties. Staff monitors available threat-level information and escalates security procedures as necessary. They also develop strategies for regular, on-going security related communications with employees, response organizations and employees.
- **Service Center Facility Plan** – Responsible for planning and coordinating the location, strategic placement of the facility and ensuring that the logistics and operations of the service center meets the needs of the System.
- **Heating and Cooling** – Responsible for the production of chilled water and steam to provide thermal services to federal, city and private facilities in San Antonio.

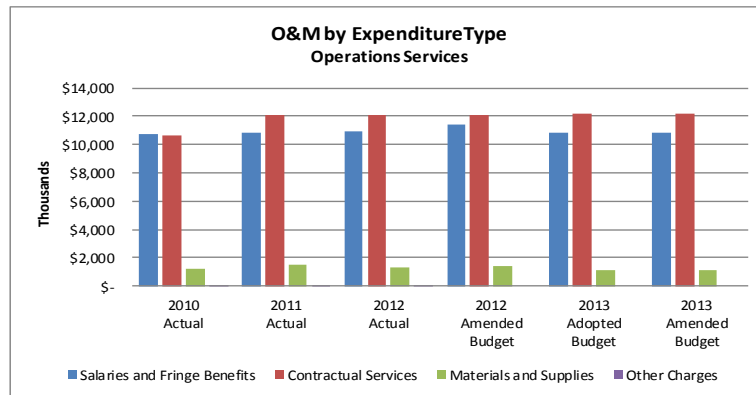


OPERATIONS SERVICES (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 10,745.4	\$ 10,839.4	\$ 10,924.3	\$ 11,425.5	\$ 10,833.3	\$ 10,833.3
Contractual Services	10,681.4	12,090.1	12,128.4	12,113.8	12,172.2	12,158.1
Materials and Supplies	1,245.5	1,512.4	1,299.4	1,383.5	1,155.8	1,155.8
Other Charges	0.3	0.2	2.1	-	-	-
Total O&M Before Capitalized Cost	22,672.6	24,442.1	24,354.2	24,922.7	24,161.3	24,147.2
Capitalized Cost	(1,048.0)	(934.5)	(935.6)	(1,216.6)	(1,182.2)	(1,180.1)
Intercenter Transfers	148.8	200.8	126.4	-	-	-
Net Change in Equity Total	\$ 21,773.3	\$ 23,708.4	\$ 23,544.9	\$ 23,706.1	\$ 22,979.2	\$ 22,967.1
Capital Outlay	\$ 102.8	\$ 24.7	\$ 538.8	\$ 521.7	\$ 117.3	\$ 234.5

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of VP - Operations Services	392.2	411.3	261.9	391.3	334.4	332.7
Corporate Real Estate Department	845.6	878.2	775.1	955.0	731.1	729.6
Facilities Maintenance	2,339.8	3,036.4	3,603.4	3,118.0	3,397.8	3,397.1
Facilities Management	1,979.8	2,057.6	2,008.5	1,965.0	1,801.5	1,801.5
Heating and Cooling Department	7,903.0	7,641.7	7,727.9	7,434.6	7,787.1	7,787.1
Laboratory Technical Services Department	1,885.8	1,908.4	1,648.8	2,131.1	1,714.6	1,711.6
Resource Protection & Compliance Div	4,988.8	5,498.3	5,697.6	6,281.3	5,715.2	5,709.6
Security	2,244.8	2,904.3	2,519.2	2,541.2	2,571.9	2,570.7
Service Center Facility Plan	92.8	105.8	112.0	105.3	107.8	107.4
O&M Before Capitalized Cost Total	22,672.6	24,442.1	24,354.2	24,922.7	24,161.3	24,147.2
Capitalized Cost	(1,048.0)	(934.5)	(935.6)	(1,216.6)	(1,182.2)	(1,180.1)
Intercenter Transfers	148.8	200.8	126.4	-	-	-
Net Change in Equity Total	\$ 21,773.3	\$ 23,708.4	\$ 23,544.9	\$ 23,706.1	\$ 22,979.2	\$ 22,967.1

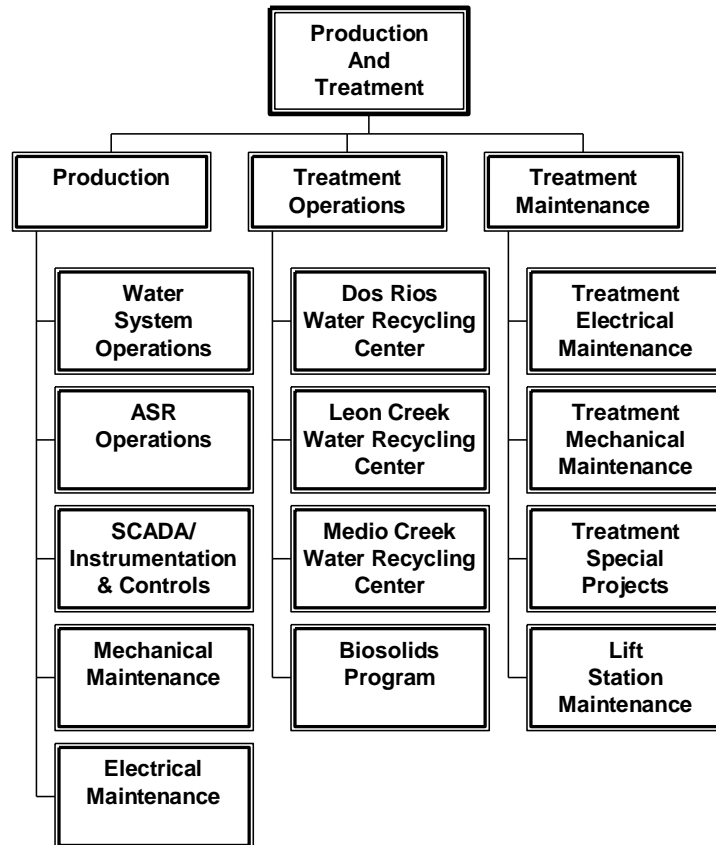
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of VP - Operations Services	3	3	3	4	4
Corporate Real Estate Department	9	8	9	8	8
Facilities Maintenance	28	28	28	26	26
Facilities Management	7	7	7	9	9
Heating and Cooling Department	29	29	22	21	21
Laboratory Technical Services Department	23	22	23	23	23
Resource Protection & Compliance Div	72	69	71	71	71
Security	8	8	10	10	10
Service Center Facility Plan	-	1	1	1	1
Total Authorized Positions	179	175	174	173	173



PRODUCTION AND TREATMENT OPERATIONS

The Production and Treatment Operations group reports directly to the Operations Group and provides the essential function of managing the 24-hour-a-day operation of the system. The group is responsible for the operation, maintenance, and repair of facilities and equipment involved in the production and pumping of potable water, the production, and operation of the System’s water recycling facilities, which manage the mechanical and biological treatment and disinfection of wastewater, and the processing of wastewater biosolids for ultimate disposal. This group consists of the following departments:

- **Production** – Manages, controls and operates the production of potable water for SAWS’ customers.
- **Treatment Operations** – Oversees all the operations of the water recycling centers for the system as well as manages all the biosollids to ensure proper disposal of the waste as to meet federal regulations.
- **Treatment Maintenance** – Manages all the electrical, instrumentation, mechanical and recycle maintenance of SAWS’ water recycling centers.

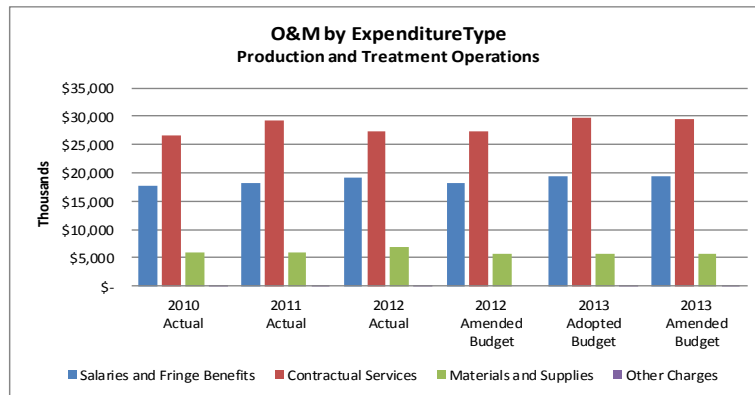


PRODUCTION AND TREATMENT OPERATIONS (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 17,815.8	\$ 18,118.8	\$ 19,070.1	\$ 18,121.5	\$ 19,353.2	\$ 19,353.2
Contractual Services	26,585.7	29,202.0	27,451.9	27,255.5	29,641.1	29,632.6
Materials and Supplies	5,972.7	6,053.4	6,998.2	5,679.9	5,799.7	5,799.7
Other Charges	1.9	3.6	0.3	-	0.7	0.7
Total O&M Before Capitalized Cost	50,376.1	53,377.8	53,520.5	51,056.9	54,794.7	54,786.2
Capitalized Cost	(2,334.2)	(1,226.0)	(1,168.9)	(3,487.6)	(2,320.6)	(2,319.9)
Intercenter Transfers	(319.5)	(259.7)	(485.3)	-	-	-
Net Change in Equity Total	\$ 47,722.4	\$ 51,892.0	\$ 51,866.3	\$ 47,569.3	\$ 52,474.1	\$ 52,466.3
Capital Outlay	\$ 766.6	\$ 370.9	\$ 951.2	\$ 1,825.0	\$ 907.0	\$ 1,814.0

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the VP - Production and Treatment	43.1	99.8	108.2	30.4	30.4	30.4
Production Department	24,919.4	27,333.5	25,432.1	26,694.1	27,686.3	27,684.2
Treatment Maintenance Management	8,789.3	9,284.7	10,164.6	8,057.3	8,855.3	8,851.1
Treatment Operations Management	15,859.2	15,869.7	16,908.0	15,435.8	17,357.7	17,355.5
Predictive Maintenance	765.2	790.0	907.8	839.3	865.0	865.0
O&M Before Capitalized Cost Total	50,376.1	53,377.8	53,520.5	51,056.9	54,794.7	54,786.2
Capitalized Cost	(2,334.2)	(1,226.0)	(1,168.9)	(3,487.6)	(2,320.6)	(2,319.9)
Intercenter Transfers	(319.5)	(259.7)	(485.3)	-	-	-
Net Change in Equity Total	\$ 47,722.4	\$ 51,892.0	\$ 51,866.3	\$ 47,569.3	\$ 52,474.1	\$ 52,466.3

AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the VP - Production and Treatment	-	-	-	-	-
Production Department	100	100	100	98	98
Treatment Maintenance Management	104	105	105	107	107
Treatment Operations Management	78	78	76	80	80
Predictive Maintenance	13	13	12	12	12
Total Authorized Positions	295	296	293	297	297

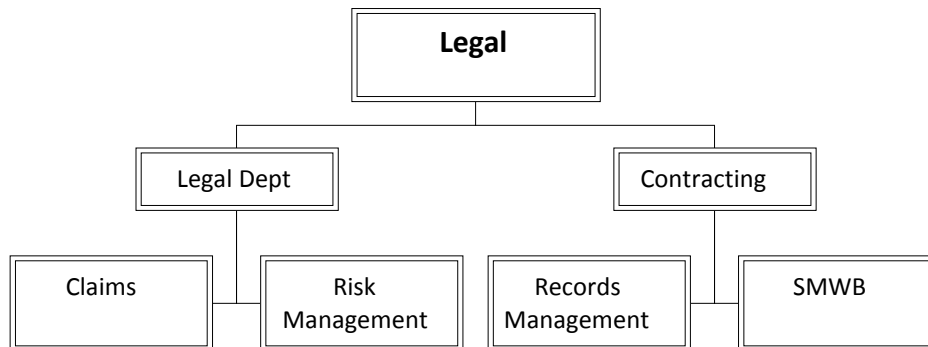


LEGAL

The Legal Group provides full service, in-house legal support to the SAWS’ Board of Trustees, the President/CEO, the Executive Management Team, directors and managers. The range of legal expertise includes water resources, labor and employment, real estate, general transactional, environmental, and public law.

Legal also incorporates the following functions:

- **Records Management** – Provides for efficient, economical, and effective controls over the creation, distribution, organization, maintenance, use, and disposition of all San Antonio Water System records consistent with the requirements of the Texas Local Government Records Act and best records management practice. Also coordinates responses to public information requests.
- **Claims** – Operates as a small insurance claims office for SAWS. All Worker Compensation, casualty and subrogation claims handling originates in this department.
- **Risk Management** – Manages all facets of SAWS Comprehensive Commercial Insurance Program. Through our agent of record, this area responds to inquiries from Legal, Contract Administration, Purchasing and Counter Services (water and sewage connection permits) about insurance matters. It also conducts premises risk assessments.
- **Contracting** – Responsible for the administration of construction and professional services contracts. This includes contract preparation, solicitation, negotiation, acceptance, monitoring, compliance, approval of payments and closeout. The Contracting Department also coordinates and administers the Texas Water Development Board funding program.
- **Small, Minority, and Women-Owned Business Program (SMWB)** – Responsible for developing and implementing SAWS small, minority and women-owned business program for procurement of goods and services.

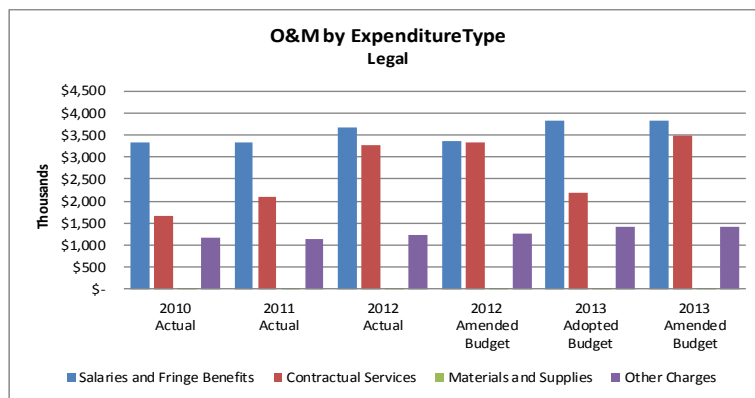


LEGAL (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 3,320.4	\$ 3,333.8	\$ 3,659.5	\$ 3,354.2	\$ 3,816.1	\$ 3,816.1
Contractual Services	1,654.6	2,101.4	3,283.7	3,324.7	2,175.5	3,471.3
Materials and Supplies	24.2	27.1	17.5	33.5	38.4	38.4
Other Charges	1,160.9	1,150.0	1,219.0	1,250.0	1,414.3	1,414.3
Total O&M Before Capitalized Cost	6,160.1	6,612.3	8,179.7	7,962.4	7,444.3	8,740.0
Capitalized Cost	(1,532.5)	(1,950.0)	(2,265.8)	(2,361.3)	(2,428.3)	(2,394.0)
Intercenter Transfers	(0.3)	(0.4)	(0.1)	-	-	-
Net Change in Equity Total	\$ 4,627.4	\$ 4,662.0	\$ 5,913.8	\$ 5,601.1	\$ 5,016.0	\$ 6,346.0
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Contracting Department	1,377.1	1,526.7	1,669.4	1,475.1	1,875.7	1,874.1
Legal Department	4,783.0	5,085.6	6,510.3	6,487.3	5,568.5	6,866.0
O&M Before Capitalized Cost Total	6,160.1	6,612.3	8,179.7	7,962.4	7,444.3	8,740.0
Capitalized Cost	(1,532.5)	(1,950.0)	(2,265.8)	(2,361.3)	(2,428.3)	(2,394.0)
Intercenter Transfers	(0.3)	(0.4)	(0.1)	-	-	-
Net Change in Equity Total	\$ 4,627.4	\$ 4,662.0	\$ 5,913.8	\$ 5,601.1	\$ 5,016.0	\$ 6,346.0

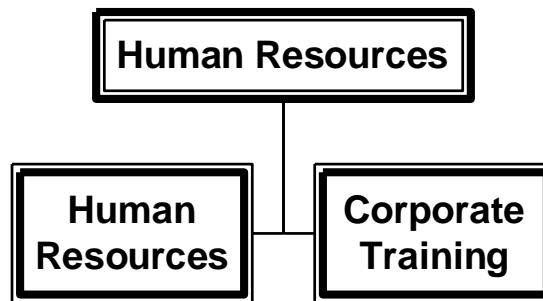
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Contracting Department	17	17	18	22	22
Legal Department	20	20	21	22	22
Total Authorized Positions	37	37	39	44	44



HUMAN RESOURCES

The Human Resource Group engages in attracting, training, and retaining a workforce of qualified employees to help SAWS in reaching its organizational goals and mission through a focus on safety, excellence and continuous improvement. This is accomplished through the functions listed below, which are performed by 2 departments: Human Resources and Corporate Training.

- **Human Resources**
 - **Employment and Staffing** – Provides staffing and recruiting services for internal and external candidates in order to fully meet the needs of our customers.
 - **Compensation & Benefits** – Plans, develops and manages the employees’ compensation and benefit programs to ensure than competitive and cost-effective plans and programs are in place.
 - **Employee Development & Communications** – Develops and administers a variety of employee development and communications programs including career development, orientations, education assistance, mentoring and internship programs.
 - **Wellness** – Coordinates system-wide wellness programs to enhance employee health while promoting programs to minimize future cost increases for medical care.
- **Corporate Training** – Establishes training objectives and strategies that integrate with SAWS strategic plan and implements both in-house and off-site employee training for career and self-development.

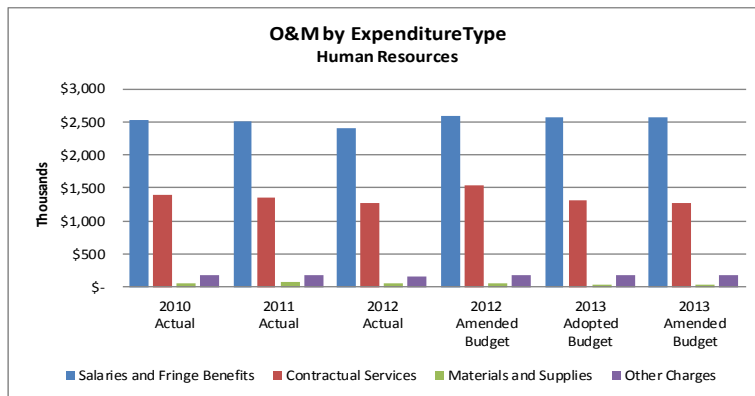


HUMAN RESOURCES (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 2,528.7	\$ 2,502.3	\$ 2,413.8	\$ 2,593.3	\$ 2,563.2	\$ 2,563.2
Contractual Services	1,404.3	1,361.1	1,281.1	1,545.8	1,323.1	1,267.4
Materials and Supplies	61.5	68.2	63.5	59.6	39.2	39.2
Other Charges	174.2	186.8	161.5	175.1	188.2	188.2
Total O&M Before Capitalized Cost	4,168.7	4,118.3	3,919.9	4,373.8	4,113.7	4,058.0
Capitalized Cost	-	-	-	-	-	-
Intercenter Transfers	-	-	-	-	-	-
Net Change in Equity Total	\$ 4,168.7	\$ 4,118.3	\$ 3,919.9	\$ 4,373.8	\$ 4,113.7	\$ 4,058.0
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the VP - Human Resources	735.4	630.5	645.0	701.1	582.1	580.3
Corporate Training	1,377.9	1,478.5	1,388.4	1,472.9	1,151.8	1,150.6
Human Resources Div	2,055.3	2,009.3	1,886.5	2,199.7	2,379.8	2,327.2
O&M Before Capitalized Cost Total	4,168.7	4,118.3	3,919.9	4,373.8	4,113.7	4,058.0
Capitalized Cost	-	-	-	-	-	-
Intercenter Transfers	-	-	-	-	-	-
Net Change in Equity Total	\$ 4,168.7	\$ 4,118.3	\$ 3,919.9	\$ 4,373.8	\$ 4,113.7	\$ 4,058.0

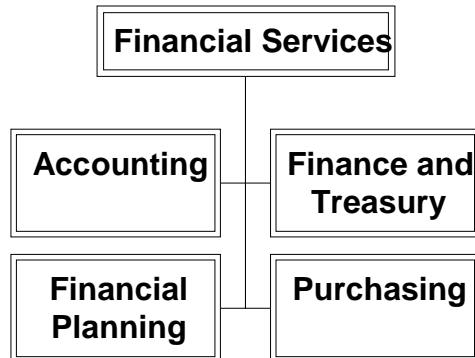
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the VP - Human Resources	5	5	5	5	5
Corporate Training	10	10	10	8	8
Human Resources Div	16	17	17	16	16
Total Authorized Positions	31	32	32	29	29



FINANCIAL SERVICES

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

- **Accounting** – Manages payroll, general records, property records, accounts payable and supply.
- **Finance and Treasury** – Responsible for the securitization and overall management of the utility’s debt, as well as investments, cash, and bank relationship management.
- **Financial Planning** – Responsible for short and long-range financial plans and developing and implementing the budget.
- **Purchasing** – Manages the processing and contracting of all purchasing requests for materials, supplies and services.

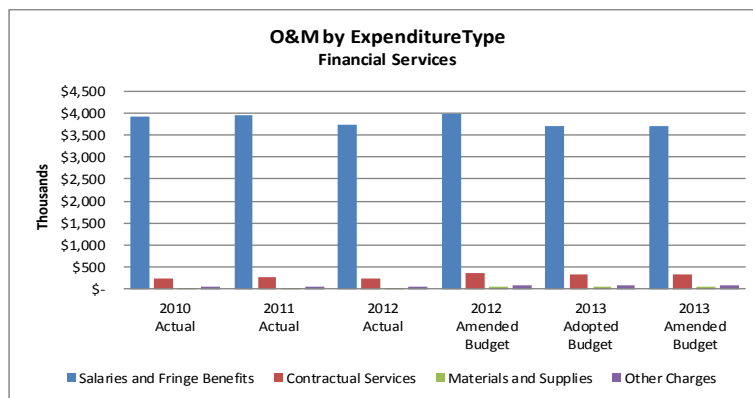


FINANCIAL SERVICES (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 3,924.7	\$ 3,946.9	\$ 3,729.6	\$ 3,979.0	\$ 3,713.3	\$ 3,713.3
Contractual Services	240.4	272.7	250.1	364.0	325.1	320.5
Materials and Supplies	6.2	23.6	38.8	57.5	59.8	59.8
Other Charges	65.2	44.6	41.2	87.8	73.9	73.9
Total O&M Before Capitalized Cost	4,236.6	4,287.8	4,059.8	4,488.4	4,172.0	4,167.4
Capitalized Cost	(713.1)	(947.9)	(896.3)	(993.9)	(978.2)	(976.7)
Intercenter Transfers	1.2	(1.2)	(0.6)	-	-	-
Net Change in Equity Total	\$ 3,524.6	\$ 3,338.7	\$ 3,162.8	\$ 3,494.5	\$ 3,193.8	\$ 3,190.7
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the CFO	317.0	332.8	335.3	334.6	309.4	308.2
Accounting	2,221.3	2,331.6	2,254.6	2,419.8	2,349.5	2,349.4
Financial Planning	717.5	648.2	597.4	687.9	632.8	632.4
Purchasing	633.8	633.2	539.1	635.6	506.3	505.2
Treasury	346.9	341.9	333.4	410.7	374.0	372.3
O&M Before Capitalized Cost Total	4,236.6	4,287.8	4,059.8	4,488.4	4,172.0	4,167.4
Capitalized Cost	(713.1)	(947.9)	(896.3)	(993.9)	(978.2)	(976.7)
Intercenter Transfers	1.2	(1.2)	(0.6)	-	-	-
Net Change in Equity Total	\$ 3,524.6	\$ 3,338.7	\$ 3,162.8	\$ 3,494.5	\$ 3,193.8	\$ 3,190.7

AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Office of the CFO	2	2	2	2	2
Accounting	38	38	37	36	36
Financial Planning	8	8	8	8	8
Purchasing	7	7	7	6	6
Treasury	3	3	3	3	3
Total Authorized Positions	58	58	57	55	55

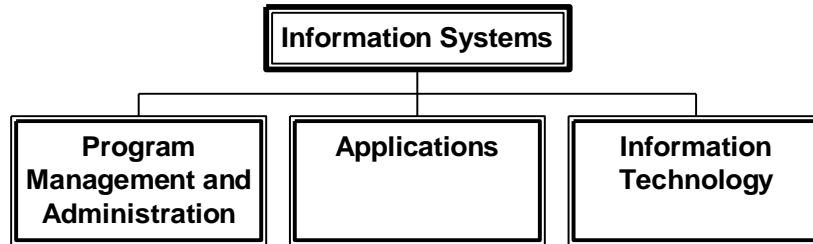


INFORMATION SYSTEMS

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

This is accomplished through:

- **Information Technology** - provides the following services: Data Center Services, Network Engineering Services, IP Telephony Services (Telephone, Radio and Call Center system), Computer Operations, Print Shop Services, Client Services and Desktop Support Services.
- **Applications** - responsible for developing, implementing, maintaining and upgrading internal business applications and interfaces as well as business process analysis.
- **Program Management and Administration** - provides the following services: program management, testing, change control and quality assurance, project management, and overall administrative support for Information Systems and SAWS programs

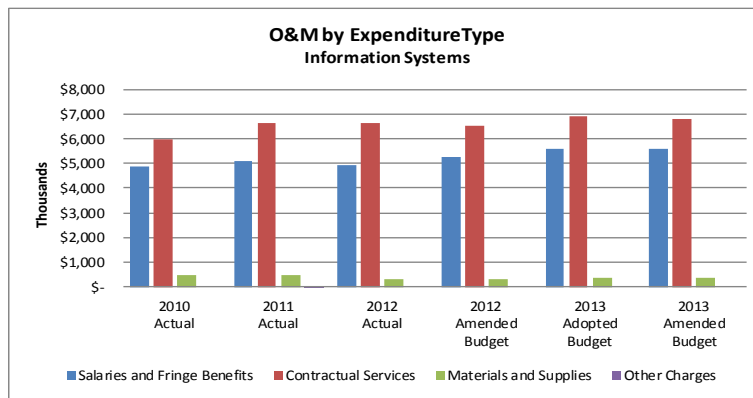


INFORMATION SYSTEMS (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 4,872.3	\$ 5,082.8	\$ 4,941.5	\$ 5,244.9	\$ 5,607.8	\$ 5,607.8
Contractual Services	6,001.8	6,610.7	6,660.4	6,553.9	6,903.6	6,792.1
Materials and Supplies	499.1	501.8	339.2	326.6	360.7	360.7
Other Charges	-	1.0	-	-	-	-
Total O&M Before Capitalized Cost	11,373.2	12,196.2	11,941.1	12,125.4	12,872.1	12,760.6
Capitalized Cost	(1,056.2)	(771.9)	(762.4)	(1,016.2)	(1,139.8)	(1,138.2)
Intercenter Transfers	(0.3)	(0.9)	(0.4)	-	-	-
Net Change in Equity Total	\$ 10,316.7	\$ 11,423.3	\$ 11,178.3	\$ 11,109.3	\$ 11,732.2	\$ 11,622.3
Capital Outlay	\$ 2,207.9	\$ 2,000.2	\$ 1,964.8	\$ 1,834.6	\$ 1,780.0	\$ 1,780.0

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Application Services Section	1,740.3	2,420.3	2,515.2	2,529.8	2,575.6	2,571.1
Information Technology	8,373.3	8,819.7	8,575.9	8,510.1	9,217.8	9,113.0
Program Management and Administration	1,259.5	956.2	850.0	1,085.6	1,078.6	1,076.5
O&M Before Capitalized Cost Total	11,373.2	12,196.2	11,941.1	12,125.4	12,872.1	12,760.6
O&M Before Capitalized Cost Total	11,373.2	12,196.2	11,941.1	12,125.4	12,872.1	12,760.6
Capitalized Cost	(1,056.2)	(771.9)	(762.4)	(1,016.2)	(1,139.8)	(1,138.2)
Intercenter Transfers	(0.3)	(0.9)	(0.4)	-	-	-
Net Change in Equity Total	\$ 10,316.7	\$ 11,423.3	\$ 11,178.3	\$ 11,109.3	\$ 11,732.2	\$ 11,622.3

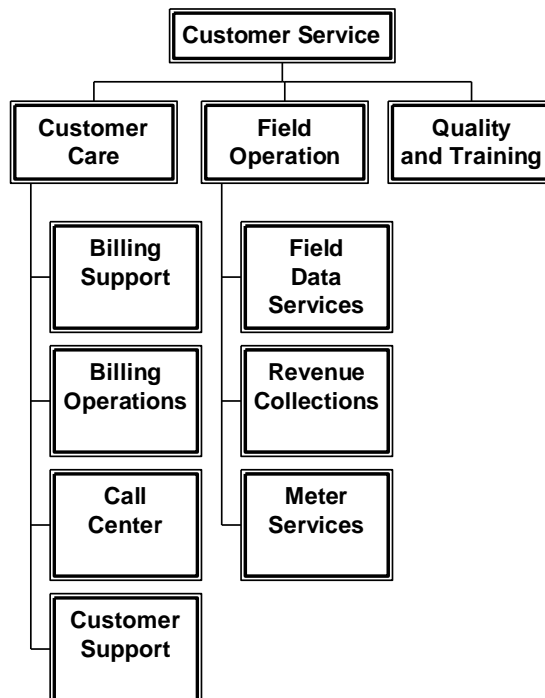
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Application Services Section	15	15	15	15	15
Information Technology	37	38	37	37	37
Program Management and Administration	9	9	9	9	9
Total Authorized Positions	61	62	61	61	61



CUSTOMER SERVICE

The Customer Service Group is responsible for providing the highest level of service to SAWS customers at all times, responding in the most expedient and professional manner possible. This group is also responsible for the accurate and timely billing of SAWS customers and the maintenance of customer accounts. This is accomplished by 3 departments – Customer Care, Field Operation, and Quality – performing the following functions:

- **Billing Support** – Ensures customer billing is accurate and timely; provides support for the billing process; validates consumption prior to billing, and responds to and resolves high bill inquiries.
- **Billing Operations** – Coordinates specialized billing programs such as the Flat Rate Sewer Program, Stormwater Billing, and Ancillary Billing.
- **Call Center** – Serves as the primary liaison between SAWS and its customers; promptly handles all inbound telephone customer inquiries regarding billing, account information, service problems, and payments.
- **Customer Support** – Operates three full service walk-in locations and manages Remittance Processing, which processes all payments received by mail and summarizes payments collected from pay stations throughout our service area.
- **Field Data Services** – Ensures all meter reads are collected and accurate as the first step in the billing process.
- **Revenue Collections** – Dedicated to reducing and mitigating revenue losses to SAWS associated with theft or unauthorized use of services, as well as proactively collecting revenue from delinquent accounts.
- **Meter Services** – Ensures meter equipment remains functional and operational.
- **Quality and Training** – Responsible for training and process improvements throughout the various divisions in Customer Service

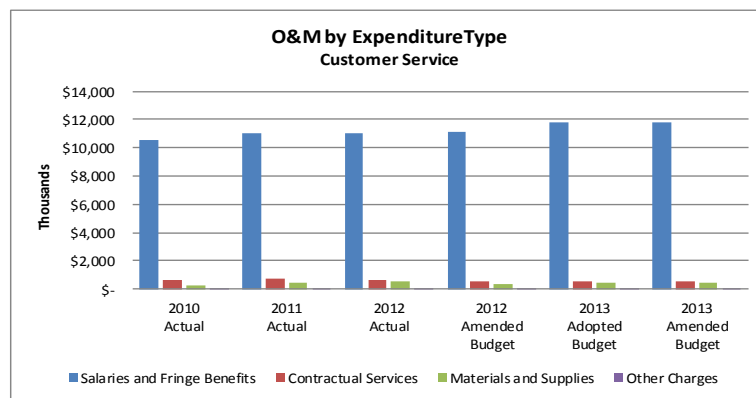


CUSTOMER SERVICE (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 10,597.1	\$ 11,013.6	\$ 11,016.8	\$ 11,092.4	\$ 11,829.5	\$ 11,829.5
Contractual Services	655.4	796.5	687.0	588.3	528.9	512.7
Materials and Supplies	296.3	489.8	537.2	348.4	416.3	416.3
Other Charges	0.3	3.5	3.8	5.4	5.6	5.6
Total O&M Before Capitalized Cost	11,549.1	12,303.4	12,244.8	12,034.5	12,780.2	12,764.0
Capitalized Cost	(613.5)	(519.3)	(369.3)	(353.7)	(479.8)	(479.8)
Intercenter Transfers	82.5	35.7	56.7	-	-	-
Net Change in Equity Total	\$ 11,018.1	\$ 11,819.8	\$ 11,932.1	\$ 11,680.8	\$ 12,300.4	\$ 12,284.2
Capital Outlay	\$ -	\$ -	\$ 45.0	\$ 41.5	\$ 280.5	\$ 280.5

EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Customer Service Administration	251.0	274.9	429.0	252.9	517.4	515.6
Customer Care	4,709.3	4,904.7	4,514.4	4,975.6	4,854.4	4,847.4
Field Operations	6,183.9	6,646.7	6,861.5	6,264.6	6,694.0	6,686.6
Quality and Training	404.8	477.0	439.9	541.4	714.4	714.4
O&M Before Capitalized Cost Total	11,549.1	12,303.4	12,244.8	12,034.5	12,780.2	12,764.0
Capitalized Cost	(613.5)	(519.3)	(369.3)	(353.7)	(479.8)	(479.8)
Intercenter Transfers	82.5	35.7	56.7	-	-	-
Net Change in Equity Total	\$ 11,018.1	\$ 11,819.8	\$ 11,932.1	\$ 11,680.8	\$ 12,300.4	\$ 12,284.2

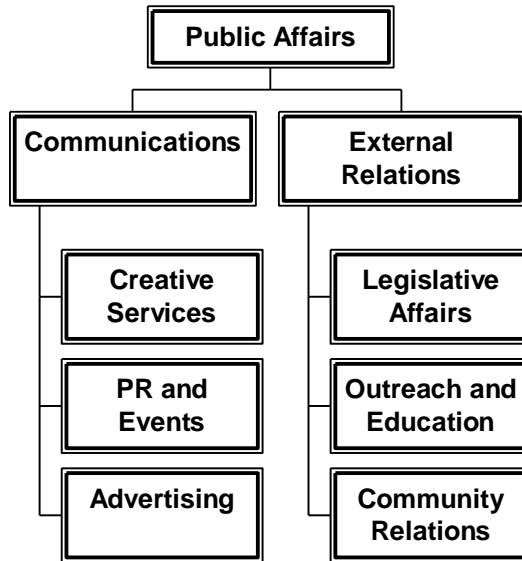
AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Customer Service Administration	3	2	2	6	6
Customer Care	95	98	99	91	91
Field Operations	115	120	120	121	121
Quality and Training	8	7	8	11	11
Total Authorized Positions	221	227	229	229	229



PUBLIC AFFAIRS

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

- **Communications** – Encompasses media relations for accuracy in news coverage concerning SAWS and advertising for building and maintaining awareness of corporate programs, projects and image. This department handles internal and external publications, including newsletters, brochure development, internet, intranet, marketing brochures, audio/video presentation support, video production, etc.
- **External Relations** – Covers all community outreach efforts such as community relations with: neighborhood leaders; governmental relations with elected officials and agencies; and youth education in developing tomorrow’s informed water consumers.

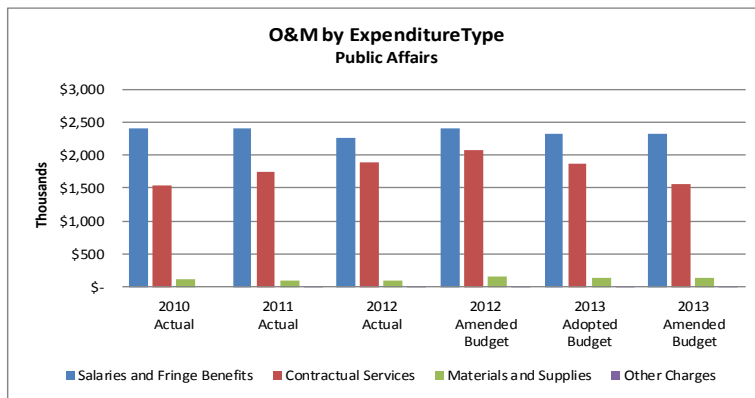


PUBLIC AFFAIRS (Continued)
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 2,401.9	\$ 2,399.3	\$ 2,264.3	\$ 2,405.3	\$ 2,324.4	\$ 2,324.4
Contractual Services	1,531.2	1,736.9	1,890.7	2,068.3	1,861.6	1,568.4
Materials and Supplies	122.0	103.8	103.9	159.4	130.4	130.4
Other Charges	-	5.1	0.1	0.5	3.1	3.1
Total O&M Before Capitalized Cost	4,055.1	4,245.2	4,259.1	4,633.5	4,319.5	4,026.3
Capitalized Cost	(777.2)	(790.6)	(775.7)	(865.1)	(857.0)	(791.9)
Intercenter Transfers	7.3	-	-	-	-	-
Net Change in Equity Total	\$ 3,285.1	\$ 3,454.6	\$ 3,483.3	\$ 3,768.4	\$ 3,462.5	\$ 3,234.4
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

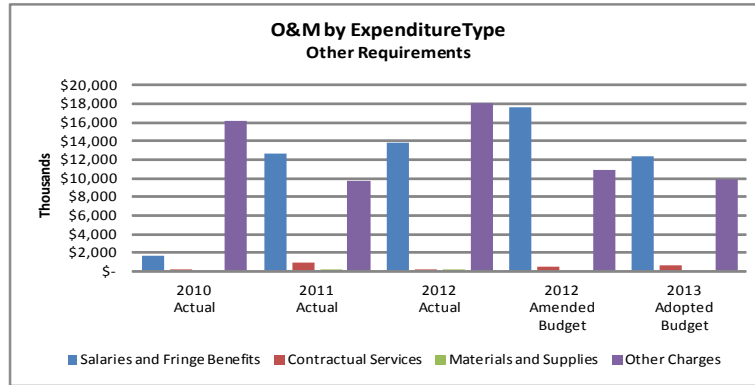
EXPENDITURES BY DEPARTMENT	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Public Affairs Administration	454.6	364.6	332.4	398.7	377.3	376.1
Communications	1,459.6	1,707.5	1,841.0	2,048.2	1,792.7	1,517.0
External Relations	2,140.9	2,173.1	2,085.6	2,186.5	2,149.4	2,133.2
O&M Before Capitalized Cost Total	4,055.1	4,245.2	4,259.1	4,633.5	4,319.5	4,026.3
Capitalized Cost	(777.2)	(790.6)	(775.7)	(865.1)	(857.0)	(791.9)
Intercenter Transfers	7.3	-	-	-	-	-
Net Change in Equity Total	\$ 3,285.1	\$ 3,454.6	\$ 3,483.3	\$ 3,768.4	\$ 3,462.5	\$ 3,234.4

AUTHORIZED POSITIONS BY DEPARTMENT	2010 Adopted Budget	2011 Adopted Budget	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
Public Affairs Administration	4	4	3	3	3
Communications	12	12	13	13	13
External Relations	16	16	16	16	16
Total Authorized Positions	32	32	32	32	32



OTHER REQUIREMENTS
 (\$ in thousands)

EXPENDITURES BY TYPE	2010 Actual	2011 Actual	2012 Actual	2012 Amended Budget	2013 Adopted Budget	2013 Amended Budget
O&M Before Capitalized Cost						
Salaries and Fringe Benefits	\$ 1,705.4	\$ 12,573.0	\$ 13,784.3	\$ 17,544.5	\$ 12,355.8	\$ 15,295.0
Contractual Services	192.3	987.2	263.1	493.7	562.0	569.1
Materials and Supplies	-	92.5	8.9	-	-	-
Other Charges	16,182.1	9,648.1	18,047.0	10,844.9	9,805.1	9,605.1
Total O&M Before Capitalized Cost	18,079.7	23,300.8	32,103.3	28,883.1	22,722.9	25,469.2
Capitalized Cost	(2,008.5)	(2,874.9)	(4,210.6)	(3,767.7)	(2,616.0)	(2,924.7)
Intercenter Transfers	-	-	-	-	-	-
Net Change in Equity Total	\$ 16,071.2	\$ 20,425.9	\$ 27,892.6	\$ 25,115.4	\$ 20,106.9	\$ 22,544.5
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



AUTHORIZED POSITIONS

The 2013 Budget includes funding for 1,797 positions: 1,752 full-time and 45 part-time. There were 21 new full-time positions and 28 part-time positions added during the 2013 budget process.

- Twenty-one (21) positions were added to enhance ongoing efforts to reduce sanitary sewer overflows. These new position will be located in the Operations Group initially.
- Water Resources and Conservation added eighteen (18) part-time Conservation Enforcement Officers. These Conservation Enforcement Officers are off-duty San Antonio Police Officers who will work on an as-needed basis when the Edwards Aquifer level at the J-17 well falls below 660 feet. They provide an important role in the enforcement of the City of San Antonio’s drought management rules.
- Legal added one full-time Claims Adjuster to support Claims activity.
- Nine (9) paid intern positions, classified as part-time, were included in the budget, six in Engineering and Construction, and three in Water Resource and Conservation. The Internship Program affords opportunities to all levels of college students to have a unique hands-on experience in an industry or functional area of interest. Interns are limited to working 1,000 hours per calendar year.

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

The following table summarizes authorized positions by organizational unit.

	2010			2011			2012			2013		
	Full Time	Part Time	Total	Full Time	Part Time	Total	Full Time	Part Time	Total	Full Time	Part Time	Total
Board of Trustees and Pres/CEO	13	-	13	13	-	13	13	-	13	13	-	13
Engineering and Construction Group	202	10	212	201	3	204	200	3	203	209	9	218
Water Resources and Conservation Group	54	5	59	50	5	55	50	5	55	42	26	68
Operations Group			-			-			-	90	2	92
Maintenance Planning	29		29	29		29	28		28			-
Distribution and Collection Operations Group	437	-	437	437	12	449	437	2	439	484	2	486
Operations Services Group	194	3	197	193	2	195	199	2	201	171	2	173
Production and Treatment Operations	349	-	349	350	-	350	347	-	347	296	1	297
Legal Group	14	1	15	14	1	15	14	1	15	42	2	44
Human Resources Group	48	2	50	50	1	51	50	2	52	29	-	29
Financial Services Group	71	2	73	72	1	73	72	1	73	55	-	55
Information Systems	61	-	61	62	-	62	61	-	61	61	-	61
Customer Service	221	-	221	227	-	227	229	-	229	229	-	229
Public Affairs	32	-	32	31	1	32	31	1	32	31	1	32
Total Authorized Positions	1,725	23	1,748	1,729	26	1,755	1,731	17	1,748	1,752	45	1,797

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CAPITAL IMPROVEMENT PROGRAM

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CAPITAL IMPROVEMENT PROGRAM

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

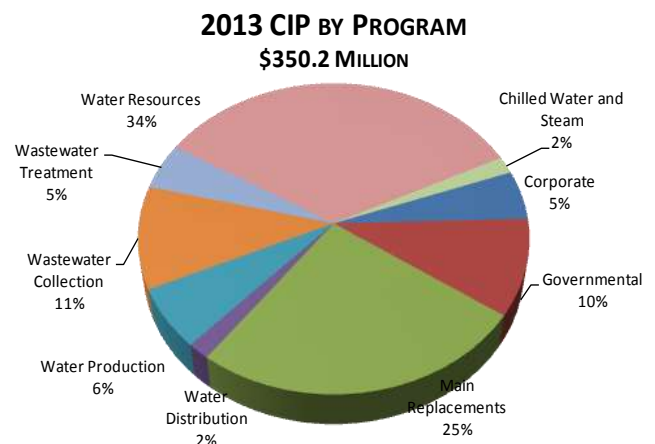
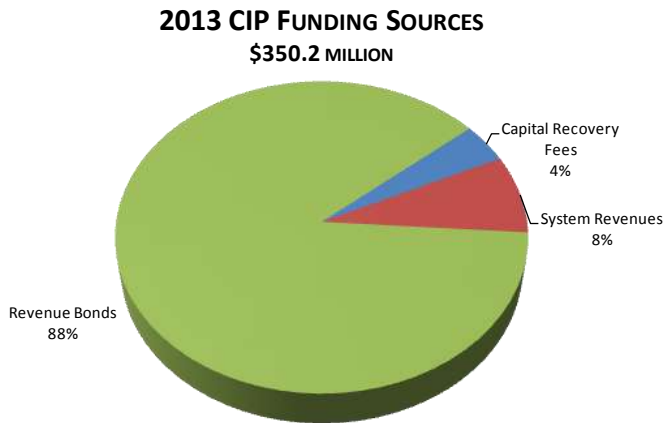
The provision of water, wastewater and heating and cooling services is very capital intensive. As of 12/31/2012, the net book value of SAWS capital assets was nearly \$3.8 billion. Continued capital investment is necessary in order to replace aging infrastructure and minimize service interruption, comply with state and federal laws and permits, and develop additional capacity and support growth within our service area.

While many utilities have traditionally based their infrastructure replacement schedules solely on age, SAWS is moving toward a more sophisticated, condition-based approach. This allows us to extend the useful lifespan of pipes that have aged well, while more aggressively pursuing replacement of those with the highest likelihood of failure. This process leverages our financial resources to sustain the high quality, reliable service SAWS customers have come to expect, while helping to maintain rate stability – now and in the future.

Over the next five years, SAWS projects an investment in excess of \$1.8 billion to:

- Replace aging infrastructure and maintain compliance with the Clean Water Act
- Develop new water resources
- Develop additional capacity

The 2013 amended budget is projected to cost \$350.2 million, which is an increase of \$134.7 million over the 2012 budget. This increase relates primarily to the planned construction of SAWS brackish desalination plant as well as additional wastewater capital expenditures supporting SAWS’ accelerated SSO reduction efforts.



CAPITAL IMPROVEMENT PROGRAM PLANNING PROCESS

The 2012 program was developed using a refined prioritization process which started in 2006. Projects submitted by Treatment, Production, Master Planning, Facilities Engineering, and the Distribution and Collection departments were reviewed and scored by a CIP Planning Group consisting of vice presidents, directors and managers responsible for CIP execution. The scoring process addresses the business risk exposure, independent of available funds, through a derivative of the Failure Modes and Effects Analysis (FMEA) methodology. FMEA provides a structured approach to the analysis of risk through a composite index that considers potential impact of failure, probability of occurrence, and ability to mitigate the impact. Projects are totaled by dollar amount and compared to the long term funding strategy, and final selection is made by SAWS' Executive Management Team and approved by SAWS' Board of Trustees. Other criteria used to prioritize projects included project coordination, impact to the annual Operations and Maintenance budget, improved customer service, regulatory mandates, criticality, priority in relation to other projects and availability of funds.

SOURCES OF FUNDS - CAPITAL IMPROVEMENT PROGRAM FUNDING

The capital improvement program is funded from several sources: system revenues, proceeds from revenue bonds and capital recovery fees. Funds from these sources are accounted for in the Renewal and Replacement Fund and the Project Fund, which are described below.

(\$ in thousands)	Water Supply	Water Delivery	Wastewater	Chilled Water and Steam	Grand Total
Capital Recovery Fees	\$ 6,000	\$ 3,789	\$ 4,551	\$ -	\$ 14,340
System Revenues	8,695	8,701	11,064	-	28,460
Revenue Bonds	\$104,207	\$52,716	\$144,258	\$6,170	307,351
Total Sources of Funds	\$ 118,902	\$ 65,206	\$ 159,873	\$ 6,170	\$ 350,151

Sources of funding for the 2013 CIP program are summarized below:

SYSTEM REVENUES

Revenues are used to meet the requirements of Ordinance No. 75686, which created the San Antonio Water System. After funding maintenance and operation expenses and debt service requirements, revenues must be sufficient to distribute equal amounts to the City of San Antonio's General Fund and the SAWS Renewal and Replacement Fund. Any revenues in excess of these obligations are available for deposit to the SAWS Renewal and Replacement Fund. This fund is primarily used for property acquisition and capital improvements.

REVENUE BONDS AND TAX EXEMPT COMMERCIAL PAPER

Proceeds from the issuance of revenue bonds and Tax Exempt Commercial Paper (TECP) are also used capital improvements. SAWS is authorized to issue up to \$500 million in TECP to be used for interim financing for a portion of the capital improvement program. Revenue bonds are issued to finance capital projects and to refund outstanding TECP. Any proceeds received from the issuance of revenue bonds and TECP are deposited into the Project Fund and may only be used for capital improvements and system expansion.

CAPITAL RECOVERY FEES

Capital Recovery Fees are designed to recoup the cost of capital expenditures used to meet the needs of new customers. These include impact fees – collected in accordance with Chapter 395 of the Local Government Code – and user connection fees. Expenditure of impact fees collected may only be used to fund growth-related projects as identified in the 2011-2020 Land Use Assumptions Plan, Capital Improvement Plan, and Maximum Water and Wastewater Impact Fees Report.

CAPITAL IMPROVEMENT PROGRAM BY CORE BUSINESS

The CIP supports four core business areas:

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

The projected CIP is summarized by core business in the table below:

(\$ in thousands)	Water Supply	Water Delivery	Wastewater	Chilled Water and Steam	Grand Total
Corporate	\$ -	\$ 8,950	\$ 8,791	\$ -	\$ 17,741
Governmental	-	16,548	18,693	-	35,241
Main Replacements	-	11,682	78,128	-	89,810
Water Distribution	-	5,970	-	-	5,970
Water Production	-	22,057	-	-	22,057
Wastewater Collection	-	-	37,360	-	37,360
Wastewater Treatment	-	-	16,901	-	16,901
Water Resources	118,901	-	-	-	118,901
Chilled Water and Steam	-	-	-	6,170	6,170
Total	\$ 118,901	\$ 65,207	\$ 159,873	\$ 6,170	\$ 350,151

WASTEWATER COLLECTION AND TREATMENT

SAWS is currently engaged in negotiations with the U.S. Environmental Protection Agency (EPA) concerning the terms of a potential consent decree that, if approved and adopted, will require SAWS to expand its programs to reduce the occurrence of sanitary sewer overflows (SSO's). As a consequence, of the \$159.9 million budgeted in total for all Wastewater CIP projects in 2013, \$115.37 million is directed toward funding of capital projects designed to identify and address SSO's (\$34.9 million), and to rehabilitate aging sewer infrastructure to minimize future SSO occurrence (\$80.4 million).

Sanitary Sewer Overflow (SSO) Reduction Program (\$34.9 million)

- **Sewer Pipe Rehabilitation – \$32.1 million**
Sewer system management includes the rehabilitation of sewer pipelines and manholes that contribute to SSOs due to compromised structural condition.
- **Sewer System Capacity Program – \$2.8 million**
The regular assessment of sewer system flows identifies the need to replace or construct new sewer pipelines to alleviate capacity constraints that contribute to SSOs.

Aging Sewer Infrastructure Rehabilitation (\$80.4 million)

- **Sewer Infrastructure Renewal and Rehabilitation – \$43.1 million**
Ongoing annual renewal and rehabilitation of sewer infrastructure occurs as required under various conditions such as in situations of emergency and compromised integrity. The work is performed by SAWS crews or contractors, and can require external engineering design services.
- **Major Sewer Replacement Projects - \$33.8 million**
Design and/or construction will be performed in 2013 on four specific major sewer replacement projects identified by the SAWS Wastewater Master Plan to address capacity deficiencies and/or conditional defects thereby serving to reduce SSO's.
- **Lift Station Elimination – \$3.5 million**
At times, wastewater flow must be forced uphill by a lift station, but the preference is for wastewater to flow through sewer mains via gravity. The 2013 budget includes funding for the elimination of 2 lift stations, which will be replaced with gravity sewer mains.

Additional Wastewater Improvements (\$44.4 million)

- **Governmental Sewer System Projects – \$18.7 million**
SAWS coordinates with other governmental agencies to relocate, replace or rehabilitate sewer infrastructure as part of non-SAWS infrastructure projects planned by other agencies. Required work can include maintenance or capital improvement projects performed by the Texas Department of Transportation, Bexar County, San Antonio River Authority, and City of San Antonio's Bond Program.
- **Water Recycling Center Improvements - \$16.9 million**
Upgrades and improvements to equipment, systems and facilities at the Dos Rios, Leon Creek and Medio Creek water recycling centers.
- **Other Improvements – \$8.8 million**
 - Information Systems Support includes plans for a Wastewater CIP Management Software System, Customer Information Software System, and an IBM mainframe upgrade.
 - Service Crew Dispatch Center – improved efficiencies for sewer maintenance and response.

WATER DELIVERY PROGRAM

The Water Delivery system conveys water to customers through elevated and ground storage tanks, pump stations, transmission mains, and distribution mains. The Water Delivery CIP includes programs and projects designed to expand and improve water production, water storage, and transmission facilities in SAWS' service areas.

The 2013 CIP funds projects proposed in the Water Master Plan to ensure that sufficient potable water service is available to meet growth within SAWS' service area. The selection of projects helps maintain the implementation schedule for water production, distribution, and storage facility improvements recommended in the Water Infrastructure Master Plan. Upgrades, replacements and rehabilitations of production facilities to maintain system integrity and meet Texas Commission on Environmental Quality (TCEQ) requirements are also included.

The 2013 Water Delivery CIP continues to focus on:

Governmental water projects - \$16.5 million

Repairing and adjusting water mains in conjunction with the City of San Antonio's bond program and also supporting CIP requirements in coordination with other governmental agencies.

Production Renewal and Replacement

The repair and replacement portion also addresses water infrastructure by continuing an ongoing program to bring critical pump stations to current standards. To this effort, the 2013 water delivery program funds

- **Nacogdoches Pump Station - \$15.0 million / Basin Pump Station \$4.6 million**
These projects are part of a multi-year program to rehabilitate primary and booster water production pump stations.
- **Tank Mixing Systems – Shields/Cross Mountain - \$1.2 million**
This project involves the addition of a tank mixing and aeration system to reduce trihalomethane (TTHM) levels and ensure compliance with state and federal requirements.

Main Replacements - \$11.7 million

- **Valves, services and meters - \$4.9 million**
Installation or replacement of unserviceable valves, services, meters, fire hydrants, and other water system appurtenances.

- **Meter Replacements - \$3.9 million**
Replacement of aging water meters in defined geographical areas to improve meter accuracy and reduce the amount of unbilled for water.

Distribution System Growth - \$5.9 million

- **Dominion Fire Flow Improvement - \$3.2 million**
- **Hidden Springs Water System Improvement - \$1.3 million**

WATER SUPPLY PROGRAM

The Water Supply Program is intended to execute projects that will provide ratepayers with the most viable and affordable options to secure current and future water supplies. These project recommendations are outlined in the 2012 Water Management Plan

Groundwater Desalination Plant Construction – \$98.2 million

SAWS already has wells in the ground for the region's first-ever groundwater desalination project. Water will begin flowing from the state-of-the-art reverse osmosis plant in southern Bexar County in 2016. The facility will reach its full production capacity of 30,525 acre-feet per year by 2026. Unlike San Antonio's Edwards Aquifer supply, the brackish groundwater in the Wilcox Aquifer is not subject to pumping restrictions during drought.

Edwards Aquifer Rights Acquisition – \$11.0 million

The 2013 CIP budget includes funds to purchase approximately 2,180 acre-feet of Edwards Aquifer rights.

Integration Pipeline Easements – \$5.8 million

As new water supplies are brought on line, foundational infrastructure must be built to transport that water throughout San Antonio. Acquiring right-of-way is a critical step to ensure the delivery system is in place when needed. The new pipeline will be capable of simultaneously moving water from the desalination plant and the local Carrizo Aquifer to high growth areas in western San Antonio.

Regional Carrizo Project Pipeline – \$1.1 million

This project will supply SAWS ratepayers with the largest non-Edwards Aquifer water supply to date through an innovative and cost-saving infrastructure-sharing arrangement. By the end of 2013, up to 17,200 acre-feet per year of Carrizo Aquifer water piped to San Antonio in cooperation with the Schertz-Seguin Local Governmental Corporation and the Gonzales Water Supply Corporation.

Recycle Water - \$2.7 Million

Through its Recycled Water Program, SAWS is able to provide 75,000 acre-feet of recycled water to irrigation and industrial customers as an alternative to potable water. The projects included in the 2013 CIP Budget will extend recycled water lines and develop additional infrastructure necessary to provide recycled water to new customers.

HEATING AND COOLING PROGRAM

The Central Heating and Cooling plant, located in the heart of downtown San Antonio, provides heating and cooling requirements to facilities owned by the City of San Antonio (COSA). The 2013 CIP budget includes \$6.2 million funding for:

- Replacement and adjustment of chilled water and steam facilities in conjunction with City of San Antonio projects
 - Market Street realignment and Hemisfair area street projects
 - Convention center expansion
- Chilled water and steam mains deterioration

SIGNIFICANT NON-ROUTINE CAPITAL EXPENDITURES

The majority of SAWS' CIP projects provide for routine, ongoing expenditures for the repair of infrastructure and for the gradual replacement of various capital assets. Major projects that are typically "one time" in nature and involve the construction or expansion of new facilities or infrastructure, extensive renovation of existing facilities, the purchase of important capital assets, or the acquisition of new technology which will enhance service delivery could be considered significant non-routine capital expenditures. The 2013 CIP includes three projects, which are considered significant and non-routine, and account for \$ 16.6 million or 4.7% of the 2013 CIP. The projects are listed as follows:

- **Enterprise Resource Software System (ERSS)** - This project is the continuation of a major implementation of an Enterprise Resource Software System (ERSS) that includes Customer Service, Financial, Human Resources, Work Order, and Permitting modules. This implementation is desired because the current legacy system is not integrated and does not provide all of the functionality required to run the business efficiently and effectively. To date, the Financial, Human Resources, Work Order, and Permitting modules have been successfully implemented. It is currently projected that an additional \$1.1 million will be required to complete the Customer Information System, with completion projected in 2013.
- **Service Center Facility Plan Project** – The purpose of this project is to program, design, locate, and construct new Service Centers, Satellite Centers and make any required adjustments to the existing properties as a result of relocated staff. SAWS currently has mixed use at service centers by having Fleet, Distribution and Collection, and Production crews based at these service centers, which has compromised efficiencies and has increased congestion at the sites. Realignment would address these embedded inefficiencies in operations. The Service Center Facility Plan project will have multiple phases. The 2013 project budget of \$12.6 million will fund real estate acquisitions and architectural design. The design phase should continue through 2014, with construction expected to begin in the 4th quarter of 2014.
- **CIP Program Management Software** – The purpose of this project is to acquire a robust, full functioning application that can be configured to manage SAWS capital programs/projects from initial planning through completion. This application will provide the features specific to facilitate CIP planning, budgeting, project financials, contract management and construction project management. The projected cost for 2013 is \$2.9 million.

ESTIMATED OPERATIONS AND MAINTENANCE COSTS FROM CAPITAL EXPENDITURES

The cumulative operations and maintenance cost of the 2012 *Water Management Plan* from 2012 through 2030 is estimated to range from a minimum of \$1.2 billion to a maximum of \$2.6 billion. The costs shown in the following table reflect 3% annual inflation. The primary cost driver for the purpose of this calculation is the range of estimated costs shown for the Request for Competitive Sealed Proposal (RFCSP) project (see “Water Supply” section under the San Antonio Water System Profile).

Cumulative Operations and Maintenance Costs by Project

Estimated Operations & Maintenance Costs (2012-2030)	2012 WMP - (Min)	2012 WMP - (Max)
Edwards Aquifer *	\$ 17,707,758	\$ 17,707,758
Brackish Desalination	166,695,955	166,695,955
Integration Pipeline	103,485,093	103,485,093
Expanded Carrizo	52,885,940	52,885,940
RFCSP **	884,000,000	2,237,795,000
Total Program Costs	\$ 1,224,774,747	\$ 2,578,569,747

* Estimated O&M costs for the Edwards Aquifer do not include Aquifer Management Fees (AMF) .

** Estimated O&M costs for the RFCSP reflect the \$1,000/acre-ft (Min) and \$2,500/acre-ft (Max) range.

2013 CAPITAL IMPROVEMENT PROGRAM SUMMARY

Category	Project Title	Phase	Estimated Cost	Programmed Amount
Wastewater				
<i>Corporate</i>	Service Center Facility Project Plan - WW Share	Acquisition	\$ 5,500,000	\$ 6,238,650
	IBM Mainframe Upgrade - WW Share	Acquisition	500,000	567,150
	ERSS Customer Information System - WW Share	Acquisition	500,000	567,150
	CIP Program Management Software	Acquisition	1,250,000	1,417,875
	Total		7,750,000	8,790,825
<i>Collection Growth</i>	W-6: Western Watershed Sewer Relief Line – Project 2	Construction	13,000,000	14,745,900
	Sewer Main Oversizing 2013	Construction	100,000	113,430
	Total		13,100,000	14,859,330
<i>Collection R&R</i>	C-12 Donaldson Terrace	Design	1,286,707	1,459,512
	C-13 Broadway Corridor: N New Braunfels to Commerce	Construction	7,500,000	8,507,250
	C-33 Broadway Corridor: Carnahan to Mulberry	Construction	8,000,000	9,074,400
	LS 11 and LS 111 Elimination	Construction	2,750,000	3,119,325
	Lift Stations 251, 267, 225 & 175 Elimination	Design	300,000	340,290
	Total		19,836,707	22,500,777
<i>Governmental Sewer</i>	Governmental Sewer Adjustments	Construction	1,980,000	2,245,914
	Governmental Sewer Installations	Construction	6,500,000	7,372,950
	Governmental Sewer Replacements	Construction	8,000,000	9,074,400
	Total		16,480,000	18,693,264
<i>Main Replacement - Sewer</i>	Main Replacements - Sewer - SAWS Crews	Construction	3,325,000	3,771,548
	Sanitary Sewer Overflow Rehabilitation 2013	Construction	18,000,000	20,417,400
	Small Diameter Rehabilitation Program	Construction	24,332,459	27,600,308
	Large Diameter Rehabilitation Program	Construction	2,250,000	2,552,175
	Capacity Program	Construction	2,500,000	2,835,750
	Manhole Rehabilitation Program	Construction	1,720,547	1,951,616
	Unspecified Services Engineering Contract Sewer	Design	2,000,000	2,268,600
	Open-Cut Sewer Pipe Replacement Contract	Construction	2,000,000	2,268,600
	San Antonio River Outfall Pipeline Rehabilitation	Construction	9,800,000	11,116,140
	Sewer Laterals 2013	Construction	2,950,000	3,346,185
	Total		68,878,006	78,128,322
	<i>Treatment R&R</i>	Dos Rios WRC Feasibility and Design for Sludge Conditioning and Dewatering	Design	1,525,000
Dos Rios WRC Aeration and Secondary Settling Tank Improvements		Design	1,800,000	2,041,740
Medio Creek WRC Process Piping Improvements		Design	100,000	113,430
Dos Rios WRC Digester Mixing and System Enhancements - Phase 2		Construction	11,000,000	12,477,300
Dos Rios WRC Instrumentation and Control Upgrade		Design	200,000	226,860
Leon Creek WRC Automation		Design	275,000	311,933
Total			14,900,000	16,901,070
TOTAL WASTEWATER			\$140,944,713	\$ 159,873,588

2013 CAPITAL IMPROVEMENT PROGRAM SUMMARY

Category	Project Title	Phase	Estimated Cost	Programmed Amount
Water Delivery				
<i>Corporate</i>	Service Center Facility Project Plan - WD Share	Acquisition	5,500,000	6,351,400
	IBM Mainframe Upgrade - WD Share	Acquisition	500,000	577,400
	ERSS Customer Information System - WD Share	Acquisition	500,000	577,400
	CIP Program Management Software	Acquisition	1,250,000	1,443,500
	Total		7,750,000	8,949,700
<i>Distribution Growth</i>	Hidden Springs Water System Improvement	Construction	1,149,404	1,327,332
	Install PRVs With Hidden Springs Project	Construction	70,000	80,836
	Water Main Oversizing 2013	Construction	1,000,000	1,154,800
	Dominion Fire Flow Improvement	Construction	2,750,000	3,175,700
	Install PRVs With Dominion Fire Flow Project	Construction	200,000	230,960
Total		5,169,404	5,969,628	
<i>Governmental Water</i>	Governmental Water Adjustments	Construction	5,080,000	5,866,384
	Governmental Water Installations	Construction	1,200,000	1,385,760
	Governmental Water Replacements	Construction	8,050,000	9,296,140
	Total		14,330,000	16,548,284
<i>Main Replacement - Water</i>	Meter Replacements	Construction	3,406,000	3,933,249
	Open Cut Water Contract	Construction	1,500,000	1,732,200
	Unspecified Services Engineering Contract Water	Design	1,000,000	1,154,800
	Main Replacements - Water - SAWS Crews	Construction	10,000	11,548
	Valves, Services and Meters	Construction	4,200,000	4,850,160
Total		10,116,000	11,681,957	
<i>Production R&R</i>	Chlorine System Upgrades	Design	600,000	692,880
	Tank Mixing Systems - Shields/Cross Mountain	Construction	1,000,000	1,154,800
	Winwood Disinfectant Treatment Process Change (MIOX)	Construction	500,000	577,400
	Water Production Facility Upgrades Program Phase 8 - Nacogdoches	Construction	13,000,000	15,012,400
	Water Production Facility Upgrades Program Phase 4a - Basin	Construction	4,000,000	4,619,200
Total		19,100,000	22,056,680	
TOTAL WATER DELIVERY			\$ 56,465,404	\$ 65,206,249

2013 CAPITAL IMPROVEMENT PROGRAM SUMMARY

Category	Project Title	Phase	Estimated Cost	Programmed Amount
Water Supply				
<i>Recycled Water</i>	San Jose and Brooks Recycled Water Pump Station and Ground Storage	Construction	990,000	1,367,883
	Recycle Customer Lines	Construction	1,000,000	1,381,700
	Total		1,990,000	2,749,583
<i>Water Resources</i>	Desalination: Construction Manager at Risk (Construction Services)	Construction	84,280,000	98,034,496
	Desalination: Legal	Acquisition	100,000	116,320
	Edwards Aquifer Acquisitions Contract Advisory Services	Acquisition	64,438	64,922
	Edwards Aquifer Water Rights	Acquisition	10,900,000	10,981,750
	Integration: Construction Management & Inspection	Construction	5,000,000	5,816,000
	Regional Carrizo: Well Mitigation Program	Construction	978,640	1,138,354
Total		101,323,078	116,151,842	
TOTAL WATER SUPPLY			\$103,313,078	\$ 118,901,425
Heating & Cooling				
<i>Heating & Cooling Infrastructure</i>	Chilled Water Distribution Loop Isolation Valves/Meter Upgrades	Design	74,420	93,025
	Heating and Cooling Governmental Projects	Construction	4,761,817	5,952,271
	Heating and Cooling System Infrastructure 2013	Construction	100,000	125,000
	Total		4,861,817	6,170,296
TOTAL HEATING & COOLING			\$ 4,861,817	\$ 6,170,296
TOTAL CAPITAL IMPROVEMENT PROGRAM			\$305,585,012	\$ 350,151,557

CIP PROJECT DATA


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**2013 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet**

Wastewater

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		2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet	
<u>PROJECT DESCRIPTION</u>			
Project: Service Center Facility Project Plan - WW Share			
Programmed Amount: \$6,238,650			
Core Business Wastewater			
Category: Corporate WW			
Phase: Acquisition			
Council District System wide			
<u>PROJECT INFORMATION</u>			
Project Objective: Construction of new service center and spoils site.			
Description and Scope:			
SAWS currently has increased risk by having fleet and production on the same site at the NWSC. This project will eliminate risk from code compliance issues at the facilities and decrease risk at production sites by relocating D&C crews away from tanks and wells.			
Remarks:			
Based on previous Operations Research assessment, this project will improve D&C response time at all facilities and allow for a master planned realignment that increases efficiencies in projection, RPC, and customer service.			
<u>FAILURE ANALYSIS AND RISK RATINGS</u>			
Failure Mode:		Failure Impact:	Failure Root Cause:
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
<u>FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	2013	0	0
	\$5,500,000	\$0	\$0



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: IBM Mainframe Upgrade - WW Share
 Programmed Amount: \$567,150
 Core Business Wastewater
 Category: Corporate WW
 Phase: Acquisition
 Council District System wide

PROJECT INFORMATION

Project Objective: Upgrade a legacy system which is no longer supported.
 Description and Scope:
 New hardware and software to upgrade the system.

Remarks:

If the existing mainframe crashes, it can take up to two months to recover.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	0	0
	\$500,000	\$0	\$0



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: ERSS Customer Information System - WW Share
Programmed Amount: \$567,150
Core Business Wastewater
Category: Corporate WW
Phase: Acquisition
Council District System wide

PROJECT INFORMATION

Project Objective: Complete the Customer Information System by November 2013.
Description and Scope:
 Continuously assess the project to deliver a product which will perform and scale to SAWS expectations and requirements.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	0	0
	\$500,000	\$0	\$0



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: CIP Program Management Software

Programmed Amount: \$1,417,875

Core Business: Wastewater

Category: Corporate WW

Phase: Acquisition

Council District: System wide

PROJECT INFORMATION

Project Objective: Develop software to enable management of SAWS Capital Improvement Program.

Description and Scope:

The \$200 million annual CIP program is currently managed on disconnected spreadsheets, resulting in inefficiency and making it difficult to track the program and understand the impact of changes to multi-year projects. This project will increase the efficiency and quality of program management, and increase the accuracy of project and program tracking and decision making. The project will include a requirements analysis of SAWS CIP program to determine the best tool(s) to manage the program, and evaluate CIPPlanner, Prolog, Skire, and other capital program management software, before implementing a solution.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: **Failure Impact:** **Failure Root Cause:**

Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
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FUNDING INFORMATION

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

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: W-6: Western Watershed Sewer Relief Line – Project 2
Programmed Amount: \$14,745,900
Core Business: Wastewater
Category: Collection Growth
Phase: Construction
Council District: 4



PROJECT INFORMATION

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

Description and Scope:
 This project will replace approximately 1.08 miles of 54-inch sewer main and 1 siphon. The project is located between north of private road Edward Schlundt to Quintana Road. This is part of the lower segment. The project will result in sewer improvements between north of private road Edward Schlundt to Quintana Road to add capacity and replace or rehabilitate the pipe in poor condition.

This project was identified in the Comprehensive Wastewater Master Plan developed by the SAWS Master Planning Division. The outfalls within this project are in poor condition due to deterioration and lack sufficient capacity to handle future sewer flows due to growth and during peak storm events.

(formerly Western Relief Main, Hwy 90 to Loop 410 Lower to Upper Segments)

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

This project was split into separate job numbers for each phase in August 2012. New name is W-6: Western Watershed Sewer Relief Line - Project X.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	2013
\$3,500,000	\$2,000,000	\$13,000,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Sewer Main Oversizing 2013
 Programmed Amount: \$113,430
 Core Business Wastewater
 Category: Collection Growth
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

Project Objective: Oversize sewage collection system for future growth.

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

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
		2013
Amounts shown are estimated costs without SAWS overhead.		\$100,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: C-12 Donaldson Terrace
Programmed Amount: \$1,459,512
Core Business Wastewater
Category: Collection R&R
Phase: Design
Council District 7

PROJECT INFORMATION

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

Description and Scope:

The "C-12 Donaldson Terrace" project consists of a total of approximately 23,000 linear feet of 21-inch and 24-inch wastewater mains. The project will construct a 24-inch gravity main along Manor Drive between West Mistletoe and West Huisache in the Central Basin. The project also includes a 24-inch gravity main along West Mulberry Avenue to Morning Glory, a 24-inch main along Morning Glory to Senisa Drive, a 24-inch along Senisa Drive to Seeling, a 24-inch along Red Bud Drive to Sutton, a 24-inch main along Sutton to East Cheryl Drive, a 24-inch along East Cheryl Drive to Shadwell, a 12-inch main along Shadwell to Colleen, a 24-inch main along Colleen to Donaldson Avenue, and a 24-inch along East Cheryl Drive, Senisa Drive, Oriole, Palm Drive, and Bandera Road to West Woodlawn.

Remarks:

The project also includes a 21-inch gravity main along Sutton between Red Bud Drive and Evelyn and a 21-inch gravity main along Evelyn Drive and Overbook to Erskine Place.

Formerly known as C-14 & C-15. Construction 2015-16 at a total cost of \$12.9 million.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013	2015
	\$0	\$1,286,707	\$6,433,535



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: C-13 Broadway Corridor: N New Braunfels to Commerce

Programmed Amount: \$8,507,250

Core Business: Wastewater

Category: Collection R&R

Phase: Construction

Council District: 1

PROJECT INFORMATION

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

Description and Scope:

The "C-13 Broadway Corridor: N New Braunfels to Commerce" project consists of a total of approximately 55,000 linear feet of 18", 21", 24", 27", 30", 33", 36", 42", 48", 54", 60", 66", 78" and 90" wastewater mains at the Central Basin. The project will be divided into 2 phases: Phase A & Phase B. Phase A includes all of the limits from the former C-3 project started in 2009. This also includes projects C_14 & C_33 of the current CIP list. The project will include a 60-inch gravity main from E. Josephine St to Ave. B. The project also includes a 18-inch gravity main along Broadway between Brackenridge and East Mulberry Ave, a 42-inch, 36-inch, and 24-inch gravity main west of Broadway and along Ave B between Brackenridge and Patterson Ave, a 18" gravity main along Broadway between Patterson Ave. and Grandview Place and along Patterson Ave., an 18" along Cleveland Ct. between Grandview Place & Kampmann Rd., along Kampmann Ave. between Cleveland Ct & New Braunfels Ave. and 18-inch and 15-inch main along North New Braunfels Ave. between Kampmann Ave. and Castano Ave.

Remarks:

Formerly C04A, C03A, C03B, C05, and C02B. Construction 2013-16 at a total cost of \$28 million.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2011	2013
	\$0	\$2,600,000	\$7,500,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: C-33 Broadway Corridor: Carnahan to Mulberry

Programmed Amount: \$9,074,400

Core Business: Wastewater

Category: Collection R&R

Phase: Construction

Council District: 9



PROJECT INFORMATION

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

Description and Scope:

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

SAWS staff checked the limits of this project and determined that there is no overlap between the C-13, C-14, and C-33 projects.

Remarks:

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

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2009	2013
	\$0	\$1,200,000	\$8,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: LS 11 and LS 111 Elimination

Programmed Amount: \$3,119,325

Core Business: Wastewater

Category: Collection R&R

Phase: Construction

Council District: 9, 10



PROJECT INFORMATION

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

Description and Scope:

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

Remarks:

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

Design was completed in 2011 using an unspecified contract. Acquire easements in 2012.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		SSO	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	10	10	900	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2011	2013
	\$200,000	\$0	\$2,750,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Lift Stations 251, 267, 225 & 175 Elimination

Programmed Amount: \$340,290

Core Business Wastewater

Category: Collection R&R

Phase: Design

Council District System wide

PROJECT INFORMATION

Project Objective: Construct sewer infrastructure for lift station eliminations

Description and Scope:

This Project will construct approximately 10,927 linear feet of 8-inch gravity sewer main from LS#251(Solana Ridge) to LS #193 (Standard Electric). Approximately 3,000 linear feet of 8-inch gravity sewer main from LS#225 (Valley Ridge) and 930 linear feet of 8-inch gravity sewer main will also be constructed and be connected to this main. LS 193 is scheduled for O&M elimination as part of the MRSO project. LS 175 will be eliminated in place of LS 193.

Remarks:

This project will reduce operating and maintenance costs for the four lift stations. Design will use an existing unspecified design contract.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		SSO	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	7	8	560	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2016
		\$300,000	\$770,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Sewer Adjustments
 Programmed Amount: \$2,245,914
 Core Business Wastewater
 Category: Governmental Sewer
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

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

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$1,980,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Sewer Installations
 Programmed Amount: \$7,372,950
 Core Business Wastewater
 Category: Governmental Sewer
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

Project Objective: Increase system capacity for future growth.

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$6,500,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Governmental Sewer Replacements
 Programmed Amount: \$9,074,400
 Core Business Wastewater
 Category: Governmental Sewer
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

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

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

Remarks:
 This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
		2013
Amounts shown are estimated costs without SAWS overhead.		\$8,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Main Replacements - Sewer - SAWS Crews
Programmed Amount: \$3,771,548
Core Business: Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District: System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$3,325,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Sanitary Sewer Overflow Rehabilitation 2013
Programmed Amount: \$20,417,400
Core Business: Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District: System wide



PROJECT INFORMATION

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

Description and Scope:

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


Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0		2013
	\$0		\$18,000,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Small Diameter Rehabilitation Program
Programmed Amount: \$27,600,308
Core Business: Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District: System wide

PROJECT INFORMATION

Project Objective: Rehabilitate small diameter sanitary sewer pipelines that contribute to Sanitary Sewer Overflows (SSO) because of structural condition.

Description and Scope:
 This project will rehabilitate, utilizing the appropriate method, small diameter sanitary sewer mains throughout the service area identified during inspection that contribute to SSOs because of structural condition.


Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0	2013
	\$0	\$0	\$24,332,459

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Large Diameter Rehabilitation Program
Programmed Amount: \$2,552,175
Core Business: Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District: System wide

PROJECT INFORMATION

Project Objective: Rehabilitate large diameter sanitary sewer pipelines that contribute to Sanitary Sewer Overflows (SSO) because of structural condition.

Description and Scope:
 This project will rehabilitate, utilizing the appropriate method, large diameter sanitary sewer mains throughout the service area identified during inspection that contribute to SSOs because of structural condition.


Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:
Impact Severity	Likelihood of Occurrence	Risk Mitigation
		Risk Exposure

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013
\$0	\$0	\$2,250,000

 2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet			
<u>PROJECT DESCRIPTION</u>			
Project: Capacity Program			
Programmed Amount: \$2,835,750			
Core Business Wastewater			
Category: SSO (EPA)			
Phase: Construction			
Council District System wide			
<u>PROJECT INFORMATION</u>			
Project Objective: Replace or construct sanitary sewer pipelines that alleviate capacity constraints that contribute to Sanitary Sewer Overflows (SSO).			
Description and Scope:			
This project will replace or construct sanitary sewer mains throughout the service area identified during capacity assessment that contribute to SSOs because of a capacity constraint.			
Remarks:			
<u>FAILURE ANALYSIS AND RISK RATINGS</u>			
Failure Mode:		Failure Impact:	Failure Root Cause:
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
<u>FUNDING INFORMATION</u>			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	0	0	2013
\$0	\$0	\$2,500,000	



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Manhole Rehabilitation Program
Programmed Amount: \$1,951,616
Core Business: Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District: System wide

PROJECT INFORMATION

Project Objective: Rehabilitate manholes that contribute to Sanitary Sewer Overflows (SSO) because of structural condition.

Description and Scope:

This project will rehabilitate, utilizing the appropriate method, manholes throughout the service area identified during inspection that contribute to SSOs because of structural condition.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0	2013
	\$0	\$0	\$1,720,547



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Unspecified Services Engineering Contract Sewer

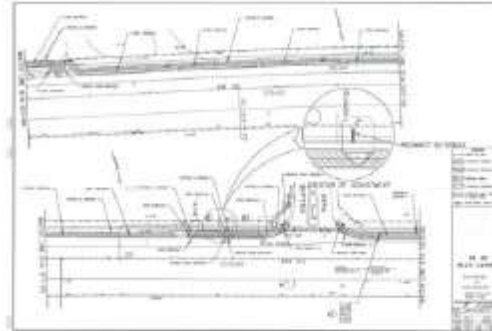
Programmed Amount: \$2,268,600

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Design

Council District: System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Inadequate Facilities		Customer Disatisfaction		Other/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure		
10	10	10	1000		

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
	2013	
	\$2,000,000	



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Open-Cut Sewer Pipe Replacement Contract
Programmed Amount: \$2,268,600
Core Business Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District System wide



PROJECT INFORMATION

Project Objective: Replace aging/failing collection system infrastructure

Description and Scope:

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

Remarks:

Projects will be tasked by work orders under this contract.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0		2013
	\$0		\$2,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: San Antonio River Outfall Pipeline Rehabilitation

Programmed Amount: \$11,116,140

Core Business: Wastewater

Category: Collection R&R

Phase: Construction

Council District: 3

PROJECT INFORMATION

Project Objective: Rehabilitate or Replace the San Antonio River Outfall (SARO) Pipeline

Description and Scope:

This project will assess, and either rehabilitate or replace the 48-inch diameter SARO pipeline starting at Henderson Court and ending approximately 5.7 miles downstream at the 90-inch outfall at the decommissioned Salado Creek WRC headworks.

Construction 2013-14 at a total cost of \$16 million.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Line Collapse

Failure Impact:

SSO

Failure Root Cause:

Age/Deterioration

Impact Severity

10

Likelihood of Occurrence

10

Risk Mitigation

10

Risk Exposure

1000

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

0

\$0

DesignYear:

2011

\$1,000,000

Construction Year

2013

\$9,800,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Sewer Laterals 2013
Programmed Amount: \$3,346,185
Core Business Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District System wide

PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Collection infrastructure.

Description and Scope:

This is a project performed by SAWS Distribution and Collection Operations construction crews for the replacement of the lateral from the property line to the main, to eliminate or reduce inflow and infiltration of storm water into wastewater mains. This work is generated by the customer calling in with a stoppage and the problem is determined to be outside the property line. This project improves the operational efficiency and reduces the potential and risk of surcharges in the collection system.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$2,950,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Dos Rios WRC Feasibility and Design for Sludge Conditioning and Dewatering

Programmed Amount: \$1,729,808

Core Business: Wastewater

Category: Treatment R&R

Phase: Design

Council District: 3



PROJECT INFORMATION

Project Objective: Increase operational reliability and efficiency of the biosolids dewatering process by replacing unsustainable equipment.

Description and Scope:

This project includes replacement of the existing twelve (12) 2.0M Belt Filter Presses (BFPs) with 3-belt BFPs or Centrifuges, depending on piloting results. The project will also include replacement of the polymer feed system, sludge feed pumps, macerators, electrical, instrumentation and controls. The existing structure will likely be replaced with a new building designed to minimize or preferably eliminate the need for conveyors. The project will investigate if additional mechanical dewatering capacity is needed to address future flow and loading projections. This project includes evaluation of the existing non-potable water (NPW) system, demolition of the existing elevated NPW storage tank, replacement of the associated pumps, and installation of a new hydropneumatic tank and by-pass line at the Dos Rios WRC.

Remarks:

The existing BFPs were originally installed in 1987 and were rehabilitated in the early 2000's. They are now at the end of their useful life. Disposal costs have increased significantly since SAWS now has to landfill nearly 50% of our biosolids. The new NPW system will generate sufficiently high pressure to feed non-potable water to those treatment units that rely heavily on it.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Unsustainable Equipment		Increased Maintenance		Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure		
10	10	10	1000		

FUNDING INFORMATION	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013	2014
	\$0	\$1,525,000	\$15,250,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Dos Rios Water Recycling Center (WRC) Aeration and Secondary Settling Tank Improvements

Programmed Amount: \$2,041,740

Core Business: Wastewater

Category: Treatment R&R

Phase: Design

Council District: 3



PROJECT INFORMATION

Project Objective: Rehabilitate First and Second Stage Aeration and Secondary Settling facilities to improve operational flexibility and address aging infrastructure.

Description and Scope:

Due to equipment age and corresponding deterioration, this project includes rehabilitation of the Clari-Vac units for secondary settling; replacement of missing or broken diffusers in the Aeration Tanks; rehabilitation of the excess activated sludge pump stations (three total); rehabilitation of the Second Stage return activated sludge pumps and motor bases; and replacement of controls / switchgear throughout the First and Second Stage facilities.

Remarks:

Maintaining the biological process is integral to meeting TPDES permit requirements. Without these improvements and modifications, it is becoming increasingly difficult for Dos Rios to meet permit. Of note, spare parts for some of the equipment are no longer available due to age.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Regulatory Non-compliance	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	10	810	

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013	2014
	\$0	\$1,800,000	\$18,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Medio Creek WRC Process Piping Improvements and Influent Lift Station Enhancements

Programmed Amount: \$113,430

Core Business: Wastewater

Category: Treatment R&R

Phase: Design

Council District: 4



PROJECT INFORMATION

Project Objective: Provide a connection between the Mixed Liquor Suspended Solids (MLSS) line from the new plant to the existing plant.

Description and Scope:

The project includes construction of approximately 1,100 linear feet of 6-inch DIP to transfer Mixed Liquor Suspended Solids (MLSS) between the "new" plant (Plant 2) and the "old" plant (Plant 1), construction of approximately 250 linear feet of 30-inch CSC from the effluent of the filters at Plant 2 to the influent of the UV system at Plant 1, and evaluate and replace pumps, piping, valves, and controls at the Influent Lift Station.

Remarks:

- The construction of the 6-inch pipeline allows Plant 1 to be re-seeded with MLSS from Plant 2.
- 2) The construction of the 30-inch pipeline allows for diverting the flows from Plant 2 to Plant 1 and provides redundancy to the UV system.
- 3) The existing lift station's pumps, piping, valves, and controls are no longer functioning and their replacement is included within this project scope.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Equipment Failure		Regulatory Non-compliance	Lack of Redundancy	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	9	900	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013	2014
	\$0	\$100,000	\$1,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

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

Programmed Amount: \$12,477,300

Core Business: Wastewater

Category: Treatment R&R

Phase: Construction

Council District: 3



PROJECT INFORMATION

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

Description and Scope:

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

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
	2011	2013
	\$940,000	\$11,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Dos Rios WRC Instrumentation and Control Upgrade

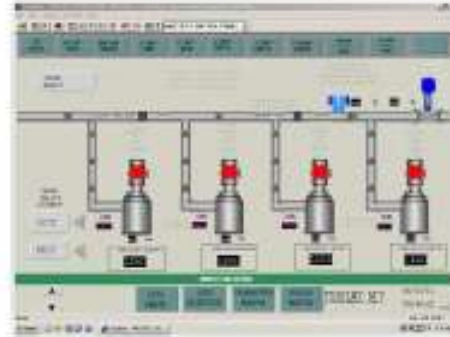
Programmed Amount: \$236,000

Core Business: Wastewater

Category: Treatment R&R

Phase: Design

Council District: 0



PROJECT INFORMATION

Project Objective: Provide design for Dos Rios Upgrades resulting from recommendation from the Producti

Description and Scope:

This project will provide for professional engineering design services to upgrade aspects of the existing DCS system(s) at Dos Rios WRC as recommended by the Production and Treatment SCADA Master Plan. These upgrades will position Dos Rios WRC to move toward future standardizations of instrumentation and control systems throughout SAWS as outlined in the Production and Treatment SCADA Master Plan.

Remarks:

The Consultant is currently working on the Production and Treatment SCADA Master Plan and a final plan is expected in October 2012.

Operating Impact:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Equipment Failure		Regulatory Non-compliance	Failed System Component	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	7	10	630	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013	2014
	\$0	\$200,000	\$2,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Leon Creek WRC Aeration System Automation

Programmed Amount: \$311,933

Core Business: Wastewater

Category: Treatment R&R

Phase: Design

Council District: 4



PROJECT INFORMATION

Project Objective: Automate the existing aeration system associated with aeration tanks and process air blowers.

Description and Scope:

Automate the existing aeration system associated with aeration tanks and process air blowers to supply the optimum amount of air required for the biological process, address energy wasting by preventing excess aeration of the tanks, and provide monitoring capability for operators to effectively control the aeration process.

This project includes automation of the aeration tank / process air blower system at the Leon Creek WRC. The efficiency of the newly installed (Turblex) blowers is better realized if the capability is provided for the blowers to ramp up / down automatically based on the measured oxygen demand along the length of the existing aeration basins and with varying plant flows and wastewater composition. For automation, actuating valves, piping and appurtenances, associated electrical and process instrumentation and control work will be required.

Remarks:

The new automated system will prevent excess aeration by providing just the required amount of air and a more balanced distribution of air across the aeration tanks thereby preventing energy wastage, and ensure that the maximum benefit is obtained from the new (Turblex) blowers as intended.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Unsustainable Equipment	Regulatory Non-compliance	System Optimization	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
6	6	6	216

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013	2014
	\$0	\$275,000	\$3,000,000



**2013 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet**

Water Delivery

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2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Service Center Facility Project Plan - WD Share
Programmed Amount: \$6,351,400
Core Business Water Delivery
Category: Corporate WD
Phase: Acquisition
Council District System wide

PROJECT INFORMATION

Project Objective: Construction of new service center and spoils site.
Description and Scope:
 SAWS currently has increased risk by having fleet and production on the same site at the NWSC. This project will eliminate risk from code compliance issues at the facilities and decrease risk at production sites by relocating D&C crews away from tanks and wells.

Remarks:
 Based on previous Operations Research assessment and the addition of the DSP service area, this project will improve D&C response time at all facilities and allow for a master planned realignment that increases efficiencies in projection, RPC, and customer service.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	0	0
	\$5,500,000	\$0	\$0



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: IBM Mainframe Upgrade - WD Share

Programmed Amount: \$577,400

Core Business Water Delivery

Category: Corporate WD

Phase: Acquisition

Council District System wide

PROJECT INFORMATION

Project Objective: Upgrade a legacy system which is no longer supported.

Description and Scope:

New hardware and software to upgrade the system.

Remarks:

If the existing mainframe crashes, it can take up to two months to recover.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:

Failure Impact:

Failure Root Cause:

Impact Severity

Likelihood of Occurrence

Risk Mitigation

Risk Exposure

FUNDING INFORMATION

LandYear:

DesignYear:

Construction Year

Amounts shown are estimated costs without SAWS overhead.

2013

0

0

\$500,000

\$0

\$0



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: ERSS Customer Information System - WD Share
Programmed Amount: \$577,400
Core Business Water Delivery
Category: Corporate WD
Phase: Acquisition
Council District System wide

PROJECT INFORMATION

Project Objective: Complete the Customer Information System by November 2013.
Description and Scope:
 Continuously assess the project to deliver a product which will perform and scale to SAWS expectations and requirements.


Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	0
	\$500,000	\$0

 2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet			
PROJECT DESCRIPTION			
Project: CIP Program Management Software			
Programmed Amount: \$1,443,500			
Core Business Water Delivery			
Category: Corporate WD			
Phase: Acquisition			
Council District System wide			
PROJECT INFORMATION			
Project Objective: Develop software to enable project and program management of CIP projects.			
Description and Scope:			
The \$200 million annual CIP program is currently managed on disconnected spreadsheets, resulting in inefficiency and making it difficult to track the program and understand the impact of changes to multi-year projects. This project will increase the efficiency and quality of program management, and increase the accuracy of project and program tracking and decision making. The project will include a requirements analysis of SAWS CIP program to determine the best tool(s) to manage the program, and evaluate CIPPlanner, Prolog, Skire, and other capital program management software, before implementing a solution.			
Remarks:			
FAILURE ANALYSIS AND RISK RATINGS			
Failure Mode:		Failure Impact:	
Failure Root Cause:			
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
FUNDING INFORMATION			
LandYear:	DesignYear:	Construction Year	
Amounts shown are estimated costs without SAWS overhead.	2013	0	0
	\$1,250,000	\$0	\$0



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Hidden Springs Water System Improvement
Programmed Amount: \$1,327,332
Core Business Water Delivery
Category: Distribution Growth
Phase: Construction
Council District: 8



PROJECT INFORMATION

Project Objective: Increase system fire flow capacity.

Description and Scope:

Project installs 870 linear feet of 16-inch water main along Aue Rd. from existing 16-inch main to proposed 12-inch main near the intersection on Aue Rd. and Whistling Wind. (PZ11-17) \$147,526.00
 Project installs 1,700 linear feet of 12-inch water main. Along Aue Rd. from proposed 16-inch main to proposed Rocky Hill Booster Station. (PZ11-18) \$227,506.00
 Project installs 2,300 linear feet of 12-inch water main. From intersection of Aue Rd. and Whistling Wind along Whistling Wind, Black Creek and easement to proposed Rocky Hill Booster Station. (PZ11-19) \$307,802.00
 Project installs 1,200 linear feet of 8-inch water main. From the intersection of Black Creek and Whistling Wind along Whistling Wind (PZ11-20) \$107,062.00
 Project installs 930 linear feet of 12-inch water main. Along Rocky Hill from the proposed Rocky Hill Booster Station.

Remarks:

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

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2012	2013
	\$0	\$0	\$1,149,404



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Install PRVs With Hidden Springs Water Project

Programmed Amount: \$80,836

Core Business: Water Delivery

Category: Distribution Growth

Phase: Construction

Council District: 8



PROJECT INFORMATION

Project Objective: Increase system fire flow capacity.

Description and Scope:

Project consists of installing Pressure Reducing Valves (PRV) on property and Thermal Expansion Tanks (TET) inside the house of approximately 40 residents within Hidden Springs neighborhood.

The design is being funded through a Work Order on the 2009 Engineering Design Services – Replacements and Improvements, Contract I.

Remarks:

The objective is to assure that the increased pressure resulting from the Crescent Park Booster Station (Job # 12-6006) and Hidden Springs Water Project (Job # 11-7003) do not damage residential plumbing in the Hidden Springs neighborhood.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2011	2013
	\$0	\$0	\$70,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Water Main Oversizing 2013
 Programmed Amount: \$1,154,800
 Core Business Water Delivery
 Category: Distribution Growth
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

Project Objective: Oversize water distribution system for future growth.

Description and Scope:

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

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$1,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Dominion Fire Flow Improvement
Programmed Amount: \$3,175,700
Core Business Water Delivery
Category: Distribution Growth
Phase: Construction
Council District 8



PROJECT INFORMATION

Project Objective: Increase system fire flow capacity.

Description and Scope:

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

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

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

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

Project installs 500 linear feet of 8-inch water main. Through an easement from Carriage Hills to Davenport Lane (PZ11B-05) \$44,609.00

Project installs 350 linear feet of 8-inch water main. Along Davenport Lane from Vineyard Drive to the end of

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Flow/Pressure Problems		Customer Dissatisfaction		Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure		
10	3	2	60		

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	2011	2013
	\$250,000	\$0	\$2,750,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Install PRVs With Dominion Fire Flow Project

Programmed Amount: \$230,960

Core Business Water Delivery

Category: Distribution Growth

Phase: Construction

Council District 8



PROJECT INFORMATION

Project Objective: Increase system fire flow capacity.

Description and Scope:

Project consists of installing Pressure Reducing Valves (PRV) on property and Thermal Expansion Tanks (TET) inside the house of approximately 130 residents within Dominion neighborhood.

The design is being funded through a Work Order on the 2009 Engineering Design Services – Replacements and Improvements, Contract II.

Remarks:

The objective is to assure that the increased pressure resulting from the Crescent Park Booster Station (Job # 12-6006) and Dominion Fire Flow Improvement project (Job # 11-7004) do not damage residential plumbing in the Dominion neighborhood.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Flow/Pressure Problems		Customer Dissatisfaction	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	3	2	60	

FUNDING INFORMATION

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



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Water Adjustments
 Programmed Amount: \$5,866,384
 Core Business Water Delivery
 Category: Governmental Water
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

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

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$5,080,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Water Installations
Programmed Amount: \$1,385,760
Core Business Water Delivery
Category: Governmental Water
Phase: Construction
Council District System wide



PROJECT INFORMATION

Project Objective: Increase system capacity for future growth.

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$1,200,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Governmental Water Replacements
 Programmed Amount: \$9,296,140
 Core Business Water Delivery
 Category: Governmental Water
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

Project Objective: Replace aging/failing Distribution infrastructure.

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$8,050,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Meter Replacements

Programmed Amount: \$3,933,249

Core Business Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Replace aging water meters

Description and Scope:

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

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.	LandYear:	DesignYear:	Construction Year
	0	0	2013
	\$0	\$0	\$3,406,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Open Cut Water Contract

Programmed Amount: \$1,732,200

Core Business Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System wide



PROJECT INFORMATION

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

Description and Scope:

This contract provides a flexible method to replace several thousand feet of various diameter water mains system wide.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

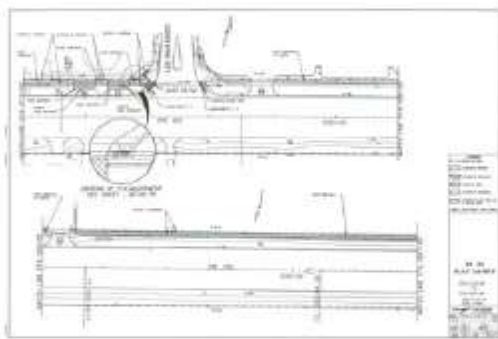
FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0	2013
	\$0	\$0	\$1,500,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Unspecified Services Engineering Contract Water
Programmed Amount: \$1,154,800
Core Business: Water Delivery
Category: Main Replacement - Water
Phase: Design
Council District: System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Distribution infrastructure.

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

Remarks:
 This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: Service Interruption	Failure Impact: Customer Dissatisfaction	Failure Root Cause: Other/Deterioration
Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10
		Risk Exposure 1000

FUNDING INFORMATION

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



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Main Replacements - Water - SAWS Crews
 Programmed Amount: \$11,548
 Core Business Water Delivery
 Category: Main Replacement - Water
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

Project Objective: Rehabilitate aging/failing Distribution infrastructure.

Description and Scope:

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

Remarks:

This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$10,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Valves, Services and Meters
 Programmed Amount: \$4,850,160
 Core Business Water Delivery
 Category: Main Replacement - Water
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

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

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

Remarks:
 This is an annually recurring project.

FAILURE ANALYSIS AND RISK RATINGS

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


FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
		2013
Amounts shown are estimated costs without SAWS overhead.		\$4,200,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Chlorine System Upgrades
 Programmed Amount: \$692,880
 Core Business Water Delivery
 Category: Production R&R
 Phase: Design
 Council District System wide



PROJECT INFORMATION

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

Description and Scope:
 The purpose of the chlorine upgrade project is to provide scales for chlorine containers for facilities which do not currently have scales and are not planned for upgrade in the next several years. The project will also provide scrubbers or other type of secondary containment at our primary pump station chlorine buildings to minimize the risk to the public in case of an accidental release of chlorine from one of these sites. The project will include the following 8 pump stations: 34th Street, Artesia, Maltzberger, Marbach, Micron, Randolph, Seale and Wurzbach. This project is required to meet TCEQ requirements and avoid future notices of violation. Project will also minimize the risk associated with any possible chlorine leak.

Remarks:
 This project will upgrade the four remaining sites that were not included in the 2012 project: 34th Street, Maltzberger, Marbach, and Wurzbach. The original program was to systematically rehabilitate all of our primary pump stations and part of this upgrade included adding scales, buildings, and scrubber systems for chlorine. Because of the limited CIP funding this will occur over a much longer time frame than originally anticipated. We had committed to TCEQ that chlorine scales would be added to our Primary Pump stations by 2014 during the 2007 inspection.

Impact/Risk Assessment

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

LandYear:	0	DesignYear:	2013
Construction Year			2014
Amounts shown are estimated costs without SAWS overhead.	\$0	\$600,000	\$6,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Tank Mixing Systems - Shields/Cross Mountain

Programmed Amount: \$1,154,800

Core Business Water Delivery

Category: Production R&R

Phase: Construction

Council District 8

PROJECT INFORMATION

Project Objective: Addition of a tank mixing and aeration system to reduce TTHM levels.

Description and Scope:

Addition of a tank mixing and aeration system to Shields GST and Cross Mountain EST to reduce trihalomethane TTHM levels by a minimum of 30%.


Remarks:

Compliance monitoring for the Stage 2 DBP rule began in April 2012 and requires that each sampling point in our distribution system have annual average THM levels below the MCL of 80 micrograms/liter. The water age in our distribution system after the Winwood Tank (GBRA surface water take point) contributes to THM levels that can exceed the MCL. Reducing the THM levels at tanks with low turnover will correct this problem.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0	2013
	\$0	\$0	\$1,000,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Winwood Disinfectant Treatment Process Change (MIOX)

Programmed Amount: \$577,400

Core Business: Water Delivery

Category: Production R&R

Phase: Construction

Council District: 8

PROJECT INFORMATION

Project Objective: Change in disinfection treatment process (MIOX) for Winwood facility will reduce formation of disinfection by-products.

Description and Scope:
 Two projects were added to help us reduce total trihalomethane (TTHM) levels in the areas on the northwest side of town where we integrate water from Western Canyon (GBRA). This one entails replacement of the gaseous chlorine feed system at Winwood with a mixed oxidants (MIOX) system, which is a compatible disinfectant.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0	2013
	\$0	\$0	\$500,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Water Production Facility Upgrades Program Phase 8 - Nacogdoches

Programmed Amount: \$15,012,400

Core Business: Water Delivery

Category: Production R&R

Phase: Construction

Council District: 10



PROJECT INFORMATION

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

Description and Scope:

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

Remarks:

Project includes the replacement of all electrical switchgear, chlorination and fluoridation equipment, miscellaneous valves, piping and other items.
Project also includes the installation of a new 7.5 mgd ground storage tank and two (2) additional high service pumps to prevent the elevated tanks in PZ 9 from draining too quickly.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Low Flow/Pressure	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

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

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Water Production Facility Upgrades Program Phase 4a – Basin
Programmed Amount: \$4,619,200
Core Business: Water Delivery
Category: Production R&R
Phase: Design
Council District: 1



PROJECT INFORMATION

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

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

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year:
Amounts shown are estimated costs without SAWS overhead.	2012	2013
\$0	\$475,000	\$4,000,000



**2013 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet**

Water Supply

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2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

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

Programmed Amount: \$1,367,883

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District: 3



PROJECT INFORMATION

Project Objective: Build RW Pump Station and Ground Storage Tank

Description and Scope:

The SARA river improvement includes construction of a recycle water line extension under the San Antonio River from the existing recycled water line on Riverside Dr. to Mission County Park. This separate project will provide the infrastructure to support recycled water service to the three customers at the Mission Park Redevelopment Area. Per Master Planning modeling efforts, the recycled water line to Riverside Golf Course does not have sufficient pressure (or capacity) to supply the Mission Park Redevelopment Area and the Golf Course. This tank will address the capacity issue, and the booster pumps will address the pressure issue. Brooks Pump station currently feeds the Riverside golf course and will soon provide for the development at the San Jose site which is situated near the Riverside golf course.

Remarks:

This project is being programmed to coincide with completion of Brooks Recycled Water Pump Station Upgrade Project. Recycled Operations is securing contracts with the three customers. (by August 31, 2013). Construction needs to begin in 2012 to meet that schedule. Recycle Operations is securing contracts with the three customers.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Low Flow/Pressure	System Improvement	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2012	2013
	\$0	\$125,000	\$990,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Recycle Customer Lines
 Programmed Amount: \$1,381,700
 Core Business Water Supply
 Category: Recycled Water
 Phase: Construction
 Council District System wide



PROJECT INFORMATION

Project Objective: Increase use of Recycled Water
 Description and Scope:
 Economic incentives provided to encourage greater use of recycled water.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: Corporate Mandate	Failure Impact: Failure of Corporate Initiative	Failure Root Cause: System Optimization	
Impact Severity 9	Likelihood of Occurrence 9	Risk Mitigation 9	Risk Exposure 729

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:	DesignYear:	Construction Year
		2013
		\$1,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Desalination: Construction Manager at Risk (Construction Services)

Programmed Amount: \$98,034,496

Core Business Water Supply

Category: Water Resources

Phase: Construction

Council District System wide



PROJECT INFORMATION

Project Objective: Increase water supply.

Description and Scope:

The Scope of Work will include construction of the remainder of the brackish production wells, well field collection system, reverse osmosis treatment plant, concentrate disposal pipelines, injection facilities/wells, electrical, and SCADA systems.

Remarks:

\$15 million in 2012 and \$74 million in 2013.

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

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

LandYear:

DesignYear:

Construction Year

2013

\$84,280,000

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Desalination: Legal
 Programmed Amount: \$116,320
 Core Business Water Supply
 Category: Water Resources
 Phase: Acquisition
 Council District System wide



PROJECT INFORMATION

Project Objective: Increase available water supply.

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

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

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	0	
	\$100,000	\$0	



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Edwards Aquifer Acquisitions Contract Advisory Services

Programmed Amount: \$64,921

Core Business: Water Supply

Category: Edwards Aquifer

Phase: Acquisition

Council District: System wide



PROJECT INFORMATION

Project Objective: Increase Edwards Aquifer Supply.

Description and Scope:

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

Remarks:

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

FAILURE ANALYSIS AND RISK RATINGS


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

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013 \$64,438		

San Antonio Water System **2013 CAPITAL IMPROVEMENTS PROGRAM**
Project Data Sheet

PROJECT DESCRIPTION

Project: Edwards Aquifer Water Rights
Programmed Amount: \$10,981,750
Core Business: Water Supply
Category: Edwards Aquifer
Phase: Acquisition
Council District: System wide



PROJECT INFORMATION

Project Objective: Consolidate Edwards Water Rights

Description and Scope:
 Purchase 2,180 acre-feet of Edwards Aquifer Water Rights at \$5,000 per acre-foot, and acquire title insurance for the purchases.

Scope:
 The additional 2,180 acre-feet are needed to help off-set permitted supply gaps identified in the 50-year Water Management Plan.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	0	0
	\$10,900,000	\$0	\$0



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Integration: Construction Management & Inspection

Programmed Amount: \$5,816,000

Core Business Water Supply

Category: Water Resources

Phase: Construction

Council District System wide

PROJECT INFORMATION

Project Objective: Increase Available Water Supply

Description and Scope:

Construction management and field inspection services for integration pipeline projects.

Remarks:

\$2M in 2013 and \$3M in 2014

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	0
\$0	\$0	2013
		\$5,000,000



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Regional Carrizo: Well Mitigation

Programmed Amount: \$1,138,354

Core Business: Water Supply

Category: Water Resources

Phase: Construction

Council District: OCL

PROJECT INFORMATION

Project Objective: Increase Available Water Supply

Description and Scope:

Mitigate impacts on wells in the project area. The payments are planned as follows:

1. Gonzales County underground Water Conservation District Mitigation payment - \$350,640 (required with issuance of a final permit).
2. Mediation settlement payment to the City of Nixon - \$328,000.00 (required to obtain Gonzales Permit and payable prior to production from wells in late 2013).
3. Mediation mitigation settlement with City of Nixon to mitigate 3 municipal wells - \$300,000.00 (part of mediated settlement for permit).

Remarks:

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

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	0	
	\$978,640	\$0	



**2013 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet**

Heating & Cooling

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2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Chilled Water Distribution Loop Isolation Valves and Meter Upgrades

Programmed Amount: \$93,025

Core Business: Heating & Cooling

Category: Heating & Cooling R&R

Phase: Design

Council District: I



PROJECT INFORMATION

Project Objective: Provide isolation valves to isolate lines during repairs for operational flexibility and minimize disruption to customers on the same feed line.

Description and Scope:

Evaluate and design for the installation of isolation valves to the chilled water distribution lines for the purposes of isolating pipelines during repairs and minimizing disruption and impact to customers on the same distribution feed line.

Evaluate and design for the installation of new flow meters for the chilled water and steam systems.

Measurements from the flow meters are used to calculate system efficiencies and for customer billing. The accuracy of these meters is essential to the proper operation of the SAWS heating and cooling system and for customer billing. Replace existing flow meters to provide for proper operation of the SAWS heating and cooling system as well as increase the accuracy of customer billing.

Remarks:

** Chilled Water Distribution Loop Isolation Valves - In addition to \$373,200 for new valves, EEA highly recommending exercising / repairing existing isolation valves.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: **Failure Impact:** **Failure Root Cause:**

Impact Severity **Likelihood of Occurrence** **Risk Mitigation** **Risk Exposure**

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0	2013	2014
	\$0	\$74,420	\$744,400



2013 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT DESCRIPTION

Project: Heating and Cooling Governmental Projects
 Programmed Amount: \$5,952,271
 Core Business Heating & Cooling
 Category: Heating & Cooling R&R
 Phase: Construction
 Council District 1



PROJECT INFORMATION

Project Objective: Replace or adjust heating and cooling facilities in connection with another agency's projects.

Description and Scope:

City projects (Market Street, Hemisfair Park Area Streets, and the HBG Convention Center Expansion) require the replacement and adjustment of chilled water and steam facilities. Steam mains require replacement due to deterioration. Chilled water mains require adjustment due to conflicts with the City's proposed construction.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: Service Interruption	Failure Impact: Excessive Downtime	Failure Root Cause: Conflict with City or State	
Impact Severity 9	Likelihood of Occurrence 10	Risk Mitigation 10	Risk Exposure 900

FUNDING INFORMATION

	LandYear:	DesignYear:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	0		2013
	\$0		\$4,761,817

	<h2 style="margin: 0;">2013 CAPITAL IMPROVEMENTS PROGRAM</h2> <h3 style="margin: 0;">Project Data Sheet</h3>
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PROJECT DESCRIPTION

Project: Heating and Cooling System Infrastructure 2013
 Programmed Amount: \$125,000
 Core Business Heating & Cooling
 Category: Heating & Cooling
 Phase: Construction
 Council District 1,2



PROJECT INFORMATION

Project Objective: Heating & Cooling Infrastructure Repair and Rehabilitation

Description and Scope:
 Annual requirement for emergency repair and/or replacement of Heating & Cooling related capital assets; including distribution mains and chilled water and steam equipment and facilities. Projects vary in size and location. Unspecified scope.

Remarks:

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode: Equipment Failure	Failure Impact: Service Interruption	Failure Root Cause: Failed System Component
Impact Severity 10	Likelihood of Occurrence 10	Risk Mitigation 10
		Risk Exposure 1000

FUNDING INFORMATION

LandYear:	DesignYear:	Construction Year
		2013
Amounts shown are estimated costs without SAWS overhead.		\$100,000

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SUPPLEMENTAL INFORMATION

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SUPPLEMENTAL INFORMATION

STATISTICAL SECTION

Revenue Capacity - Water Production, Water Usage and Wastewater Treated

Fiscal Year	Gallons of Water Production (b)	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated (c)	Total Direct Rate			
						Water		Sewer	
						Base Rate (d)	Usage Rate (e)	Base Rate (f)	Usage Rate (g)
2012	66,596	55,320	11,276	16.93%	49,055	\$ 7.31	\$ 20.24	\$ 9.92	\$ 12.24
2011	70,699	59,133	11,566	16.36%	49,918	7.10	18.10	8.73	10.78
2010 (a)	61,272	52,578	8,694	14.19%	48,152	7.10	18.10	8.73	10.78
2009	62,649	55,295	7,354	11.74%	51,987	6.77	20.04	7.76	9.63
2008	67,523	58,828	8,695	12.88%	50,347	6.56	19.92	7.37	9.14
2007	55,043	49,511	5,532	10.05%	49,217	6.56	19.59	7.37	9.14
2006	63,388	57,724	5,664	8.94%	53,270	6.56	19.69	7.37	9.14
2005	58,990	55,005	3,985	6.76%	49,287	6.11	18.42	7.33	9.10
2004	51,231	49,367	1,864	3.64%	49,592	5.61	15.47	6.60	8.19
2003	55,039	50,575	4,464	8.11%	49,669	5.61	13.20	5.70	7.14

- (a) Reflects rate increase and rate restructuring for water usage beginning in November 2010. Prior to November, Water Base Rate (including TCEQ fees) was \$6.96, Water Usage Rate was \$20.52, Sewer Base Rate (including TCEQ fees) was \$7.81 and Sewer Usage Rate was \$9.63.
- (b) Pumpage is total potable water production less Aquifer Storage and Recovery recharge
- (c) Represents amounts billed to customers. Residential Class customers are billed based on water usage during a consecutive three month billing period from November through March. All other customer classes are billed for wastewater treatment based on actual water usage during each monthly billing period.
- (d) Rate shown is for 5/8" meters. See Schedule 8 for the rates of other meter sizes.
- (e) Represents standard (non-seasonal) usage charge for monthly residential water usage of 7,788 gallons per month. Includes water supply and EAA fees.
- (f) Minimum service availability charge (includes charge for first 1,496 gallons)
- (g) Represents usage charge for a residential customer based on winter average water consumption of 6,178 gallons per month

Number of Customers (Average number billed)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water Sales (a):										
Residential Class	339,204	335,280	331,853	327,610	323,754	318,270	308,807	298,271	289,458	282,016
General Class	23,582	23,369	23,225	23,242	23,104	22,943	22,662	22,384	22,092	21,894
Wholesale Class	8	7	7	7	7	7	7	6	6	7
Total Water	362,794	358,656	355,085	350,859	346,865	341,220	331,476	320,661	311,556	303,917
Irrigation Class (b)	8,633	8,479	8,350	8,202	7,940	7,602	7,232	6,883	6,522	6,283
Wastewater Sales:										
Residential Class	383,553	378,380	373,755	368,948	361,966	352,038	338,693	326,516	316,498	313,042
General Class	24,824	24,550	24,407	24,285	23,999	23,604	23,408	23,016	22,590	22,386
Wholesale Class	12	12	7	12	13	11	12	12	12	11
Total Wastewater	408,389	402,942	398,169	393,245	385,978	375,653	362,113	349,544	339,100	335,439
Conservation - Residential	23,804	33,708	21,791	26,665	29,973	15,548	31,716	27,963	18,754	22,177
Recycled Water Sales	92	80	81	86	76	71	69	56	51	33

- (a) Water Supply and EAA fees are billed to a water customers with water usage.
- (b) Represents the number of customers included in Residential, General and Wholesale Classes which also have irrigation meters.
- (c) The residential class rate applied to monthly residential usage in excess of 17,205 gallons is designated as Conservation Fees. These customers are included in the residential class for water sales.

STATISTICAL SECTION (CONTINUED)

Sales by Source (\$ in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water Sales:										
Residential Class	\$72,620	\$79,332	\$66,410	\$65,333	\$68,516	\$56,096	\$65,927	\$58,351	\$44,829	\$45,147
General Class	35,504	33,571	32,326	32,943	32,330	29,313	31,606	28,613	24,006	23,219
Wholesale Class	1,255	234	136	204	179	120	145	182	114	143
Irrigation Class (a)	11,164	11,722	12,909	12,176	16,124	10,659	12,541	11,723	8,210	8,666
Total Water	120,543	124,859	111,781	110,656	117,149	96,188	110,219	98,869	77,159	77,175
Water Supply Fees (b)										
Residential Class	44,163	51,696	45,312	45,909	49,042	39,081	48,403	42,283	28,623	23,290
General Class	32,537	31,586	29,764	30,403	30,140	28,105	29,531	27,036	19,945	16,410
Wholesale Class	2,294	202	158	178	160	132	166	165	104	116
Irrigation Class	12,058	13,029	7,154	6,288	8,016	5,285	6,154	5,741	3,559	2,824
Total Water Supply Fees	91,052	96,513	82,388	82,778	87,358	72,603	84,254	75,225	52,231	42,640
EAA Pass-through fees (c)										
Residential Class	10,841	4,767	5,423	3,605	5,893	3,561	4,925	4,818	3,304	3,247
General Class	7,352	2,930	3,648	2,387	3,622	2,560	3,005	3,080	2,303	2,288
Wholesale Class	509	18	19	14	19	12	17	19	12	16
Irrigation Class	1,242	540	765	494	963	481	626	654	411	394
Total Pass-through fees	19,944	8,255	9,855	6,500	10,497	6,614	8,573	8,571	6,030	5,945
Conservation Fees:										
Residential Class	2,986	3,682	2,814	2,962	3,663	1,986	4,112	3,291	2,411	2,411
General Class	7,040	6,702	4,461	4,008	3,938	3,957	3,637	3,968	3,558	3,519
Total Conservation	10,026	10,384	7,275	6,970	7,601	5,943	7,749	7,259	5,969	5,930
Wastewater Sales:										
Residential Class	98,674	88,702	79,118	81,202	75,752	72,212	72,901	63,605	55,763	48,649
General Class	54,175	48,271	41,768	41,343	40,034	38,554	38,325	37,342	31,622	28,410
Wholesale Class	6,761	6,105	5,044	5,225	5,281	6,469	6,704	6,435	5,695	4,693
Surcharge	5,134	4,815	4,861	4,648	4,614	4,409	4,271	4,081	4,019	4,075
Total Wastewater	164,744	147,893	130,791	132,418	125,681	121,644	122,201	111,463	97,099	85,827
TCEQ Pass-through fees (d)										
Water customers	1,064	1,178	964	-	-	-	-	-	-	-
Wastewater customers	411	464	280	-	-	-	-	-	-	-
	1,475	1,642	1,244	-	-	-	-	-	-	-
Recycled Water Sales	5,074	5,068	3,955	4,393	4,287	3,244	3,795	3,100	2,669	2,455
Stormwater Fees	4,558	4,158	3,745	3,358	3,037	3,056	3,056	2,938	2,746	2,400
Chilled Water & Steam	12,485	11,715	12,337	12,714	12,758	13,101	13,243	13,371	12,028	12,193
Miscellaneous Fees and Charges	12,427	10,193	8,872	9,266	9,541	7,944	8,204	7,374	6,756	6,519
Provision for Uncollectible Accounts	(3,800)	(2,811)	(3,463)	(3,711)	(3,288)	(2,619)	(2,638)	(1,637)	(1,415)	(1,260)
Total Operating Revenue	\$438,528	\$417,869	\$368,780	\$365,342	\$374,621	\$327,718	\$358,656	\$326,533	\$261,272	\$239,824

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

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

(c) EAA pass-through fees are designed to recoup fees charged by Edwards Aquifer Authority (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.

(d) TCEQ pass-through fees are designed to recoup fees charged by the Texas Commission on Environmental Quality (TCEQ). Fee is a per customer charge.

STATISTICAL SECTION (CONTINUED)**Sales in Gallons****(Gallons billed, in millions)**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water Sales (a):										
Residential Class	30,070	34,153	28,932	30,667	33,025	26,651	33,162	30,917	27,054	27,624
General Class	20,393	20,986	19,465	20,309	20,297	19,166	20,232	19,769	18,851	19,464
Wholesale Class	1,412	128	101	119	108	90	114	121	98	137
Irrigation Class	3,445	3,866	4,080	4,200	5,398	3,604	4,216	4,198	3,364	3,350
Total Water	55,320	59,133	52,578	55,295	58,828	49,511	57,724	55,005	49,367	50,575
Wastewater Sales:										
Residential Class	26,572	27,371	26,746	29,825	28,148	27,383	28,859	25,293	25,421	24,860
General Class	20,066	20,134	20,002	20,338	20,352	19,634	21,967	22,262	21,800	22,249
Wholesale Class	2,417	2,413	1,404	1,824	1,847	2,200	2,444	1,732	2,371	2,560
Total Wastewater	49,055	49,918	48,152	51,987	50,347	49,217	53,270	49,287	49,592	49,669
Conservation - Residential	3,026	4,106	2,935	3,469	3,948	2,432	4,276	3,613	2,634	2,636
Recycled Water Sales	18,129	18,990	14,968	16,321	16,559	14,148	14,836	14,048	13,626	13,643

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

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

STATISTICAL SECTION (CONTINUED)**Ten Largest Customers - Water***(For Fiscal Year Ended December 31, 2012)*

Customer	Principal Business	Usage (million gallons)	%	Revenue (a) (in thousands)	%
Fiscal Year Ended December 31, 2012:					
CITY OF SAN ANTONIO	Municipal Entity	540	0.98	\$ 2,716	1.12
SAN ANTONIO HOUSING AUTHORITY	Public Housing	493	0.89	1,866	0.77
HEB GROCERY	Grocery	468	0.85	1,822	0.75
BEXAR COUNTY	County Government	310	0.56	1,119	0.46
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	256	0.46	1,118	0.46
CPS ENERGY	Public Power Utility	288	0.52	1,019	0.42
SAN ANTONIO INDEPENDENT SCHOOL DISTRICT	School System	161	0.29	792	0.33
MAXIM INTEGRATED PRODUCT INC.	Electronics	238	0.43	765	0.32
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	203	0.37	728	0.30
NORTHEAST INDEPENDENT SCHOOL DISTRICT	School System	162	0.29	721	0.30
Subtotal (10 largest)		3,119	5.64	12,666	5.22
Balance from Other Customers		52,201	94.36	229,963	94.78
Total		55,320	100.00	\$ 242,629	100.00

Ten Largest Customers - Wastewater*(For Fiscal Year Ended December 31, 2012)*

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (in thousands)	%
Fiscal Year Ended December 31, 2012:					
HEB GROCERY	Grocery	419	0.90	\$ 1,904	1.20
SAN ANTONIO HOUSING AUTHORITY	Public Housing	491	1.05	1,281	0.81
L & H PACKING COMPANY	Beef Processor	150	0.32	762	0.48
BEXAR COUNTY	County Government	248	0.53	716	0.45
TOYOTA	Automobile Manufacturer	212	0.45	578	0.36
MAXIM INTEGRATED PRODUCT, INC.	Electronics	214	0.46	555	0.35
CITY OF SAN ANTONIO	Municipal Entity	193	0.41	534	0.34
OAK FARMS DAIRY	Dairy Producer	52	0.11	448	0.28
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	145	0.31	392	0.25
AMERICAN OPPORTUNITY FOR HOUSING	Housing Services	147	0.32	383	0.24
Subtotal (10 largest)		2,271	4.87	7,553	4.77
Balance from Other Customers		44,367	95.13	150,841	95.23
Total		46,638	100.00	\$ 158,394	100.00

WATER AND SEWER RATE SCHEDULES

RESIDENTIAL CLASS WATER AND SEWER RATES SCHEDULES SAN ANTONIO WATER SYSTEM

San Antonio, Texas

Effective for Consumption on or about March 1, 2013

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u> <u>Gallons</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$7.14	First 5,985	\$0.0948	\$0.0948
3/4"	10.01	Next 6,732	0.1372	0.1492
1"	15.75	Next 4,488	0.1935	0.2219
1-1/2"	30.09	Over 17,205	0.3388	0.4597
2"	47.28			
3"	87.44			
4"	144.78			
6"	288.17			
8"	460.22			
10"	660.95			
12"	1,234.47			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u> <u>Gallons</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$9.29	First 5,985	\$0.1234	\$0.1234
3/4"	13.02	Next 6,732	0.1784	0.1940
1"	20.47	Next 4,488	0.2516	0.2885
1-1/2"	39.12	Over 17,205	0.4405	0.5975
2"	61.48			
3"	113.68			
4"	188.23			
6"	374.62			
8"	598.30			
10"	859.24			
12"	1,604.82			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

SEWER

Sewer service charges for all metered residential connections are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

INSIDE CITY LIMITS (ICL)
Monthly Service Availability Charge (includes first 1,496 gallons) - \$11.49
Over 1,496 gallons - \$0.3047 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$32.00 per month.

OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) - \$13.81
Over 1,496 gallons - \$0.3656 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$38.41 per month.

GENERAL CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM
 San Antonio, Texas
 Effective for Consumption on or about March 1, 2013

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$9.92	Base*	\$0.1148
3/4"	14.18	>100-125% of Base	0.1372
1"	22.68	>125-175% of Base	0.1924
1-1/2"	43.95	>175% of Base	0.2818
2"	69.48		
3"	129.04		
4"	214.13		
6"	426.86		
8"	682.12		
10"	979.93		
12"	1,830.83		

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$12.89	Base*	\$0.1492
3/4"	18.43	>100-125% of Base	0.1783
1"	29.48	>125-175% of Base	0.2501
1-1/2"	57.14	>175% of Base	0.3662
2"	90.33		
3"	167.76		
4"	278.37		
6"	554.91		
8"	886.76		
10"	1,273.92		
12"	2,380.08		

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

SEWER

Sewer service charges are computed from the water usage schedules below for all metered connections.

INSIDE CITY LIMITS (ICL)	OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) - \$11.49	Monthly Service Availability Charge (includes first 1,496 gallons) - \$13.81
Over 1,496 gallons - \$0.3047 per 100 gallons.	Over 1,496 gallons - \$0.3656 per 100 gallons.

**WHOLESALE CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about March 1, 2013

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$288.17	Base*	\$0.0796
8"	460.22	>100-125% of Base	0.1196
10"	660.95	>125-175% of Base	0.1727
12"	1,234.47	>175% of Base	0.2442

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$374.62	Base*	\$0.1035
8"	598.30	>100-125% of Base	0.1555
10"	859.24	>125-175% of Base	0.2245
12"	1,604.82	>175% of Base	0.3174

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

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

SEWER

INSIDE CITY LIMITS (ICL)

\$0.2746 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.06 per 100 cubic feet)

OUTSIDE CITY LIMITS (OCL)

\$134.93 Monthly Service Availability Charge plus \$0.3297 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.47 per 100 cubic feet)

**IRRIGATION CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about December 1, 2011

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks.</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$9.92	0 Gallons	\$0.0000	\$0.0000
3/4"	14.18	Next 6,732	0.1613	0.1613
1"	22.68	Next 10,473	0.1935	0.2246
1-1/2"	43.95	Over 17,205	0.3388	0.4650
2"	69.48			
3"	129.04			
4"	214.13			
6"	426.86			
8"	682.12			
10"	979.93			
12"	1,830.83			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks.</u> <u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$12.89	0 Gallons	\$0.0000	\$0.0000
3/4"	18.43	Next 6,732	0.2097	0.2097
1"	29.48	Next 10,473	0.2515	0.2920
1-1/2"	57.14	Over 17,205	0.4405	0.6045
2"	90.33			
3"	167.76			
4"	278.37			
6"	554.91			
8"	886.76			
10"	1,273.92			
12"	2,380.08			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

WATER SUPPLY FEES SCHEDULE
SAN ANTONIO WATER SYSTEM
San Antonio, Texas
Effective for Consumption on or about March 1, 2013

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

<u>Rate Class</u>	<u>Usage Blocks, Gallons</u>	<u>Fee to be Assessed (per 100 gallons)</u>
Residential	First 5,985	\$0.1080
	Next 6,732	\$0.1562
	Next 4,488	\$0.2204
	Over 17,205	\$0.3857
General	Base*	\$0.1661
	>100-125% of Base	\$0.1661
	>125-175% of Base	\$0.1661
	>175% of Base	\$0.1661
Wholesale	Base*	\$0.1661
	>100-125% of Base	\$0.1661
	>125-175% of Base	\$0.1661
	>175% of Base	\$0.1661
Irrigation	0 Gallons	\$0.0000
	Next 6,732	\$0.1661
	Next 10,473	\$0.2204
	Over 17,205	\$0.4183

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

**RECYCLED WATER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM
San Antonio, Texas**

Effective for Consumption on or about December 1, 2011

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each mo

EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARG		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$9.04	Transferred Amount	\$0.0238	\$0.0238
3/4"	11.76			
1"	15.31	All in excess of		
1-1/2"	24.35	transferred amount	0.0892	0.0948
2"	35.61			
3"	94.71			
4"	140.77	The Volume Charge "Seasonal" Rate Per 100		
6"	268.54	Gallons shall be applied to all billings beginning		
8"	404.78	on or about May 1 and ending after five		
10"	555.04	complete billing months on or about September		
12"	684.83	30 of each year. At all other times the Volume		
		Charge "Standard" Rate Per 100 Gallons shall be		

NON EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARG		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$9.04	First 748,000	\$0.0955	\$0.1026
3/4"	11.76			
1"	15.31	Over 748,000	0.0975	0.1036
1-1/2"	24.35			
2"	35.61			
3"	94.71			
4"	140.77	The Volume Charge "Seasonal" Rate Per 100		
6"	268.54	Gallons shall be applied to all billings beginning		
8"	404.78	on or about May 1 and ending after five		
10"	555.04	complete billing months on or about September		
12"	684.83	30 of each year. At all other times the Volume		
		Charge "Standard" Rate Per 100 Gallons shall be		

GLOSSARY

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

City Council	The current elected officials of the City of San Antonio, as set forth in the City's Charter. Unless otherwise stated, the Mayor is considered part of the City Council.
Commercial Paper	See "Tax Exempt Commercial Paper"
CPS Energy	Municipally owned utility providing electric and gas to the San Antonio and Bexar County area - formerly City Public Service (CPS).
CPS Contract Or CPS Energy Contract	The Wastewater Contract executed on September 15, 1990 between the Alamo Conservation and Reuse District and the City Public Service Board of San Antonio.
Cured-in-place pipe (CIPP)	A cured-in-place pipe (CIPP) is one of several trenchless rehabilitation methods used to repair existing pipelines. CIPP is a jointless, seamless, pipe-within-a-pipe with the capability to rehabilitate pipes ranging in diameter from 0.15 - 2.8 meter (6"-110"). As one of the most widely used rehabilitation methods CIPP has application in water, sewer, gas, and chemical pipelines
Debt	All indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money and all other SAWS financing obligations payable from Pledged Revenues and/or net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet.
Debt Service Requirements	As of any particular date of computation, with respect to any obligation and with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations.
District Special Project (DSP)	Former Bexar Metropolitan Water District
Encumbrance	Amount for which there is a legal obligation to spend in the future. A purchase order is a typical encumbrance transaction
Edwards Aquifer HCP	Edwards Aquifer Habitat Conservation Plan
Failure Impact	The impact on the customer
Failure Mode	The manner by which a failure is observed; it generally describes the way the failure occurs.
Failure Root Cause	Defects in design, process, quality, or part application, which are the underlying cause of the failure or which initiate a process which leads to failure.

Fiscal Year	The twelve month accounting period used by SAWS in connection with the operation of the System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Board, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.
Gross Revenues	All revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, grants in aid of construction, any amounts payable to the united States as rebate, any impact fees charged by the System, payments received pursuant to the CPS Contract together with earnings and interest thereon, and earnings and income derived from the investment or deposit of money in the Construction Fund.
Junior Lien Obligations	Bonds, Previously Issued Junior Lien Obligations, and any Additional Junior Lien Obligations hereafter issued by the City, or bonds issued to refund any of the foregoing (as determined within the sole discretion of the City Council in accordance with applicable law) if issued in a manner so as to be payable from and equally and ratably secured by a junior lien on and pledge of SAWS' Net Revenues
Net Revenues	Gross Revenues of the System, with respect to any period, after deducting the System's Operating and Maintenance Expenses during such period.
Operating and Maintenance Expense	<p>All current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including:</p> <p>(1) The cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, that are, in the judgment of the Board, necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof and other customers of the System, or are necessary to meet some physical accident or condition which would otherwise impair the payment of Debt,</p> <p>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,</p> <p>(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,</p> <p>(4) Payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City or the Board,</p> <p>(5) The payments made on or in respect of obtaining and maintaining any Credit Facility, and</p> <p>(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</p>

Ordinance	Ordinance No. 75686 adopted by the City Council on April 30, 1992.
Pledged Revenues	The Net Revenues, plus any additional revenues, income, receipts, or other resources, including, without limitation any grants, donations, or income received or to be received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Senior Lien Obligations, and excluding those revenues excluded from Gross Revenues.
Potable Water	Water fit to drink.
Senior Lien Obligations	The outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Pledged Revenues of the System.
Sanitary Sewer Overflow (SSO)	A condition whereby untreated sewage discharged into the environment prior to reaching sewage treatment facilities
Strategic Plan	Strategic plan is a process of identifying corporate goals and priorities. The Strategic Plan becomes a management tool used to help an organization ensure that members of the organization are working toward the same goals, and to assess and adjust the organization's direction in response to a changing environment. Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future.
Subordinate Lien Obligations	The currently outstanding and unpaid obligations of the City that are payable wholly or in part from a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations and the Junior Lien Obligations.
Swap	An exchange of streams of payments over time according to specified terms. The most common type is an interest rate swap, in which one party agrees to pay a fixed interest rate in return for receiving an adjustable rate from another party.
Tax Exempt Commercial Paper	An unsecured, short-term debt instrument maturing between 1 and 270 days, that provides the debt holders (bondholders) exemption from at least some taxes on the earnings at a local, state or federal level, or a combination thereof. The debt is usually issued at a discount, reflecting prevailing market interest rates. Tax-Exempt commercial paper is typically backed only by the issuer's promise to pay the face amount on the maturity date specified on the note.
Water Supply Fee	A consumption based fee that funds the acquisition of new water sources to reduce San Antonio's dependence on the Edwards Aquifer.

GLOSSARY OF ABBREVIATIONS

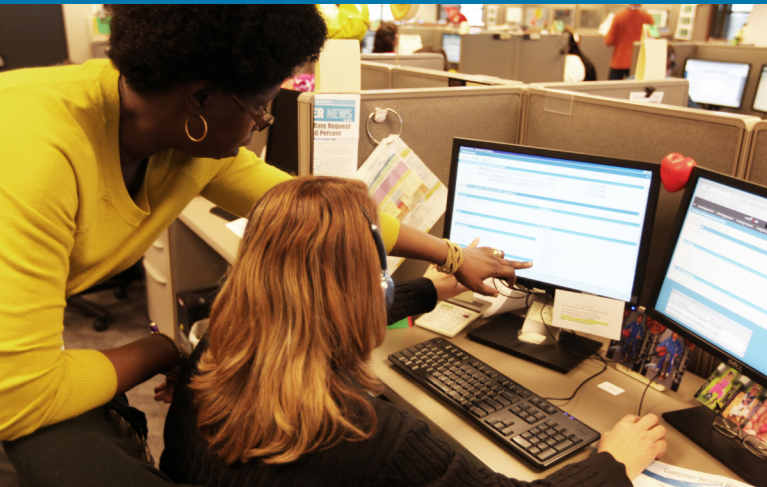
ASR	Aquifer Storage and Recovery
AWC	Average Winter Consumption
BGD	Brackish Groundwater Desalination
BMA	Bexar Medina-Atascosa Water Control and Improvement District
BMWD	Bexar Metropolitan Water District
CCN	Certificate of Convenience and Necessity
CIP	Capital Improvement Program
CIPP	Cured in place pipe
COSA or CSA	City of San Antonio
CPS	City Public Service Energy
CRWA	Canyon Regional Water Regional Authority
DFC	Desired Future Conditions
DSP	District Special Project
EAA	Edwards Aquifer Authority
EAHCP	Edwards Aquifer Habitat Conservation Plan
EARIP	Edwards Aquifer Recovery Implementation Program
EMT	SAWS Executive Management Team
EPA	Environmental Protection Agency
ERSS	Enterprise Resource Software System
FMEA	Failure Methods and Effects Analysis
GASB	Government Accounting Standards Board
GBRA	Guadalupe-Blanco River Authority
GFOA	Government Finance Officers Association
GIS	Geographic Information System
GMA-13	Groundwater Management Area 13

GPCD	Gallons per capita per day
HCP (EAHCP)	Edwards Aquifer Habitat Conservation Plan
LCRA	Lower Colorado River Authority
MSA	Metropolitan Statistical Area
MYFP	Multi-year financial plan
O&M	Operations and Maintenance
OPEB	Other post-employment benefits
RFCSP	Request for Competitive Sealed Proposal
R&R	Renewal and Replacement
SAWS	San Antonio Water System
SMWB	Small, Minority and Women-Owned Business
SSLGC	Schertz-Seguin Local Governmental Corporation
SSO	Sanitary sewer overflow
TCEQ	Texas Commission on Environmental Quality
TECP	Tax exempt commercial paper
TWDB	Texas Water Development Board
WRC	Water Recycling Center
WSC	Water Supply Corporation



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www.saws.org/financials



Annual Operating Budget and Capital Improvement Program

Fiscal Year Ending December 31, 2014
San Antonio, Texas





ANNUAL OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM

FISCAL YEAR ENDING DECEMBER 31, 2014

DOUGLAS P. EVANSON
SENIOR VICE PRESIDENT/CHIEF FINANCIAL OFFICER

MARY E. BAILEY
CONTROLLER

PREPARED BY:
FINANCIAL PLANNING DEPARTMENT

LOUIS LENDMAN, BUDGET MANAGER
PATRICIA ARRIOLA
MARSELLA GONZALEZ
CARLOS MENDOZA
STEPHEN TURNER
ROBERT WALKER

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**San Antonio Water System
Texas**

For the Fiscal Year Beginning

January 1, 2013

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Antonio Water System, Texas** for its annual budget for the fiscal year beginning **January 1, 2013**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

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

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CITY OF SAN ANTONIO
MAYOR AND CITY COUNCIL



Julián Castro
Mayor



Diego M. Bernal District 1



Ivy R. Taylor District 2



Rebecca J. Viagran District 3



Rey Saldaña District 4



Shirley Gonzales District 5



Ray Lopez District 6



Cris Medina District 7



Ron Nirenberg District 8



Joe Krier District 9



Mike Gallagher District 10

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SAN ANTONIO WATER SYSTEM

BOARD OF TRUSTEES



Berto Guerra Jr.
Chairman



Pat Jasso
Assistant Secretary



Louis E. Rowe
Vice Chairman



Ernesto Arrellano, Jr.



Pat Merritt
Secretary



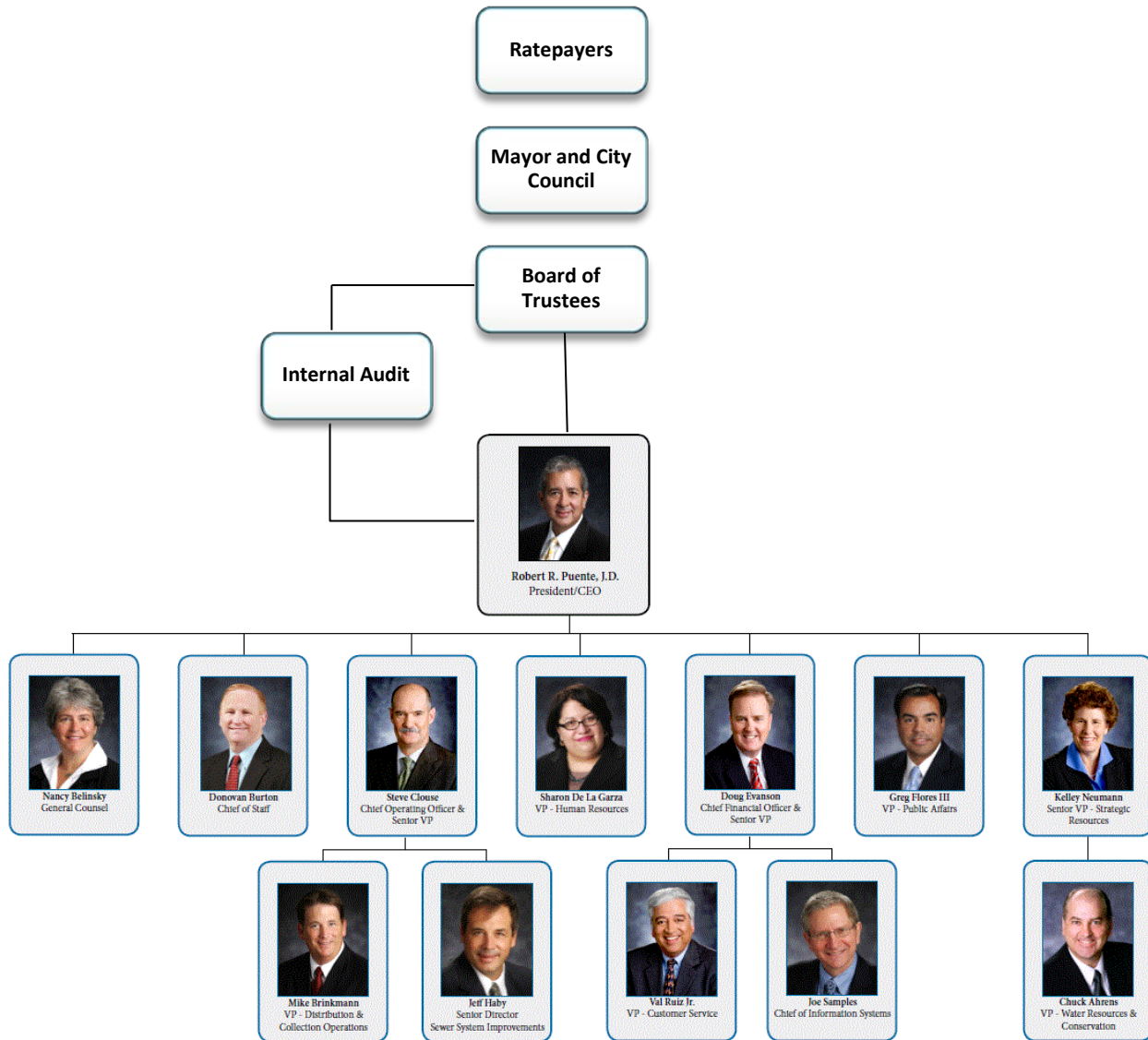
W. Reed Williams



Mayor Julián Castro, ex Officio

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ORGANIZATION CHART



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MISSION – VISION – VALUES

MISSION

Sustainable Affordable Water Service

VISION

To Be Leaders in Delivering Responsible Water Services for Life

VALUES

Excellence, Integrity, and Respect

The mission and vision statements, combined with the SAWS' intrinsic core values, provide the compass which serves to guide the activities, goals and objectives of SAWS' leadership team and workforce.

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

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

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March 17, 2014

Mr. Berto Guerra, Jr., Chairman
Mr. Louis E. Rowe, Vice Chairman
Ms. Pat Merritt, Secretary
Ms. Pat Jasso, Assistant Secretary
Mr. Ernesto Arrellano Jr., Trustee
Mr. W. Reed Williams, Trustee
Honorable Julián Castro, Mayor

Honorable Mayor and Trustees:

I am pleased to present the 2014 Annual Operating Budget and Capital Improvement Program of the San Antonio Water System (SAWS), which has been prepared in accordance with the requirements of City Ordinance No. 75686.

The SAWS budget process for 2014 has been impacted by a number of operational and financial challenges. These challenges include the maintenance and replacement of aging sewer infrastructure to comply with the consent decree settlement agreement approved in June 2013 by SAWS with the U.S. Environmental Protection Agency (EPA) and the continued development and acquisition of diverse water supplies to support San Antonio's future growth.

Before asking the community for additional resources in 2014 to meet these challenges, SAWS has undertaken a thorough, in-house review of its operations to find efficiencies to reduce costs. This review will not stop with development of the 2014 budget; a permanent program of internal performance evaluation will continue to influence all SAWS budgets going forward. For 2014, SAWS has identified more than \$10 million in operations and maintenance (O&M) reductions that offset to a significant extent the need for additional resources.

During the 2013 budget process, SAWS projected that a 13.5% rate increase would be needed in 2014 to support expenditure levels projected at that time. After taking the reductions and other efficiencies into account, SAWS was able to reduce the required rate increase for 2014 to 5.1% for the average residential customer using 7,788 gallons of water and discharging 6,178 gallons wastewater per month.

For specific services provided by SAWS, the 2014 budget requires adjustments of 2.5% for Water Delivery rates, 13.1% for Water Supply Fee rates, 3.8% for Wastewater rates and 2.5% for Recycled Water rates. The rate adjustments are projected to generate a total of \$23.6 million in additional revenue broken down as follows: Water Supply Fee - \$12.7 million, Water Delivery rates - \$3.4 million, and Wastewater rates - \$7.5 million.

Overall the Adopted Budget for 2014 provides funding for:

- \$292.7 million in O&M costs, of which \$32.4 million is capitalized in connection with the Capital Improvement Program. For 2014, net O&M expenses are \$260.3 million, reflecting a \$16.4 million, or 6.7%, increase when compared to the 2013 O&M budget
- \$391.2 million of capital improvement projects
 - \$160.7 million for Water Supply Projects

- \$87.6 million in Water Delivery Projects
- \$140.1 million in Wastewater Projects
- \$2.8 million in Chilled Water and Steam projects

- \$7.4 million in capital outlay funding for vehicles, equipment and computer-related capital

- \$182.5 million in debt service and expenses, which is \$18.4 million, or 11.2%, higher than the 2013 budget for debt service and expenses

- Plans for debt coverage of 1.96 times for senior lien debt and 1.37 times for total bonded debt.

- Includes a transfer of \$12.9 million to the City of San Antonio


- Increases the Affordability Program by 15% to \$2.5 million

It must be noted that the budget presented here reflects the 2014 budgets for SAWS only and does not include any costs related to the District Special Project (DSP) formerly known as the Bexar Metropolitan Water District or BexarMet. On November 8, 2011, the ratepayers of the former BexarMet voted to incorporate the district into SAWS. In January 2012, the final state and federal clearances were obtained, and SAWS assumed responsibility for all aspects of BexarMet.

In accordance with state law and city ordinance, in order to minimize the impact upon the existing SAWS ratepayers, when control of the BexarMet system was assumed in January 2012, SAWS began to operate it separately as the "District Special Project" (DSP). In further compliance with the law, SAWS will continue to operate the system separately as DSP for up to five years. As a consequence, a separate operating budget and capital improvement program for DSP has been prepared for SAWS Board of Trustees consideration.

The annual budget process is an effort to strike the appropriate balance between ensuring that rates remain affordable for SAWS customers and ensuring the ongoing operational and financial integrity of the organization. The 2014 Annual Operating Budget and Capital Improvement Program will allow the San Antonio Water System to continue providing high quality water, wastewater, recycled water, and heating and cooling services at reasonable costs, while also maintaining a healthy financial position.

Respectfully submitted,



Douglas P. Evanson
Senior Vice President/Chief Financial Officer

BUDGET SUMMARY

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BUDGET SUMMARY

OVERVIEW

The Adopted Budget for 2014 presents a comprehensive projection of San Antonio Water System (SAWS) operations from January 1, 2014 through December 31, 2014. This executive summary describes the key recommendations encompassing the Adopted Budget for 2014.

Please note that this summary addresses the 2014 fiscal requirements for SAWS only. The 2014 budget for SAWS District Special Project (DSP), the former Bexar Metropolitan Water District whose operations were assumed by SAWS in January 2012, will be presented separately.

The City Council adopted a 5.1% rate adjustment in water and sewer rates in November 2013 to support the requirements of the 2014 budget. A summary of these requirements as well as the sources of funding to meet these requirements is provided in the table below:

	<i>Millions \$</i>		
	2014 Adopted Budget	2013 Amended Budget	Difference
Sources of Funds			
Operating Revenues	\$ 503.5	\$ 458.7	\$ 44.8
Non-Operating Revenues	6.8	6.3	0.5
Capital Recovery Fees	36.0	36.0	-
Total	\$ 546.3	\$ 501.0	\$ 45.3
Uses of Funds			
Operations and Maintenance	\$ 260.3	\$ 243.9	\$ 16.4
Debt Service and Expenses	182.5	164.1	18.4
Transfer to City of San Antonio	12.9	11.7	1.2
Available for Renewal and Replacement - Restricted	36.0	36.0	-
Available for Renewal and Replacement - Unrestricted	54.6	45.3	9.3
Total	\$ 546.3	\$ 501.0	\$ 45.3

The 2014 Annual Budget presents a financial plan designed to continue SAWS' mission to provide sustainable, affordable water services. The budget balances revenue requirements with available revenues and other funding sources in order to provide for:

- Operation and maintenance of existing water production, water distribution, wastewater collection, wastewater treatment facilities, and heating and cooling systems
- Implementation of new and expanded programs designed to further reduce sanitary sewer overflows (SSO's)
- Development of additional water resources, and
- Implementation of capital projects that support Water Supply, Water Delivery, Wastewater, and Chilled Water and Steam core business infrastructure needs.

ANNUAL 2014 O&M BUDGET SUMMARY

As mentioned previously, two key focus areas for 2014 are compliance with the recently agreed to EPA consent decree and the continued acquisition of additional water supplies. As shown in the table below an additional \$20.5 million was devoted to these two initiatives during the 2014 budget process.

O&M Expenditures	2013 Budget	2014 Budget	Increase/ (Decrease)
Sewer System Improvements	\$ 13,666,591	\$ 23,066,599	\$ 9,400,008
Water Resources & Conservation	53,057,074	64,124,450	11,067,376
"Base Business"	<u>211,549,902</u>	<u>205,551,329</u>	<u>(5,998,573)</u>
Total before Capitalized Costs	278,273,567	292,742,378	14,468,811
Capitalized Costs	<u>(34,336,581)</u>	<u>(32,429,266)</u>	<u>1,907,315</u>
Total O&M Expenditures	\$ 243,936,986	\$ 260,313,112	\$ 16,376,126

In order to assist in paying for these strategic investments as well as to offset the impact of a rate increase on electricity use and other cost increases, more than \$10 million in budget reductions were identified and incorporated into the 2014 budget. Among the reductions implemented were the following:

- Reduced Headcount – The number of full-time equivalent positions decreased by 101 from the 2013 budget to the 2014 budget. The reduction in headcount was achieved through the elimination of vacant positions and by offering a voluntary retirement incentive during 2013. The total savings resulting from the reduced headcount is nearly \$5.2 million.
- Reduction in chemicals, biosolids and other wastewater treatment expenses – Through process changes and the transfer of flow from the Leon Creek Water Recycling Center to the Dos Rios Water Recycling Center, budgeted expense reductions of \$1.5 million in these expenses have been realized.
- Reduction in water production costs – By managing well rotation at one of SAWS sources of supply as well as other efficiencies identified in SAWS production facilities, savings of \$1.2 million is anticipated to be realized.
- Reduction in Support Services Expenditures – Through the implementation of business process changes within several of SAWS support services areas such as Financial Services, Human Resources and Legal, as well as a reduction in the overall size of SAWS fleet of vehicles, \$1.4 million in budget reductions were achieved.
- Reduction in the Use of External Consultants – By utilizing SAWS staff to perform certain tasks previously to have been performed by external parties savings of \$0.6 million were realized.

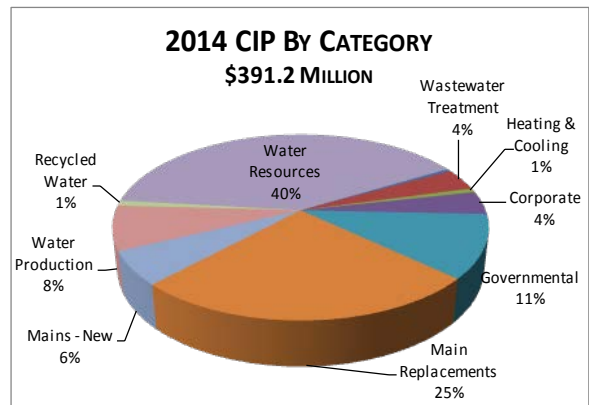
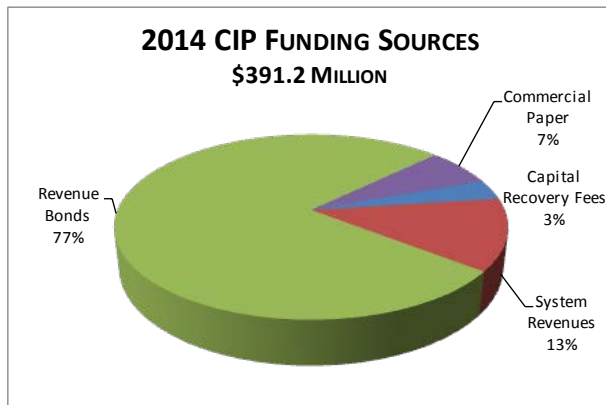
CAPITAL OUTLAY

The table below summarizes the 2014 Capital Outlay budget as compared to the 2013 Capital Outlay Budget.

Capital Outlay Account (amounts in thousands of \$)	2013 Adopted Budget	2014 Adopted Budget
Automobiles and Trucks	\$ 4,230	\$ 3,331
Communications Equipment	281	
Computer Equipment	1,600	1,909
Lab Equipment	242	219
Light Equipment	94	
Machinery and Equipment	210	90
Miscellaneous Equipment	486	820
Pumping Equipment	739	640
Software Systems	590	366
TOTALS	\$ 8,472	\$ 7,375

ANNUAL 2014 CAPITAL IMPROVEMENT PROGRAM (CIP) SUMMARY

2014 CIP Sources and Uses



Five-Year CIP Projection by CIP Category

Categories	2014	2015	2016	2017	2018	Five Year Totals
Water Delivery	\$ 87,554,343	\$ 51,913,803	\$ 58,095,638	\$ 101,989,454	\$ 74,449,761	\$ 374,002,999
Corporate - WD	7,473,981	-	6,871,060	3,233,440	-	17,578,481
Governmental	27,892,911	28,870,000	17,322,000	17,322,000	17,322,000	108,728,911
Mains - New	9,001,106	5,441,071	4,102,542	34,738,463	9,845,825	63,129,007
Main Replacements - Water	12,900,271	8,704,882	10,947,459	6,704,769	10,232,891	49,490,272
Production	30,286,074	8,897,850	18,852,577	39,990,782	37,049,045	135,076,328
Wastewater	140,117,472	164,353,446	182,976,050	138,053,144	174,530,113	800,030,225
Corporate - WW	7,458,135	-	6,749,085	3,176,040	-	17,383,260
Governmental	15,138,812	28,357,500	15,880,200	15,880,200	15,880,200	91,136,912
Main Replacements - Sewer	87,085,883	112,305,523	90,624,746	79,375,805	80,099,259	449,491,216
Mains - New	13,883,832	351,633	7,985,472	7,486,380	113,430	29,820,747
Collection Facilities	1,724,136	8,309,315	9,388,602	113,430	13,044,450	32,579,933
Treatment	14,826,674	15,029,475	52,347,945	32,021,289	65,392,774	179,618,157
Water Resources	160,690,984	30,279,790	18,289,554	40,022,127	4,135,976	253,418,431
Edwards	10,981,750	11,046,671	11,046,671	11,046,671	-	44,121,763
Recycled Water	3,661,505	7,944,775	2,763,400	11,882,620	2,763,400	29,015,700
Desalination	-	-	-	15,565,942	1,372,576	16,938,518
Integration	143,628,273	261,720	145,400	-	-	144,035,393
Aquifer Storage & Recovery	-	2,179,837	4,334,083	-	-	6,513,920
Expanded Carrizo	1,500,528	8,846,787	-	1,526,894	-	11,874,209
Corporate - WR	918,928	-	-	-	-	918,928
Heating & Cooling	2,837,500	2,055,750	752,500	7,325,000	1,311,413	14,282,163
Grand Total	\$ 391,200,299	\$ 248,602,789	\$ 260,113,742	\$ 287,389,725	\$ 254,427,263	\$ 1,441,733,818

IMPACT ON RATES

Adopted Rate Adjustment for 2014

To support the requirements of the 2014 O&M Budget, a 5.1% rate adjustment is required for the average residential customer using 7,788 gallons of water and discharging 6,178 gallons wastewater per month.

While the combined water delivery, water supply and wastewater rate adjustment for the average residential customer is 5.1%, a separate rate adjustment is needed for each of the SAWS core businesses as shown in the table below. The rate adjustment for recycled water service is not factored into the combined adjustment for the average residential customer. Also shown in the table is the estimated annual added revenue by core business from each of the rate adjustments.

2014 Rate Change by Core Business		
Core Business	Rate Change	Added Revenue Generated
Wastewater	3.8%	\$ 7,500,000
Water Delivery	2.5%	\$ 3,400,000
Water Supply	13.1%	\$ 12,700,000
Recycled Water	2.5%	\$ 50,000

The dollar impact on the average residential bill (assuming 7,788 gallons of water and 6,178 gallons of wastewater per month) is shown in the table below. Also shown are the impacts on the average residential bill of slight changes in 2014 to the pass-through fees assessed by SAWS on behalf of the Edwards Aquifer Authority (EAA) and the Texas Commission on Environmental Quality (TCEQ).

	2013	Adopted 2014
Water Supply	\$9.29	\$10.51
Water Delivery	15.29	15.66
Wastewater	25.75	26.74
Total SAWS	\$50.33	\$52.91
Increase \$		\$2.58
Increase %		5.1%
EAA Fee		
EAA Fee	\$2.67	\$2.57
TCEQ Fee		
TCEQ Fee	0.22	0.22
Total with Fees	\$53.22	\$55.70

Authorized Maximum Rate Adjustment for 2015

While not affecting the 2014 budget, it must be further noted that at the time the 2014 rates were approved, the San Antonio City Council also authorized SAWS to make further adjustments to the Water Delivery, Water Supply Fee, Wastewater and Recycled Water rates effective January 1, 2015. These adjustments may be made without further City Council approval. Specifically, SAWS is authorized to adjust the approved 2014 rates for each of the following rate categories by percentages not to exceed the maximum amounts as follows:

- Water Delivery: 2.7%
- Water Supply Fee: 6.2%
- Wastewater: 6.4%
- Recycled Water: 2.7%

The authority for rate adjustments in 2015 provides more security that long term SAWS commitments, especially with regard to the acquisition and development of water supplies and the court-mandated mitigation of sanitary sewer overflows, will be addressed effectively. Additionally, the cap on the 2015 rate adjustment provides a compelling incentive for SAWS to continue implementing further efficiencies in order to keep projected expenditures well within revenue requirements. The City of San Antonio Public Utilities Office will review the 2015 rate adjustment before final implementation.

Five Year Rate Projection

Integral to the annual budget process is a long term projection of rates required to meet future requirements beyond just the next fiscal year. The table shown below shows the five-year projected impact on the average residential customer (7,788 gallons of water and 6,178 gallons of wastewater per month) of the adopted rates for 2014, the maximum adjusted rates authorized for 2015, and the projected rates for 2016, 2017 and 2018.

	2013	Adopted		Projected		
		2014	2015	2016	2017	2018
Water Supply	\$9.29	\$10.51	\$11.16	\$11.63	\$12.46	\$12.70
Water Delivery	15.29	15.66	16.09	16.92	17.55	18.53
Wastewater	25.75	26.74	28.46	31.14	31.14	33.53
Total SAWS	\$50.33	\$52.91	\$55.71	\$59.69	\$61.15	\$64.76
Increase \$		\$2.58	\$2.80	\$3.98	\$1.46	\$3.61
Increase %		5.1%	5.3%	7.1%	2.4%	5.9%
EAA Fee	\$2.67	\$2.57	\$2.97	\$2.97	\$2.97	\$2.97
TCEQ Fee	0.22	0.24	0.24	0.24	0.24	0.24
Total with Fees	\$53.22	\$55.72	\$58.92	\$62.90	\$64.36	\$68.00

COMMUNITY PROFILE

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COMMUNITY PROFILE



Beyond its role as a significant population and business center within the state of Texas, San Antonio possesses a deep history that dates back to the 1700's. In 1718, Spanish monks built a mission named San Antonio de Valero on the site of a Coahuiltecan Indian village. Eventually, this mission would be named the Alamo, where Texan forces fought Mexican soldiers to the death during the Texas revolution. This battle has made the Alamo a symbol of Texas' liberty and prosperity. Following the revolution, Texas was annexed into the United States and San Antonio served as a place of cultural convergence that has shaped it into the city that it is today.

LOCATION

San Antonio, which is the county seat of Bexar County, is located in south central Texas and is:

- 80 miles south of Austin (state Capitol)
- 280 miles from Dallas
- 200 miles from Houston
- 140 miles northwest of the Gulf of Mexico
- 150 miles northeast of the city of Laredo on the Mexican border

San Antonio is located primarily in Bexar County, Texas but its city limits now extend into Comal and Medina Counties, Texas.

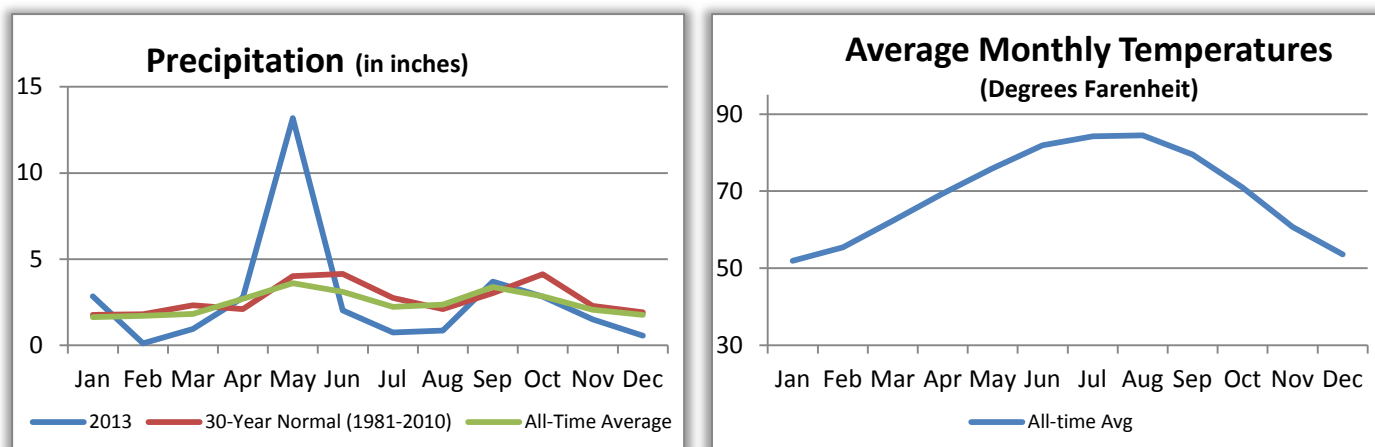
CLIMATE

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

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



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



Source: National Weather Service

POPULATION

According to the 2010 US census, San Antonio is the seventh most populous city in the United States and the second most populous in Texas. The San Antonio Metropolitan Statistical Area (MSA) historically has consisted of Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson counties. Prior to the 2010 US census, the city of New Braunfels was added to the MSA. The new San Antonio-New Braunfels MSA is projected to contain 2.2 million people as of the year 2012. San Antonio’s MSA ranks twenty-fourth among national MSA’s and third among those in Texas.

The following table provides the population of the City, Bexar County, and the San Antonio-New Braunfels MSA¹ for the years shown:

Year	City of		San Antonio-
	San Antonio	Bexar County	New Braunfels
			MSA ¹
2012			
(Estimated)	1,382,951	1,785,704	2,234,003 ³
2010	1,327,407	1,714,773	2,142,508
2000	1,144,646	1,392,931	1,711,703 ²
1990	935,933	1,185,394	1,324,749
1980	785,880	988,800	1,088,710
1970	654,153	830,460	901,220
1960	587,718	687,151	749,279
1950	408,442	500,460	556,881
1940	253,854	338,176	393,159
1930	231,542	292,533	351,048
1920	161,379	202,096	255,928

- 1 Data for 1920-1990 has been restated from the redefined eight-county MSA to the original four-county MSA.
- 2 As of June 2003, the U.S. Office of Management and Budget redefined the MSA by increasing the number of counties from four to eight: Atascosa, Bandera, Kendall, and Medina Counties were added to 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 retitled San Antonio-New Braunfels MSA.
- 3 Provided by the American Community Survey.

Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project

EDUCATION

There are 14 colleges in the San Antonio-New Braunfels area that offer degrees in all major fields of study. Together, these universities educate over 120,000 students. The following table contains the number of students at each of these 14 institutions.

San Antonio-New Braunfels Area Universities	
Institution	2013 Enrollment*
University of Texas at San Antonio	28,725
San Antonio College	23,363
Northwest Vista College	16,129
St. Philip's College	10,389
Palo Alto College	8,688
University of the Incarnate Word	8,685
St. Mary's University	3,868
The University of Texas Health Science Center at San Antonio	3,131
Our Lady of the Lake University	2,927
Trinity University	2,442
Texas A&M University San Antonio	4,512
Wayland Baptist University - San Antonio Campus	4,491
Texas Lutheran University	1,341
Northeast Lakeview College	1,394

Source: Texas Higher Education Coordinating Board

*Preliminary Fall 2013 enrollment

ECONOMY

San Antonio boasts a favorable business environment and a widely diversified economy. This diversification can be seen by the large variety of industries that have major operations in the city, including the aerospace, bioscience, environmental/green technology, financial services, information security, and manufacturing industries along with the military. All of these industries are supported by the city's government that aims to strengthen infrastructure, development, and the city's workforce. The San Antonio Economic Foundation, a private, nonprofit organization that assists business and industry relocating or expanding into the San Antonio area, is the source of the following information on local industry.

AEROSPACE/AVIATION

In San Antonio, the local aerospace industry includes activities like manufacturing of aircraft parts, servicing aircraft, and flight training. Facilities like Port San Antonio, the Kelly Aviation Center, Brooks City-Base, and two active air force bases support these activities. The industry provides approximately 13,616 jobs, with employees earning total annual wages of over \$678 million. According to the 2010 Economic Impact Study commissioned by the Greater San Antonio Chamber of Commerce, it is estimated that this industry creates an economic impact of \$5.4 billion annually.



BIOSCIENCE/HEALTHCARE

San Antonio's bioscience and healthcare sector has a large economic impact on the city, totaling approximately \$29.2 billion in 2011. This field is the largest industry in the San Antonio economy and employs 156,205 people in the area (or 18% of the population), with total wages of approximately \$7.5 billion. The city is home to the 900-acre South Texas Medical Center, containing over 70 medically related facilities, and the 1,236-acre Texas Research Park which is home to various research institutes. This industry has added over 40,000 jobs to the area over the past decade.



FINANCIAL SERVICES

A wide variety of financial service entities are present in San Antonio including Frost National Bank and United Services Automobile Association (USAA). The financial services sector, including banking and credit, investment activities, insurance, funds, trusts and other financial vehicles, and accounting and bookkeeping employed over 70,600 people in 2013. The single largest private sector employer in this industry is USAA, with 17,000 employees. The company announced in early 2013 plans to expand and add up to 1,000 new jobs. This sector also reported increases in revenues in a difficult climate, proving its position as one of the city's most stable business sectors.

ENVIRONMENTAL TECHNOLOGY/GREEN INDUSTRIES

San Antonio's government actively supports the growing green economy. A primary means of this support is Mission Verde, an initiative that promotes the creation of green jobs and the pursuit of environmentally sustainable operations. CPS Energy, the community-owned energy utility, has not only sought out renewable energy resources, but is also furthering the development of and educating the public about these resources with their pledge to Texas A&M University San Antonio to help fund a sustainable energy research institute.



IT/CYBER SECURITY

With a strong military presence, San Antonio has become a national leader in the field of information security. However, the importance and impact of IT business does not stop there. The city contains offices of many notable technology firms like Rackspace and NewTek. Together, this industry generates a \$10 billion economic impact.

MANUFACTURING

The manufacturing sector, with approximately 47,000 jobs, is able to produce a large variety of goods ranging from transportation products to materials. Due to the presence of well-known companies like Toyota, San Antonio was ranked as the fourth largest manufacturing market in Texas, according to the 2011 Texas Manufacturers Register. In 2011, Trinity University determined that manufacturing has an economic impact of \$22.5 billion to the region while paying annual salaries 11% above the San Antonio average.

MILITARY/DEFENSE

The military has an extremely strong presence in San Antonio with two air-force bases, one army base, and one former air-force base (now Brooks City-Base). The military has also brought other benefits to those who do not serve the country, like high-end medical care. Currently, the military employs over 89,000 thousand people in San Antonio including civilian-related employment.

EMPLOYMENT

Employment in the MSA has grown quickly over time and has remained somewhat stable even as many job markets in other cities and states have experienced negative growth. In fact, San Antonio's annual unemployment rate has not exceeded 7.4% in the past 20 years. Additionally, this unemployment rate has also remained under the Texas state annual unemployment rate.

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

as of December of each year	San Antonio MSA Non-Farm Employment by Industry									
	2013 *	2012	2011	2010	2009	2008	2007	2006	2005	2004
Natural Resources, Mining and Construction	45,900	44,500	43,400	44,700	48,100	54,900	55,600	50,500	49,300	46,100
Manufacturing	46,100	47,800	46,400	45,300	43,500	45,600	49,000	49,800	47,400	45,700
Trade, Transportation and Utilities	157,400	155,600	151,500	147,300	146,400	152,600	155,600	152,700	145,500	141,200
Information	21,100	20,300	19,400	18,100	18,300	20,600	21,500	21,900	21,100	21,000
Financial Activities	70,900	72,500	70,600	68,600	66,100	66,500	65,800	64,900	63,700	61,800
Professional and Business Services	110,300	111,400	105,000	101,200	102,700	104,700	107,500	104,100	101,100	89,400
Educational and Health Services	137,800	138,000	134,900	130,200	125,900	122,200	116,900	112,100	110,200	105,600
Leisure and Hospitality	110,700	107,600	105,400	101,000	97,300	99,100	95,700	91,300	87,200	84,200
Other Services	33,700	33,100	31,600	31,800	30,900	30,700	30,200	28,500	26,900	26,900
Government	164,900	161,800	161,600	164,200	161,900	158,200	154,100	150,000	146,900	144,300
Total Non-Farm Employment	898,800	892,600	869,800	852,400	841,100	855,100	851,900	825,800	799,300	766,200

Source: U.S. Bureau of Labor Statistics
* Preliminary

In addition to the wide selection of employment and job opportunities, the cost of living in San Antonio is relatively low. The city is especially competitive in housing, groceries, and utilities. These economic benefits help to attract San Antonio's workforce, employers, and students to the city.

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SAN ANTONIO WATER SYSTEM PROFILE

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SAN ANTONIO WATER SYSTEM PROFILE

HISTORY

SAWS was created through the consolidation of three predecessor agencies: the City Water Board (the previous city-owned water supply utility); the City of San Antonio Wastewater Department (a department of the city government responsible for sewage collection and treatment); and the Alamo Water Conservation and Reuse District (an independent city agency created to develop a system for reuse of the city's treated wastewater). In addition, the water resources planning staff of the City Planning Department was realigned to the new agency to provide combined water related services for the San Antonio area.



BEXARMET

On January 28, 2012, SAWS assumed the operational control and management of the Bexar Metropolitan Water District (BexarMet). BexarMet was created by the 49th Texas Legislature in 1945 to serve anticipated growth in Bexar County. From an initial account base of 4,765 primarily residential accounts, it grew to more than 92,000 residential and commercial accounts served in 2011. Claims of alleged mismanagement, inadequate service and excessive rates resulted in the passage of Senate Bill 341 (SB 341) by the Texas Legislature in May, 2011. The primary component of SB 341 required an election by BexarMet ratepayers to vote on the dissolution of BexarMet and consolidation with SAWS. The election was held in November 2011 and the BexarMet ratepayers voted in favor of dissolution. In preparation for this vote in October 2011, the City Council adopted an ordinance creating a “special project”, as authorized by SB 341, where the assumed BexarMet would be treated as a component unit of the City of San Antonio, to be known as the San Antonio Water System District Special Project (DSP). In accordance with the ordinance and as allowed by SB 341, for financial statement purposes, the DSP remains a separate entity but will be fully integrated into SAWS within the timeframe specified by SB 341. As a result, unless otherwise stated, the activities of the DSP are not accounted for in this document.

BACKGROUND

San Antonio Water System is a public utility owned by the City of San Antonio. It is the largest municipally-owned water, wastewater, chilled water, steam, and recycled water utility in the San Antonio/Bexar County area. SAWS provides service to the majority of the population within the corporate limits of the City and Bexar County which totals approximately 1.8 million residents. As of December 31, 2013, SAWS employs over 1,700 personnel and maintains approximately 10,200 miles of water and sewer mains.

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

SERVICE AREAS

WATER DELIVERY AND WASTEWATER

SAWS' water delivery service area currently extends over approximately 642 square miles, making it the largest water purveyor in Bexar County. The service area includes most of Bexar County, several suburban municipalities and parts of adjacent counties. In addition to serving its own retail customers, SAWS also provides wholesale water to a few smaller utility systems within this area.

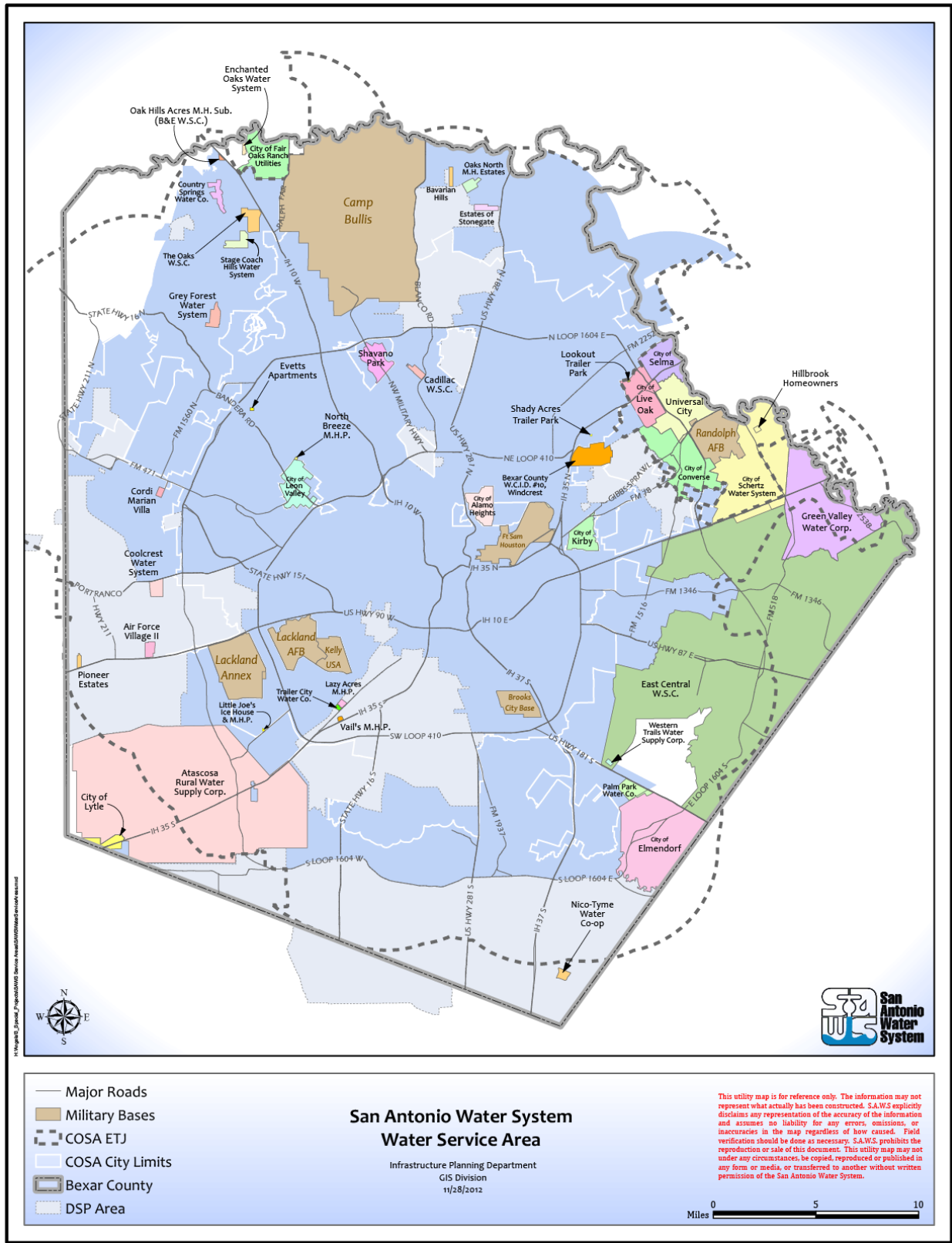
SAWS provides potable water service to residential, commercial, multifamily, industrial and wholesale accounts. As of December 31, 2013, the water delivery system provides potable water service to approximately 367,000 customer connections, which represents a population of approximately 1.3 million people in the urbanized portions of Bexar County.

The water delivery system currently utilizes 26 elevated storage tanks and 38 ground storage reservoirs, of which 12 act as both, with combined storage capacities of 200 million gallons. As of December 31, 2013, SAWS had installed 5,072 miles of distribution mains, ranging in size from 4 inches to 61 inches in diameter. As of December 31, 2013, SAWS was equipped with 28,323 fire hydrants in service.

A larger and somewhat different area, following natural watersheds, is defined for wastewater collection and treatment. SAWS is the largest wastewater treatment agency in the San Antonio area. SAWS also provides collection and treatment services by contract to developments outside its defined service area to avoid unnecessary proliferation of state wastewater discharge permits. The wastewater system has certain prescribed boundaries that currently cover an area of approximately 504 square miles. SAWS also coordinates with the City of San Antonio for wastewater planning the City's total planning area, its extra-territorial jurisdiction (ETJ), of approximately 1,107 square miles. The population for this planning area is approximately 1.7 million people. As of December 31, 2013, SAWS provided wastewater services to approximately 417,000 customer connections.

The wastewater system is composed of approximately 5,238 miles of mains and three major treatment plants: Dos Rios Water Recycling Center, Leon Creek Water Recycling Center and Medio Creek Water Recycling Center.

Water Service Area

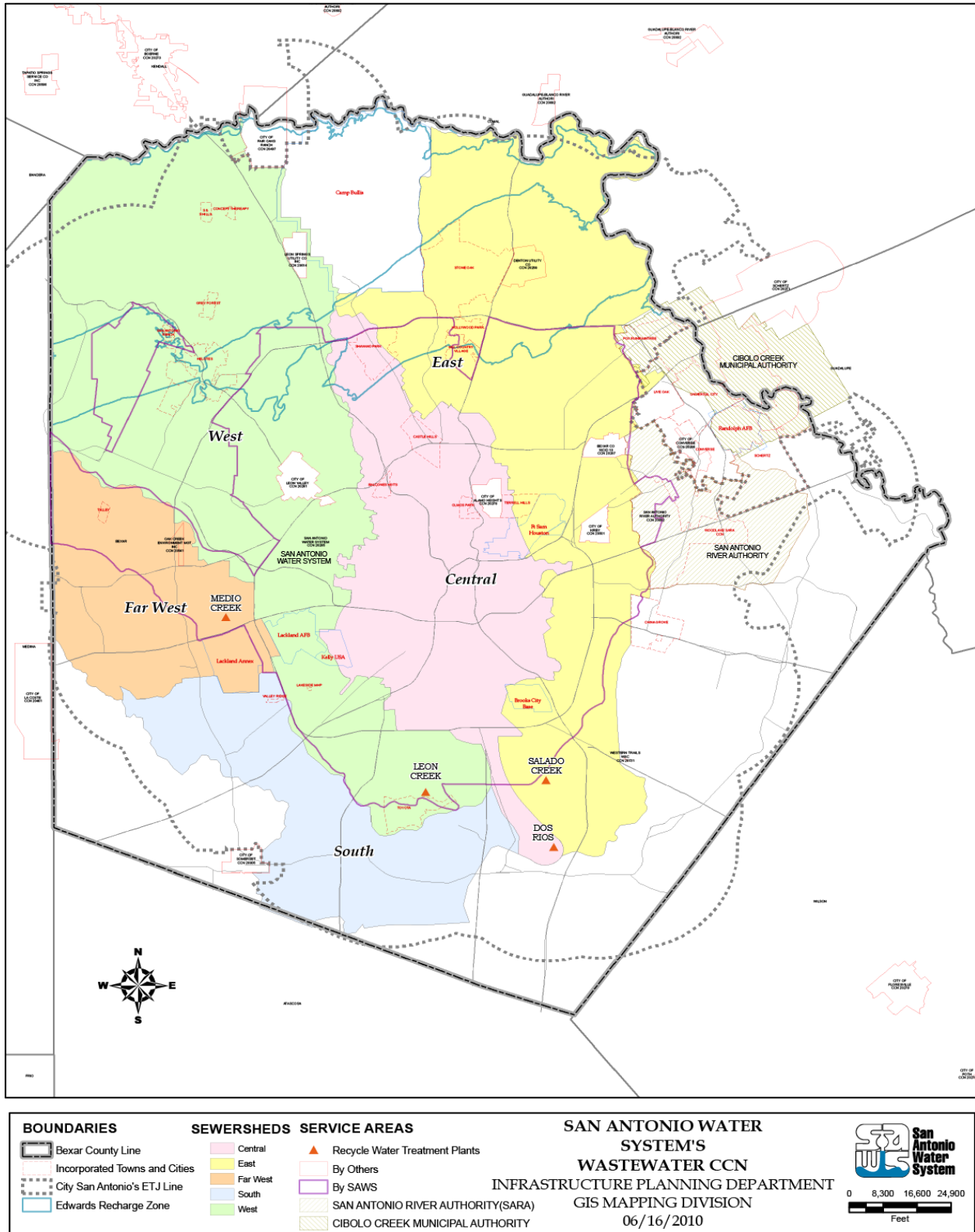


Key operating and capital indicators of the water system for years 2004-2013 are provided in the table below:

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Rainfall (Inches)	32.27	39.40	17.58	37.39	30.69	13.76	47.25	21.34	16.45	45.34
Customers/Connections (a)	367,408	365,099	360,281	356,546	352,059	348,834	344,168	336,434	325,944	315,000
Water Pumpage (Million Gallons)										
Annual Water Pumped (d)	69,020	70,338	74,627	69,591	68,191	71,785	63,395	68,411	63,632	53,483
ASR Recharge (b) (d)	2,629	3,742	3,928	8,319	5,542	3,535	6,582	2,951	4,396	1,800
ASR Production (b) (d)	4,794	1,446	4,307	550	472	406	141	2,080	305	261
Annual Pumped for Usage (d)	66,391	66,596	70,699	61,272	62,649	68,250	56,813	65,460	59,236	51,683
Average Daily (d)	189.1	192.2	204.5	190.7	186.8	194.9	169.2	181.8	172.6	145.3
Maximum Daily (d)	270.2	264.0	265.6	314.0	273.8	299.0	225.6	280.4	279.3	343.1
Maximum Hour (Daily Rate) (d)			428.2	357.8	388.0	399.1	296.0	410.7	395.5	295.2
Metered Usage (Million Gallons)	55,108	55,320	59,133	52,578	55,295	58,828	49,511	57,724	55,005	49,367
Metered Water Sales										
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights (e)	82,901	84,822	84,640	85,035	81,923	71,738	69,505	69,505	65,007	67,799
Non-Edwards supply (f)	12,724	7,431	6,098	6,132	6,256	6,256	4,171	4,171	1,140	1,140
Stored in ASR (d) (g)	28,787	30,827	28,531	28,910	21,141	16,071	12,942	6,501	5,630	1,539
Total water available for production	124,413	123,080	119,393	120,077	109,320	94,766	86,768	80,210	71,814	70,541
Number of Wells in Service	149	143	139	144	140	136	126	113	102	94
Overhead Storage Capacity (Million Gallons)	102.3	81.2	81.2	73.9	66.5	65.2	64.2	69.0	60.0	64.8
Total Storage Capacity (Million Gallons)	219.5	183.7	184.1	180.8	166.2	165.0	164.0	166.0	142.0	161.5
Miles of Water Main Installed	80	57	78	106	97	161	167	143	103	90
Miles of Water Main Replaced and Abandoned	30	22	26	36	33	32	19	22	23	17
Miles of Water Main in Place	5,072	5,022	4,988	4,936	4,866	4,802	4,673	4,525	4,404	4,324
Water Main Breaks (c)	1,863	2,128	3,397	1,475	3,212	2,594	1,392	3,073	2,577	1,305
New Services Installed	5,241	7,520	4,725	4,208	3,590	7,565	17,274	13,903	12,730	10,759
Fire Hydrants Installed (Net of Hydrants removed)	409	348	451	516	644	951	1,040	752	521	574
Fire Hydrants in Place	28,323	27,914	27,566	27,115	26,599	25,955	25,004	23,964	23,212	22,691

- (a) Number of customers at end of fiscal year.
- (b) SAWS opened its Aquifer Storage & Recovery (ASR) facility in 2004. Prior to this time, all water pumped was pumped for usage.
- (c) Amount reported is for the calendar year.
- (d) Amounts have been revised from previously published data.
- (e) Based on permitted rights authorized by the Edwards Aquifer Authority (EAA) as of December 31st. Authorized amounts prior to 2004 are not presented as they reflect a high level of variability related to EAA's permitting process. Under current EAA rules, authorized amounts are subject to reductions of 20% to 44% during drought conditions.
- (f) Includes water from the Trinity Aquifer and Canyon Lake available under water purchase agreements and water from the Carrizo Aquifer based on groundwater rights associated with land owned by SAWS.
- (g) Represents net amount stored in ASR (Recharge - Net production)

Wastewater Service Area



Key operating and capital indicators of the wastewater system for years 2004 through 2013 are provided in the table below:

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Customers/Connections (a)	416,801	412,275	405,119	400,096	395,161	389,894	379,962	368,401	354,878	342,813
Effluent Volumes For Major Facilities (million gallons per day)										
Dos Rios										
Permit Flow	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Average Annual Flow	78.47	79.04	74.97	86.47	74.37	76.53	93.34	64.00	59.58	61.16
Maximum Monthly Average Flow	86.78	87.01	76.63	103.66	89.36	81.43	131.98	74.37	73.98	78.74
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)	37.68	38.62	35.07	38.83	34.99	34.71	40.26	32.63	34.48	35.34
Maximum Monthly Average Flow (two outfalls)	44.16	43.77	36.46	45.30	64.74	38.62	55.49	34.28	41.79	42.40
Medio Creek										
Permit Flow	16.00	16.00	16.00	16.00	16.00	16.00	8.50	8.50	8.50	8.50
Average Annual Flow	7.76	7.29	6.83	7.53	6.32	5.87	6.94	5.13	5.21	5.60
Maximum Monthly Average Flow	8.45	8.14	6.97	8.71	7.45	6.57	10.51	5.63	6.58	6.63
Salado (b)										
Permit Flow	n/a	n/a	n/a	n/a	n/a	n/a	n/a	46.00	46.00	46.00
Average Annual Flow	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11.38	33.80	35.86
Maximum Monthly Average Flow	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21.11	40.40	44.00
Total										
Permit Flow	187.00	187.00	187.00	187.00	187.00	187.00	179.50	225.50	225.50	225.50
Average Annual Flow	124.26	124.95	116.87	132.83	115.68	117.11	140.54	113.14	133.07	137.96
Maximum Monthly Average Flow	139.40	138.92	120.06	157.67	161.55	126.62	197.98	135.39	162.75	171.77
Amount Treated Annually (millions of gallons)	50,076	49,055	49,918	48,152	51,987	50,347	49,217	53,270	49,287	49,592
Amount Treated Peak Day (millions of gallons)	221	199	160	258	194	174	294	169	212	297
Miles of Sewer Main Installed	38	37	45	33	84	124	138	132	74	76
Miles of Sewer Main In Place (c)	5,238	5,200	5,163	5,118	5,085	5,001	4,877	4,739	4,607	4,533
Number of Manholes Installed	901	856	1,080	659	1,514	2,922	2,775	2,661	1,538	1,504
Number of Manholes in Place	99,037	98,136	97,280	96,200	95,541	94,027	91,105	88,330	85,669	84,131
Number of Lift Stations	155	159	159	158	164	162	167	164	150	150

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

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

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

Sewer Management Plan

In June 2013, SAWS approved a settlement with the U.S. Environmental Protection Agency (EPA) that will require additional work over the next 10 to 12 years to reduce sanitary sewer overflows (SSO's). The work required to comply with the consent decree includes system-wide inspection, cleaning and evaluation of sanitary sewer pipelines. Additionally, increased investment in the replacement and rehabilitation of aging sewer infrastructure will be necessary. The targeted replacement and rehabilitation program will be specifically tailored to the 5,200 miles of pipe in the SAWS sewer system.

The 2014 SAWS budget includes funding for expanded Sewer Management programs that are recognized as industry best practices to reduce the number of SSO's. Specifically, the 2014 budget includes \$21.5 million in operating costs and \$88.8 million in capital project investments for a total of \$108.9 million to identify and address SSO's, and to rehabilitate aging sewer infrastructure to minimize future SSO occurrence.

The \$88.8 million in capital improvement projects for 2014 associated with SSO reduction are described in the Capital Improvements Program section of this document beginning on page 139.

The \$21.5 million in operating costs for 2014 are designed to expand evaluation and cleaning of the sewer system on a continuing basis to minimize future SSO occurrences. The related programs in the 2014 operating budget include:

- Cleaning, Televising and Assessment (\$12.9 million). The televising of sewer lines throughout the city will be expanded with technology that identifies grease and debris blockages as well as compromised structural integrity that can lead to SSO's. The funding includes work by contractors to address issues in large mains, force mains, siphons and manholes identified by the televising efforts. For 2014, SAWS projects that approximately 640 miles of video monitoring will be conducted and that approximately 1,500 miles of sewer line will be cleaned.
- Capacity Assessment (\$3.6 million). This program calls for expanded flow metering, field investigations and hydraulic modeling of sewer main capacity.
- Program Manager and Data Management (\$3.1 million). External technical expertise and administrative support in the form of an SSO program manager and robust data management are best practices utilized by the top-performing utilities across the nation.
- External Sewer Point Repair (\$0.5 million). As SAWS televises sewer mains, emergency repairs are necessary to avoid SSO's. These external sewer point repair contracts work in conjunction with SAWS' repair crews.

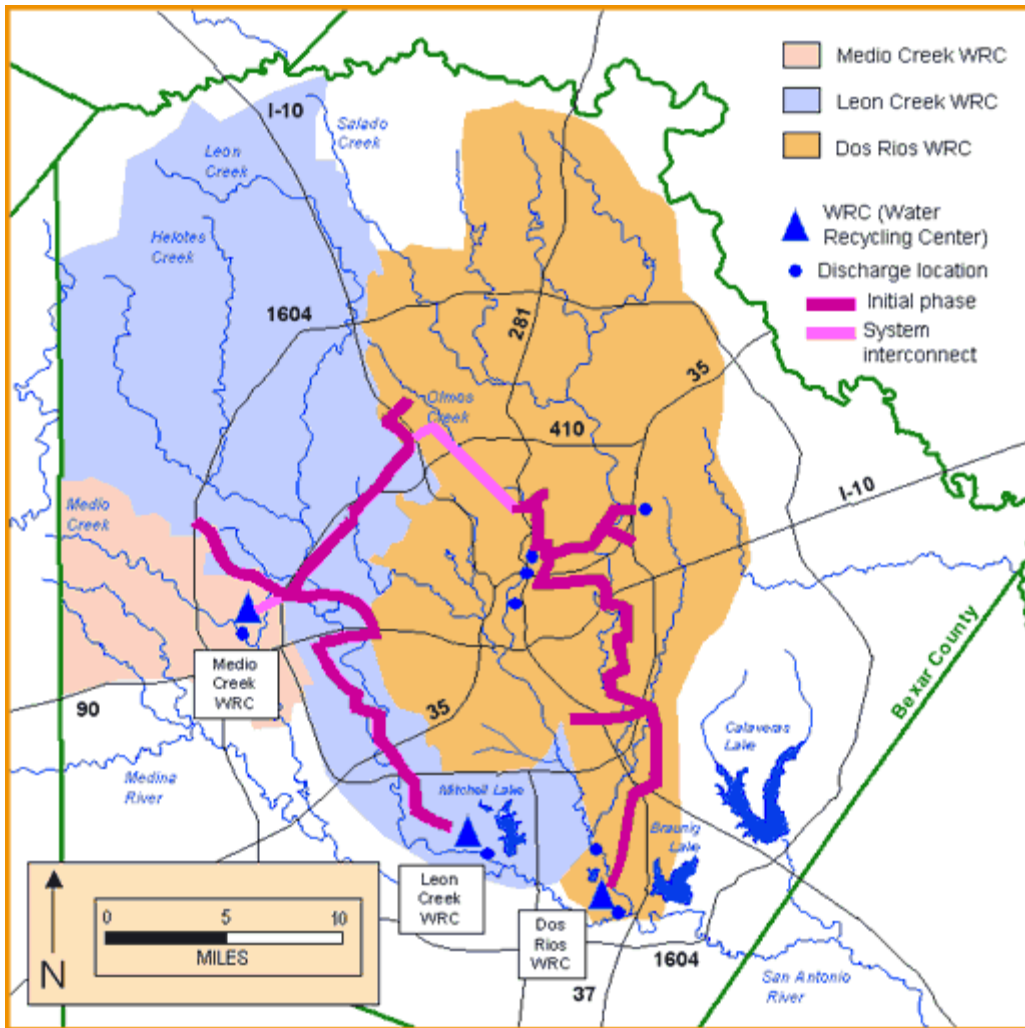
CHILLED WATER AND STEAM (HEATING AND COOLING)

The San Antonio Water System owns, operates, and maintains five thermal energy facilities providing chilled water and steam services to governmental and private entities. Two of the facilities, located in the City's downtown area, provide chilled water and steam to 23 customers. Various City facilities that include the Henry B. Gonzalez Convention Center and Alamodome constitute a large percentage of the downtown system's chilled water and steam annual production requirements. In addition to City facilities, the two central plants also provide chilled water and/or steam service to a number of major hotels in the downtown area, including the Grand Hyatt, Marriott and Hilton Palacio Del Rio. The other three thermal facilities, owned and operated by SAWS, are located at the Port of San Antonio industrial area and provide chilled water to large industrial customers that include Lockheed Martin and Boeing Aerospace. SAWS' chilled water producing capacity places it as one of the largest producers of chilled water in south Texas.

Due to the increasingly unsustainable costs of continuing to provide service from a central steam plant with fixed capacity to a steadily decreasing number of customers, SAWS is working to transition out of the centralized steam business completely in 2014. Specifically, current steam customers were encouraged to invest in more cost-efficient, modular heating units to meet their heating needs. For those customers that are unable to make the necessary capital investments for modular units by the time centralized steam service is discontinued, SAWS will install and operate modular heating units on an interim basis through five-year contracts with the assessment of fees to recover the capital and operating costs associated with the provision of the interim service. The transition is not expected to have a significant impact on the 2014 budget.

RECYCLED WATER

The San Antonio Water System is permitted to sell Type I (higher quality) recycled water from its wastewater treatment plants, and has been doing so since 2000. The water recycling program is designed to provide 35,000 acre-feet per year of recycled water to commercial and industrial businesses in the City. This water recycling system was originally comprised of two north/south transmission lines. In 2008, an interconnection of these two lines was constructed at the north end of the lines, providing additional flexibility with respect to this valuable water resource. Currently, approximately 130 miles of pipeline deliver highly treated effluent to over 52 customers consisting of golf courses, universities, parks, and commercial and industrial customers throughout the City. This water recycling system was also designed to provide base flows in the upper San Antonio River and Salado Creek, and the result has been significant and lasting environmental improvements for the aquatic ecosystems in these streams.



WATER SUPPLY

In December 2012, the SAWS Board of Trustees approved the *2012 Water Management Plan*. The *2012 Plan* represents a revision to the *2009 Water Management Plan Update* to take into account the numerous developments that changed the elemental building blocks of the *2009 Update*. The new plan is a comprehensive analysis of SAWS existing water supplies plus the supplies now made available from the assumption by SAWS in January 2012 of the operations of the former Bexar Metropolitan Water District. SAWS operates the former BexarMet utility separately as the District Special Project (DSP). The plan also includes a series of conservation and water resource strategies that will enable it to provide adequate water supplies, even during critical drought periods, for future San Antonio residents.

Except where otherwise indicated, this summary of the *2012 Water Management Plan* will focus on the plan's impact on SAWS exclusive of DSP since it is a separate reporting unit.

- The *2012 Water Management Plan* also addresses the impact of the Edwards Aquifer Recovery Implementation Program (EARIP). The EARIP process was a four year effort that culminated in the adoption of an Edwards Aquifer Habitat Conservation Plan (EAHCP) and supporting documents by the SAWS Board of Trustees, other Applicants, and a diverse set of stakeholders and interest group representatives from throughout the Edwards Aquifer region. The EAHCP is intended to protect Edwards Aquifer users as well as federally-listed threatened and endangered species during droughts. EAHCP impacts on SAWS include:
 - Operation by SAWS of the Aquifer & Storage Recovery (ASR) system in a prescribed-yet-flexible manner should record-breaking drought conditions afflict the Edwards Aquifer region during the term of the EAHCP and to store regionally-leased water in the ASR outside of droughts.
 - A change to the Demand Management/Critical Period Management regimen instituted by Texas' Senate Bill 3 (2007) through the addition of a fifth stage of critical period withdrawal reductions on all Edwards Aquifer users.
 - An initial commitment of Edwards Aquifer supply permits (8,000 acre-feet per year from SAWS current inventory) towards a Regional Conservation Program administered by the Edwards Aquifer Authority (EAA) and designed to assist municipalities and industries in implementing water conservation measures.
- The EAHCP is discussed in more detail in the following section.

The *2012 Water Management Plan* charts the path that SAWS plans to pursue in the short term that will contribute to positioning SAWS in combination with the resources of the DSP to meet the long-term needs of future San Antonio residents through 2070.

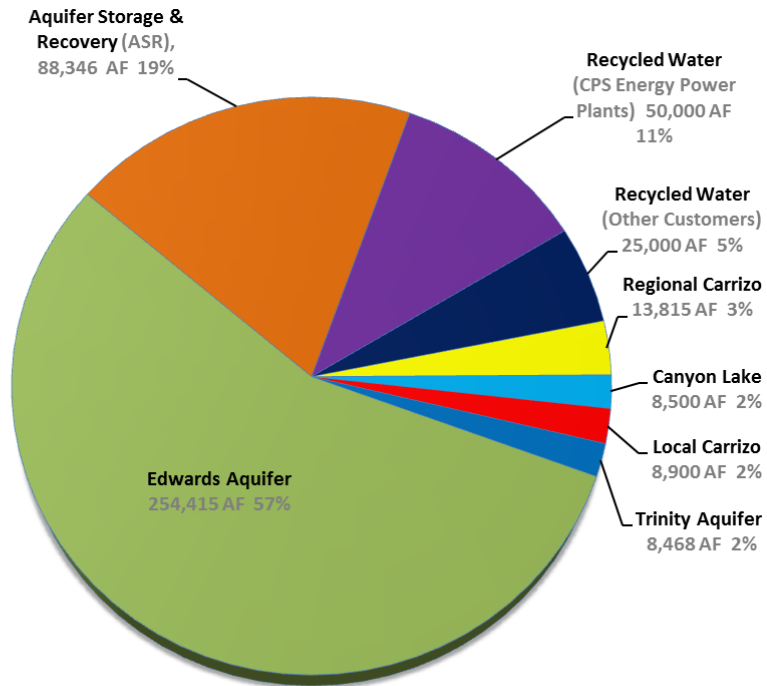
CURRENT SOURCES OF WATER SUPPLY

The table below provides a summary of the available sources of water supply under non-drought conditions for SAWS and DSP, separately and combined:

**Available Sources of Water Supply for 2014
(Acre-Feet)**

Source	SAWS	DSP	Total
Edwards Aquifer	254,415	35,548	289,963
Aquifer Storage & Recovery (ASR)	88,346	-	88,346
Recycled Water (CPS Energy Power Plants)	50,000	-	50,000
Recycled Water (Other Customers)	25,000	-	25,000
Regional Carrizo	13,815	-	13,815
Canyon Regional Water Authority	-	5,300	5,300
Medina Surface Water	-	13,000	13,000
Canyon Lake	8,500	-	8,500
Local Carrizo	8,900	1,000	9,900
Trinity Aquifer	8,468	4,968	13,436
Total	457,444	59,816	517,260

The following pie chart illustrates the available sources of SAWS water supply for 2014 (exclusive of DSP) under non-drought conditions:



The largest amount of SAWS and DSP water holdings reside in the Edwards Aquifer. In 1993, the Texas Legislature created the Edwards Aquifer Authority (EAA) as a conservation and reclamation district. The EAA has broad powers to manage, conserve, preserve, and protect the Edwards Aquifer and to increase the recharge of, and prevent the waste or pollution of water in the aquifer. Among other charges, the EAA was directed to limit

groundwater withdrawals from the Edwards Aquifer through a permitting system. The EAA was also directed by the Texas Legislature to ensure that, not later than December 31, 2012, the continuous minimum springflows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species. This requirement is being addressed by the Edwards Aquifer Recovery Implementation Program (EARIP) and the Edwards Aquifer Habitat Conservation Plan (EAHCP).

In 2007, the Texas Legislature passed Senate Bill 3, which established a new annual pumping limit, or 'cap,' and placed restrictions on supply availability during drought periods into State statute. Senate Bill 3 established this annual regional pumping cap at 572,000 acre-feet per year.

As of December 31, 2013, SAWS and DSP combined hold 289,963 acre-feet per year of EAA-permitted groundwater withdrawal rights. Access to these permitted groundwater withdrawal rights is subject to varying levels of availability (cutbacks) depending on a management system using water levels at key index wells and springflows. These cutbacks in any given year may range from 0% to 44%.

As part of diversifying SAWS' water portfolio, a regional partnership with Schertz-Seguin Local Government Corporation (SSLGC) was formed. This regional partnership has helped to secure the largest non-Edwards supply in SAWS history. The Regional Carrizo project is located in Gonzales County, approximately 50 miles from San Antonio. This project allows SAWS to utilize available capacity in an existing pipeline and water treatment plant owned and operated by Schertz-Seguin Local Government Corporation (SSLGC). This project is expected to yield up to 17,200 acre-feet of water from the Carrizo Aquifer in western Gonzales County. SAWS is nearing completion on its well field, high service pump station and integration pipeline. This infrastructure is expected to be fully operational in the first half of 2014. SAWS has planned on producing 13,815 acre-feet of Regional Carrizo water in 2014

PLANNED WATER SUPPLY PROJECTS FOR 2013-2020

Development of the *2012 Water Management Plan* included consideration of numerous projects to address future water supply needs for a growing city. A brief project abstract and project activity status is presented below for the projects that will be pursued during the Short Term (2012-2020).

Additional Edwards Aquifer Supplies

SAWS will acquire an additional annual allocation of 10,900 acre-feet of Edwards Aquifer permitted groundwater withdrawal rights. Examination of present distribution of permits indicates that this volume of water is available for acquisition through lease or purchase.

Advanced Conservation

Given changes in water usage patterns and recognizing the significant success of indoor (equipment-based) conservation, future conservation efforts will be focused toward reducing outdoor water use. Based on data collected from thousands of customer landscape consultations and interaction with tens of thousands of SAWS customers over almost 20 years, SAWS has determined that there is great opportunity for reduced peak water use through better landscape design and management strategies that will enhance the beauty and dry-year viability of San Antonio's landscapes.

Expanded Carrizo Production

A potential new project is Expanded Carrizo Production in southeastern Bexar County. As described earlier, SAWS already has experience in designing, building, and operating projects that produce freshwater from the Carrizo Aquifer in southern Bexar County. Expanded Carrizo Production is a project to develop additional Carrizo Aquifer wells in southern Bexar County proximate to the ASR site. The design will be initiated in 2014. The project will be constructed in three phases starting in 2015 at 7,000 acre-feet per year with subsequent phases planned in 7,000

acre-feet per year increments scheduled for 2022 and 2026. Expanded Carrizo Production ultimately provides 21,000 acre-feet per year of supply for the purposes of the *2012 Water Management Plan*.

Brackish Groundwater Desalination Program

In August 2011, the SAWS Board of Trustees approved proceeding on the Brackish Groundwater Desalination (BGD) program. The BGD program involves the production of brackish water, water too salty to drink, from the Wilcox Aquifer in southern Bexar County and treatment to drinking water quality standards. Design is anticipated to be completed in early 2014. A Guaranteed Maximum Price (GMP) will be presented to SAWS Board of Trustees in the first quarter of 2014 for approval. Construction of the treatment plant, pipelines, remaining wells, and other facilities is expected to begin in mid-2014, with the plant commissioning/testing expected in late 2015. Full operation will begin in late 2016, providing 13,440 acre-feet per year of drought-proof desalinated groundwater to San Antonio's taps. Future phases will bring the total supply from this Program to 33,600 acre-feet.

Request for Competitive Sealed Proposals (RFCSP)

In January 2011, in accordance with the *2009 Update*, SAWS requested competitive sealed proposals for a water supply to supplement water inventory. The RFCSP document originally specified that SAWS could accept up to 20,000 acre-feet of water per year in 2020 and might gradually increase the quantity by up to 1,500 acre-feet annually beginning in 2021. Nine proposals were received by the July 2011 deadline. An exhaustive evaluation of nine separate proposals resulted in four of the projects being deemed responsive to the utility's request.

With the approval of the *2012 Water Management Plan*, SAWS updated its RFCSP water supply requirements calling for up to 50,000 acre-feet per year to be supplied beginning in 2018. The update in requirements reflected recent critical factors such as the integration of DSP with SAWS, the EAHCP implementation and revised population projections resulting from the 2010 Census. The four finalists were asked to update their original RFCSP proposals to reflect the new requirements. After submission of the revised proposals, SAWS staff narrowed down further the list of finalists and conducted interviews with three final proposers.

At staff's recommendation, in March 2014, the SAWS Board voted to enter negotiations with the highest scoring RFCSP finalist – Vista Ridge Consortium. In approving this action, the SAWS Board acknowledged that none of the RFCSP finalists, including Vista Ridge, were able at the present time to provide the required guarantee of 100% water availability for SAWS customers over time given the uncertainty of the groundwater regulatory environment in Texas. As a hedge to this uncertainty, at the same meeting in March, when the Board voted to fund Phase I construction of the Brackish Groundwater Desalination program, the Board also acknowledged the possibility of even further expansion of this program beyond the planned Phases II and III as a possible additional source of water for the future to supplement, or even to replace RFCSP if necessary.

PLANNED WATER SUPPLY PROJECTS FOR THE MID TERM (2021-2039)

While the *2012 Water Management Plan* expects the dry year consumption to remain at 135 GPCD beyond the year 2020, population is expected to continue to grow, resulting in an overall increase in total demand. For this reason, the Mid Term Program calls for SAWS to execute additional phases of the BGD Program and the Expanded Carrizo project.

The *2012 Water Management Plan* outlines a water management strategy that maintains SAWS current supplies, successfully develops supplies in the Short Term, and builds on those supplies in the Mid Term:

- Conservation programming that maintains consumption at 135 GPCD.
- Phase II and III of the Brackish Groundwater Desalination Program (additional 13,440 acre-feet per year by the year 2021, followed by an additional 6,720 acre-feet per year by the year 2026) for a total yield of 33,600 acre-feet for the Program.
- Phase II and III of Expanded Carrizo (additional 7,000 acre-feet per year by the year 2022, followed by an additional 7,000 acre-feet per year by the year 2026) for a total yield of 21,000 acre-feet per year.

- The completion of the water supplies identified in the Short and Mid Term Programs will ensure that SAWS has water security – even in a future repeat of drought of record-like conditions – through 2040 (see Figure 4).

It is important to note that the EAHCP has a term that will expire during this mid-term period; however, the necessity to balance the needs of the human users of the Edwards Aquifer and the Federally-listed threatened and endangered species associated with it will remain. Some form of Aquifer management for periods of record-breaking drought stress will be required to continue. While those future forms of Aquifer management cannot be predicted, SAWS will continue to represent the EAHCP commitment in water supply and demand projections beyond the expiration of the present HCP.

EDWARDS AQUIFER HABITAT CONSERVATION PROGRAM

Among other charges, the Edwards Aquifer Authority (EAA) was also directed by the Texas legislature to ensure that, not later than December 31, 2012, the continuous minimum spring flows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species. In connection with this directive, the Edwards Aquifer Recovery Implementation Program (EARIP), as described earlier, was established in 2007. The Legislature called for the EARIP to be developed through a consensus-based process that involved input from the U.S. Fish and Wildlife Service (USFWS), other appropriate federal agencies, and all interested stakeholders in the Edwards region.

The primary parties to the EARIP included the EAA, SAWS, the City of New Braunfels, the City of San Marcos and Texas State University. These parties worked through this process along with USFWS and other stakeholders through an EARIP Steering Committee over a four year period to develop a Habitat Conservation Plan (HCP). The HCP was used by the USFWS as the basis for issuing an Incidental Take Permit (ITP) which will protect San Antonio and the region from the threat of future environmental lawsuits and federal control of the aquifer over a 15-year term. This ITP was issued by the USFWS on March 18, 2013.

In order to fund the annual HCP implementation costs, the EAA approved a \$47 per acre foot HCP fee on top of the \$37 per acre foot Aquifer Management Fee bringing the total EAA pumping fee to \$84 per acre foot for municipal and industrial pumpers. It is anticipated that the EAA Board will continue to examine the adequacy of this rate each year to support the ongoing costs to implement the EAHCP throughout the term of the ITP.

A major component of the HCP includes the use of SAWS Aquifer Storage and Recovery (ASR) facilities in conjunction with other measures to contribute to modeled springflow protections during severe droughts. After the approval of the HCP SAWS and the EAA entered into an Intergovernmental Contract in August 2013 that details the implementation of the strategy. The EAA itself, or by use of an agent, acquires Edwards Aquifer groundwater withdrawal rights which are conveyed to SAWS for storage at ASR. An amount commensurate to the water stored on behalf of the region will be forborne from SAWS Edwards aquifer production during specified triggers during drought similar to Texas' drought of record. The contract and amount of water leased by the EAA and conveyed to SAWS to store, limits the forbearance SAWS is obligated to perform over the next 15 years. SAWS will be reimbursed for the incremental cost of storing HCP water in ASR and withdrawing that water during drought of record conditions to cover its forbearance requirements under the agreement.

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FINANCIAL POLICIES

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FINANCIAL POLICIES

BASIS OF ACCOUNTING

SAWS' financial statements 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 and liabilities are reported in the statement of net position, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

RECOGNITION OF REVENUES

Revenues are recorded as services are provided. Customers' water meters are read and billing is 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. SAWS' principal operating revenues are charges to customers for water supply, water delivery, wastewater, and chilled water and steam 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.

ANNUAL BUDGET

Approximately sixty days prior to the beginning of each fiscal year, SAWS presents an annual budget prepared on an accrual basis to serve 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 Ordinance No. 75686. The annual budget is submitted to the City Council for review and consultation.

The annual budget should be a balanced budget that projects Gross Revenues sufficient to fund estimated financial requirements. The annual budget is prepared on a comprehensive basis and includes all water supply, water delivery, wastewater and chilled water and steam operations as well as a capital improvement program. The Board of Trustees may subsequently modify its approved budget by giving notice thereof to the City.

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

Encumbrances are not formally recorded in the accounting system, however, SAWS monitors and controls spending by utilizing budget variance reports for each accounting unit, which are formally reviewed by the CFO and quarterly by the Executive Management Team.

All funds are appropriated in the 2014 annual operating budget. Capital Improvement Program financial projections are not appropriated. Amendments to the 2014 annual operating budget which reduce the unrestricted transfer to the Renewal and Replacement Fund must be approved by the Board of Trustees. Budget transfers between units may be approved administratively as long as total aggregate appropriations are not increased.

CORE BUSINESSES

SAWS operations are segregated into four core businesses as follows:

Water Delivery – the functions of distributing potable water to customers

Water Supply – the functions related to the development and provision of additional water resources

Wastewater – the functions of collecting and treating wastewater from the user customer

Chilled Water and Steam – the functions related to providing chilled water and steam to specific SAWS customers

RESTRICTED RESOURCES

SAWS' policy is to use restricted resources first when an expenditure is made for purposes for which both restricted and unrestricted resources are available.

CASH EQUIVALENTS

SAWS considers investments with an original maturity of three months or less at the time of purchase and all bank certificates of deposit to be cash equivalents.

INVESTMENTS

City Ordinance No. 75686, SAWS' Investment Policy, and Texas state law allow SAWS to invest in direct obligation 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; bi-load money market mutual funds; investment pools; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk which may affect the value at which these investments are recorded. Investments other than money market investments are reported at fair value. Under the provisions of GASB Statement No. 31, money market investments, including US Treasury and agency obligations, with remaining maturity at time of purchase of one year or less are reported at amortized cost.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the invoiced 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.

CAPITAL ASSETS

Assets in service are capitalized when the unit cost is greater than or equal to \$5,000. Utility plant additions are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas and development costs for internally generated computer software. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through capital leases are recorded on the cost basis and included in utility plant in service. Assets acquired through contributions, such as those from developers, are recorded at estimated fair market value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized. Capital assets are depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains and intangible assets. Groups of mains are depreciated on the straight-line method using rates estimated to fully depreciate the costs of the asset group over their estimated average useful lives. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs.

CAPITAL INTEREST

Interest expense during the construction period is capitalized as part of the cost of capital assets.

CAPITAL CONTRIBUTIONS

Capital contributions consist of plant contributions from developers, capital recovery fees, and 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 and may be used only for additional 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 grants credits to the developer equal to the estimated fair market value of the excess capacity of the infrastructure contributed. These credits may only be used to offset future capital recovery fees owed by the developer.

FUNDS FLOW

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

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

Gross Revenues are defined by Ordinance No. 75686 as all revenue of SAWS excluding capital contributions, payments received under the CPS Energy contract, interest earned on Project Fund investments, and Federal subsidies received related to Build America Bonds.

PAYMENTS TO THE CITY'S GENERAL FUND

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

RATES AND CHARGES

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

1. Pay maintenance and operating expenses
2. Produce Net Revenues sufficient to pay:
 - a. 1.25 times the annual debt service requirements on senior lien obligations,
 - b. Principal and interest due on any junior lien, subordinate lien and inferior lien obligations and
 - c. Amounts required to be deposited in any reserve or contingency fund created for the payment and security of bond obligations

Net Revenues are defined Ordinance No. 75686 as Gross Revenues after deducting maintenance and operating expenses.

FUND STRUCTURE

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

FUNDS ESTABLISHED BY CITY ORDINANCE NO. 75686 (ADOPTED APRIL 30, 1992)

- System Fund – All Gross Revenues shall be credited to this fund upon receipt, unless otherwise provided in City Ordinance No. 75686. All current expenses of maintenance and operations shall be paid from this fund as a first charge against the gross revenues so credited. Before making any deposits to other funds required to be made from the System Fund, the Board of Trustees shall retain in the System Fund at all times an amount at least equal to two months of the amount budgeted for the current fiscal year for current maintenance and operation expenses.
- Debt Service Fund – The sole purpose of this fund is for the payment of principal and interest on all bonds which are payable from pledged revenues.
- Reserve Fund – The purpose of this fund is to accumulate and maintain 100% of the maximum annual debt service requirement on senior lien obligations. SAWS may provide Surety policies equal to the required reserve amount in lieu of depositing cash into the Reserve Fund. This fund shall be used to pay the principal and interest on any bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any bonds.
- Project Fund – This fund shall be used to account for the proceeds of debt obligations and all earnings on Project Fund investments. Funds may only be used to pay for capital improvements in accordance with bond agreements and Internal Revenue Service regulations related to tax-exempt borrowings.
- Renewal and Replacement Fund – This fund shall be used for the purpose of
 1. Paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures, or
 2. Paying the costs of unexpected extraordinary repairs or replacements for which System Funds are not available
 3. Paying unexpected or extraordinary expenses of maintenance and operations for which System Funds are not otherwise available
 4. Depositing any funds received by SAWS pursuant to the CPS Energy contract
 5. Paying bonds or other SAWS' obligations for which other System revenues are not available
 6. Making up any shortfall in the Payment to the City of San Antonio General Fund as required by Section 17 of Ordinance 75686 and
 7. For any other lawful purpose

DEBT MANAGEMENT

Capital Planning

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

Capital Financing

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

1. Pay as you go financing is an integral part of the overall capital-financing plan. Pay as you go financing is defined as all sources of funding other than debt issuance and includes unrestricted resources, developer contributions, investment earnings and certain grant proceeds.
2. The use of debt financing will be based, in part, on SAWS' long-term needs and the amount of funds available for pay as you go financing. The following criteria will be used to evaluate pay as you go versus debt financing:
 - Factors which favor pay as you go financing:
 - Current revenues and adequate liquidity are available
 - Debt levels would adversely affect SAWS' credit rating or market conditions are unstable or present difficulties in marketing debt.
 - Factors which favor debt financing include:
 - Revenues available for debt service are considered sufficient and reliable so that debt financing can be marketed with the appropriate credit rating

- Market conditions present favorable interest rates and demand for municipal financings
- Federal or State subsidized debt is available to finance specific capital improvements and current revenues and liquidity are insufficient to pay the cost of those improvements

DEBT LIMIT

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

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

DEBT POLICY

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

RESERVE POLICIES

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

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FINANCIAL PLANNING PROCESS

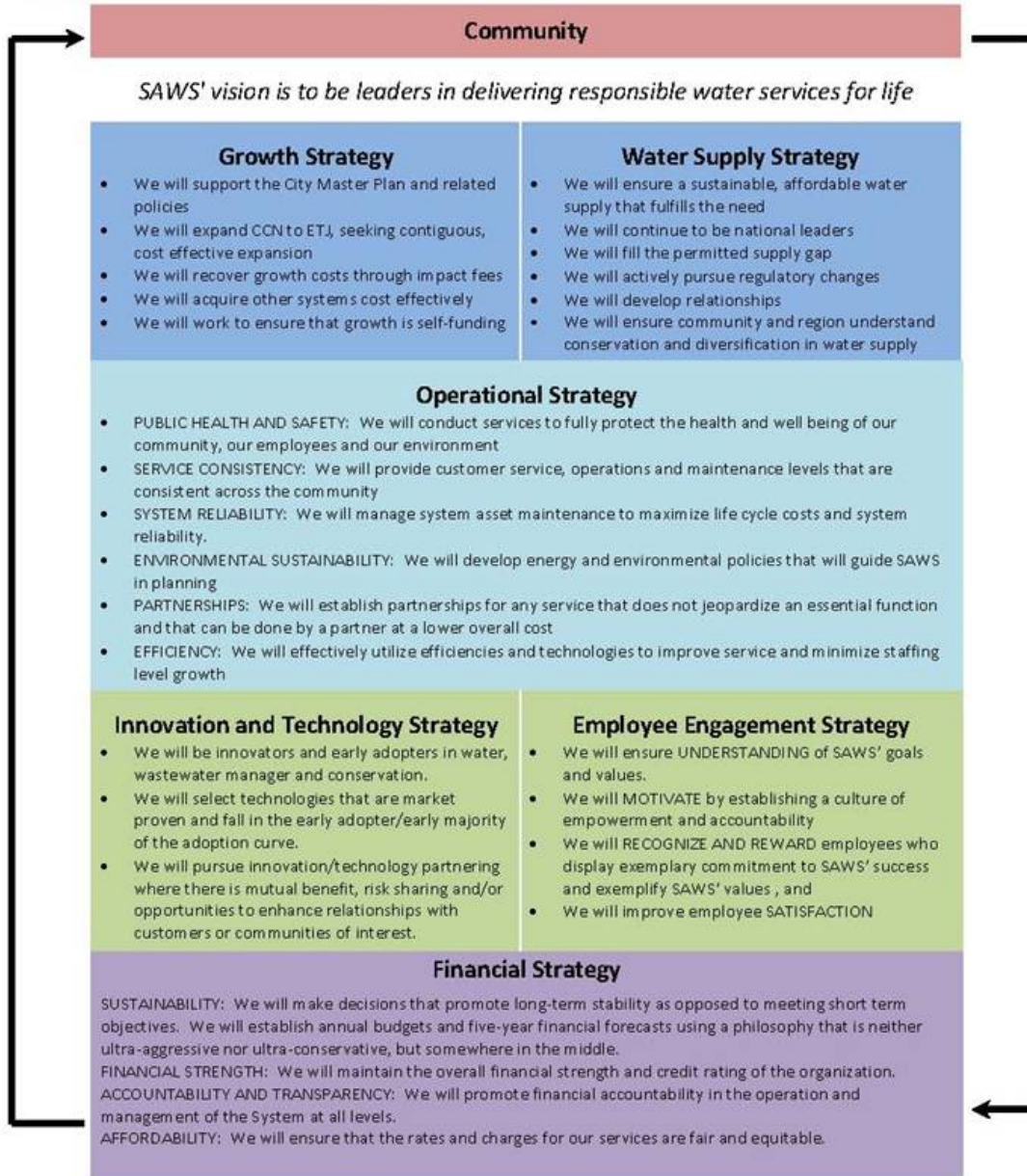
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FINANCIAL PLANNING PROCESS

STRATEGIC PLAN

San Antonio Water System continues its dedication to providing ratepayers with sustainable and affordable water services, through its commitment to the Refreshing Ideas Strategic Plan.

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



MULTI-YEAR FINANCIAL PLAN

Financial Planning is critical for SAWS to accomplish its mission. In order to adequately plan for water sources and appropriate infrastructure, financial models have been developed to analyze the impacts of various growth and replacement scenarios on the company's financial position.

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

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

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

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

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

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

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

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

ANNUAL BUDGET PROCESS

OPERATION AND MAINTENANCE BUDGET PROCESS

The 2014 budget process began with identifying challenges and opportunities for the coming year:

- EPA Consent Decree – The 2013 budget provided for partial year funding. 2014 requires full year funding.
- Water Management Plan
 - Water from Regional Carrizo project and Schertz-Seguin Local Government Corporation (SSLGC) contract will be on line in 2014
 - Increase in water production and costs under terms of WECO contract
- Implementation of efficiency study recommendations
- Ensure adequate funding for critical initiatives
- Attract and retain high performance employees
- Maintain affordability of rates while ensuring long-term financial stability
- Continue to improve SAWS' customer service

Although SAWS and DSP are separate legal entities with separate budgets, their operations have been merged and they are managed as a single entity. The budget process, therefore, involved the development of a single budget for the combined SAWS/DSP operation. Through a cost allocation process, separate budgets were produced.

Current Services Level - The budget process involved a calculation of the Current Services Level budget, which was an estimate of the cost required to maintain the current level of services and benefits in 2014. The Current Services Level budget served as the baseline for all subsequent 2014 budget changes and was developed from the following components:

- A full year of current workforce salaries and benefits. The 2013 budget provided for a partial year of performance pay adjustments. The Current Services Level budget includes the full year of the 2013 salary and benefit adjustments.
- Estimated additional employee benefits costs for 2014
- Estimated 2014 utility costs including provision for electric and gas utility rate increase
- Estimated increased 2014 fuel costs
- Excludes one-time 2013 budgeted expenses
- Turnover adjusted to reflect current vacancy rate

5% Reduction - Departments were then required to submit proposals for reductions of 5% of their Current Services Level budgets.

Improvements and/or Mandates - Departments requiring additional funding for improvements or mandates that exceeded the 2014 Current Services Level were required to submit decision packages to include detailed justification for each specific request. Capacity for additional funding requests, including salary and benefit adjustments was created from approved reductions.

Budget Development and Review

- Vice presidents/department directors reviewed current programs, activities and current levels of service provided to their customers. Additionally, they evaluated and prioritized future departmental needs.
- The executive management team (EMT) conducted a comprehensive review of O&M, Capital Outlay and CIP submittals. During this review, all requests for additional funding were prioritized and were approved or denied based on this prioritization. This review by Executive Management further ensured that departmental budgets were aligned with corporate goals and objectives.
- Financial Planning staff revised the MYFP to incorporate the final Operating and Maintenance budget and Capital Improvement Program.
- Several review sessions were held with the City of San Antonio Public Utilities office to discuss the budget inputs and assumptions.

CAPITAL IMPROVEMENT PROGRAM PROCESS

The annual capital improvement program (CIP) process occurs concurrently with the O&M budget process.

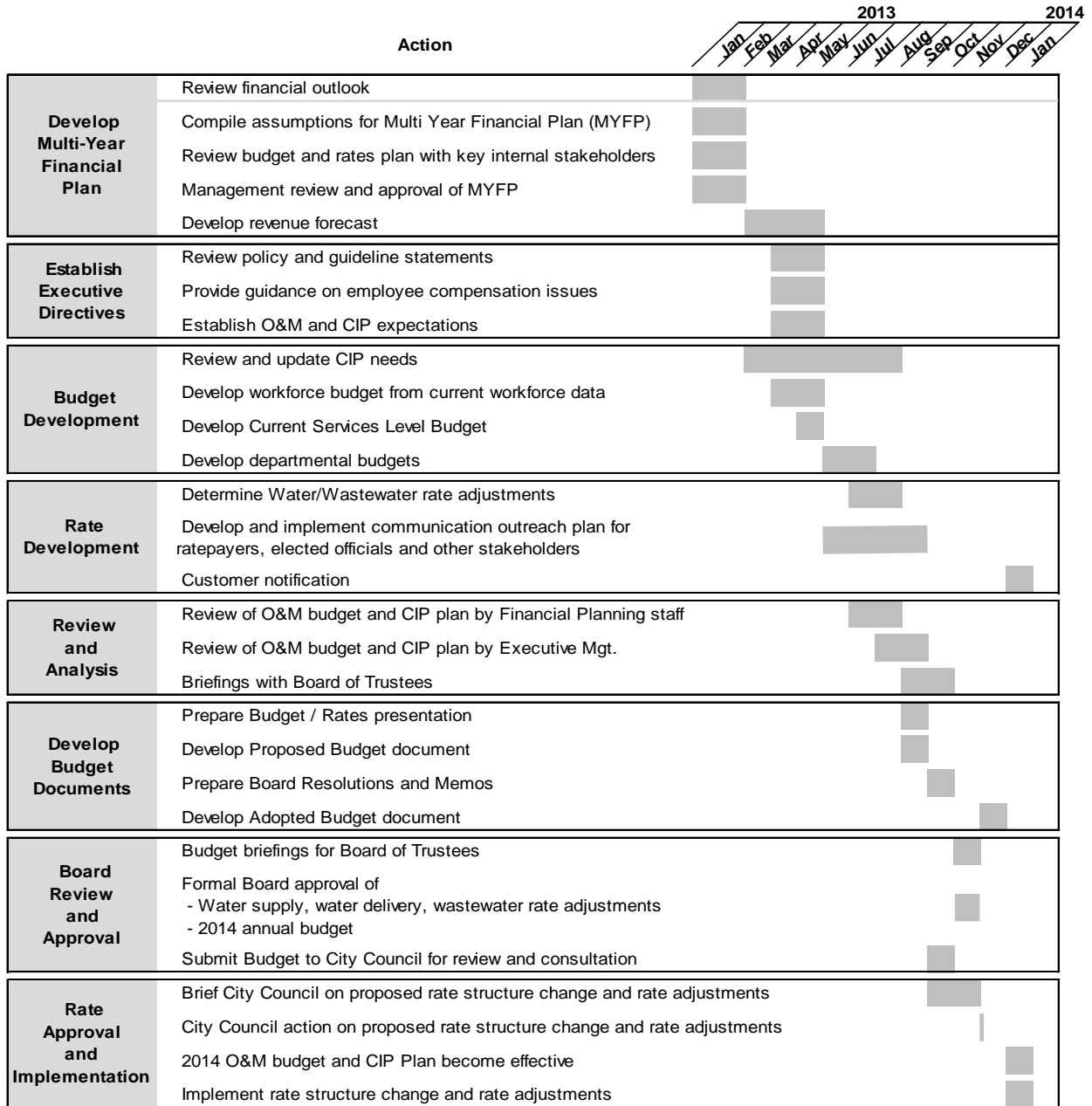
CIP Process Objective

The CIP planning process objective is to deliver a sustainable Capital Improvements Program that supports the corporate vision of providing plentiful, quality, affordable water services. Delivering a sustainable capital improvement program ensures that the use of resources and the environment today does not damage prospects for future generations.

There are four distinct phases to this process:

- 1) Build program submittal – Create the project candidate list with recommended risk ratings.
- 2) Validate and prioritize – Using the Failure Modes and Effects Analysis (FMEA) methodology, process owners, managers, directors and executive management validate project risk ratings and prioritize accordingly.
- 3) Impact assessment and mitigation – Financial analysis is done to assess the program impact on rates, and the program is adjusted for executive management concurrence.
- 4) Review and Approval - Upon executive management concurrence, the program is presented to the Board of Trustees for review and approval.

2014 BUDGET TIMELINE



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LONG RANGE FINANCIAL PLAN

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LONG RANGE FINANCIAL PLAN

Each year, the San Antonio Water System develops a 20-year financial plan as an important tool to formalize the budget of the system, but also to evaluate and provide for a financing plan of the operational and capital resources of the system. The financial plan includes annual forecasts for sources and uses of funds, revenue adjustments, and operations and capital funding in accordance with City Ordinance 75686, which established the founding of the San Antonio Water System.

The 20-year planning horizon focuses on the first five year planning horizon 2014 - 2018, but depending on the program is planned for as long as sixty years. Major long term strategic programs include long term water supply needs and wastewater infrastructure goals.

Resources planned for in the budget and financial plan include, but are not limited to, water supply, system expansion, environmental sustainability, system reliability and service consistency, innovation and technology, financial strength, and human resource development. All priorities are planned through operational, capital, and financial resource assessment and allocation, with a projection of revenues and any required revenue adjustments to fund the strategic priorities.

MEDIUM TERM FIVE YEAR FORECAST

For the period 2014 – 2018, the primary driver for the increase in revenue required is debt service. The capital improvement program is primarily funded with debt, thus the principal and interest payments associated with debt issued during the period will result in the need for additional revenues.

\$ in Millions	2013 Adopted	2014 Budget	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast
Sources of Funds						
Revenue, incl. prior adjustments	\$436.1	\$479.9	508.4	535.3	571.7	589.6
Rate Adjustment, incremental	22.6	23.6	23.7	32.9	14.6	30.0
Nonoperating Revenues	5.0	5.4	5.7	5.9	6.1	6.9
Draw on Equity	1.4	1.4	1.4	1.4	1.4	1.4
Capital Recovery Fees	36.0	36.0	36.0	36.0	36.0	36.0
Total Sources of Funds	\$501.0	\$546.3	\$575.1	\$611.5	\$629.8	\$663.9
Uses of Funds						
Operations and Maintenance	243.9	260.3	266.0	274.8	279.1	284.0
Debt Service & Expenses	164.1	182.5	194.4	211.1	226.9	239.8
Transfer to City of San Antonio	11.7	12.9	13.6	14.6	15.1	16.0
Available for R&R Restricted	36.1	36.1	36.2	36.2	36.2	36.3
Available for R&R Unrestricted	45.2	54.5	64.9	74.8	72.5	87.8
Total Uses of Funds	\$501.0	\$546.3	\$575.1	\$611.5	\$629.8	\$663.9

The five year 2014 – 2018 capital improvement program is projected at \$1.4 billion, and reflects the allocation of capital resources toward major strategic priorities of infrastructure replacement, system growth, and sustainability. A significant priority is wastewater capital replacement projects related to the sanitary sewer overflow reduction program.

CIP (millions)	2014	2015	2016	2017	2018	Total
Water Supply	\$ 160.7	\$ 30.3	\$ 18.3	\$ 40.0	\$ 4.1	\$ 253.4
Water Delivery	87.6	51.9	58.1	102.0	74.4	374.0
Wastewater	140.1	164.4	183.0	138.1	174.5	800.1
Chilled Water & Steam	2.8	2.0	0.7	7.3	1.4	14.2
Total	\$391.2	\$248.6	\$260.1	\$287.4	\$254.4	\$1,441.7

Projected funding for the five year capital improvement program is from renewal & replacement, impact fees, investment income, and bond proceeds. The percentage of capital expenditures funded from pay as you go sources is expected to be less than the target of 35% in 2014 due to the high level of capital expenditures. Cash funding of CIP is closer to the 35% target during the next four years.

Capital Improvement Program (CIP)					
	2014	2015	2016	2017	2018
CIP Budget	\$391.2	\$248.6	\$260.1	\$287.4	\$254.4

Capital Improvement Program Funding					
	2014	2015	2016	2017	2018
Revenue/Renewal & Replacement	12.5%	29.7%	19.2%	23.0%	18.0%
Impact Fees	3.5%	5.9%	8.1%	7.4%	7.7%
Investment Income	0.0%	0.1%	0.1%	0.1%	0.1%
Bonds/Commercial Paper	84.0%	64.3%	72.7%	69.5%	74.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Cash Funding	62.8	88.7	71.0	87.7	65.4
Debt Funding	328.4	159.9	189.1	199.7	189.0

While debt service is the primary driver behind SAWS increased revenue requirements during the next 5 years, there is also projected growth in operating and maintenance expenditures. As discussed previously, the O&M growth in 2014 is entirely attributable to the increase in costs associated with SAWS programs to reduce sanitary sewer overflows, as well as the costs associated with bringing the Regional Carrizo water supply project on-line in late 2013. The operational costs associated with SAWS Brackish Water Desalination plant coming on-line in 2016 also results in a spike in O&M costs. Additional operations and maintenance drivers are general inflationary cost increases of the system and funding of salary and benefit costs to include increased OPEB annual contributions of \$2M per year from 2014 through 2016.

Over 90% of SAWS' funding requirements are met through metered sales of water and wastewater services. Adjustments to the metered revenues are anticipated through the planning horizon to fund the projected operational and capital needs of the system. The 2014 budget requires an adjustment to rates sufficient to generate \$23.6 million in additional revenues. The percentage increases in Water Supply Fee, water delivery, and wastewater rates to support the 2014 proposed operating and capital budget are 13.1%, 2.5%, and 3.8%

respectfully. The combined increase is 5.1% for the average SAWS water and wastewater customer, assuming an average customer uses 7,788 gallons of water and discharges 6,178 gallons of wastewater per month. The pass-through rates, Edward Aquifer Authority Fee (EAA Fee) and TCEQ Fee, overall are anticipated to decrease thus lowering the customer rate adjustment to 4.7% on the bill for the average customer.

Below is a summary of the metered rate adjustments by rate class needed to generate the additional revenues to support the uses of funds for 2014-2018.

% Rate Adjustment Needed	2014	2015	2016	2017	2018
Water Supply Fee	13.1%	6.2%	4.2%	7.1%	1.9%
Water Delivery	2.5%	2.7%	5.2%	3.7%	5.6%
Wastewater	3.8%	6.4%	9.4%	0.0%	7.7%
% Increase	5.1%	5.3%	7.1%	2.4%	5.9%
Passthrough Fees	-2.8%	0.0%	0.0%	0.0%	0.0%
% Total Increase	4.7%	5.8%	6.8%	2.3%	5.6%

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ANNUAL OPERATING BUDGET

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ANNUAL OPERATING BUDGET

FINANCIAL PLAN SUMMARY

The following table summarizes the consolidated Sources and Uses of Funds that comprise the SAWS Annual Operating Budget.

COMBINED SOURCES AND USES OF FUNDS				
	2011	2012	2013	2014
	Actual	Actual	Amended	Adopted
<i>(dollars in thousands)</i>			Budget	Budget
SOURCES OF FUNDS				
Operating Revenues				
Sewer Service Charges	\$ 145,676	\$ 163,782	\$ 184,433	\$ 206,191
Metered Water Sales	129,985	126,246	128,392	134,399
Water Supply Fee	97,582	91,929	92,107	108,910
EAA Fee	8,255	19,944	19,097	18,449
Chilled Water & Steam Sales	11,631	12,378	11,816	11,816
Conservation	10,384	9,939	9,419	9,519
Industrial Waste Surcharge	4,817	5,139	4,771	5,442
Stormwater	4,161	4,567	4,561	4,420
Recycled Water System	5,071	5,038	4,585	5,185
Recovery of TCEQ Fees	1,642	1,475	1,700	1,721
Reduction for Affordability Program	(1,335)	(1,908)	(2,201)	(2,530)
Total Operating Revenues	417,869	438,529	458,680	503,522
Nonoperating Revenues	2,210	2,136	950	1,483
Build America Bonds Subsidy	3,970	4,014	4,007	3,894
Total Revenues	424,049	444,679	463,637	508,899
Capital Recovery Fees	23,263	36,761	36,000	36,000
Draw on Equity	-	6,901	1,400	1,400
Total Sources of Funds	447,312	488,341	501,037	546,299
USES OF FUNDS				
Operations and Maintenance	193,254	233,917	243,937	260,313
Operating Reserve	1,272	3,163	5,664	952
Revenue Bond Debt Requirement	135,025	138,606	160,683	179,493
Other Debt Service Requirement	3,206	2,935	3,453	3,007
Transfer to the City of San Antonio	10,926	11,160	11,689	12,927
Balance Available for:				
Renewal and Replacement Fund (Restricted)	23,412	36,761	36,000	36,000
Renewal and Replacement Fund (Unrestricted)	80,217	61,799	39,611	53,607
Total Uses of Funds	\$ 447,312	\$ 488,341	\$ 501,037	\$ 546,299

FINANCIAL PLAN SUMMARY BY CORE BUSINESS

The San Antonio Water System comprises four core businesses, which are essentially four separate utilities. Each core business generates revenues that are designed to recover their respective cost of service. The core businesses are Water Supply, Water Delivery, Wastewater, and Chilled Water and Steam.

The following schedule reflects the 2014 consolidating summary of Sources and Uses of Funds by core business:

	Water Supply	Water Delivery	Wastewater	Chilled Water and Steam	Total
<i>(dollars in thousands)</i>					
SOURCES OF FUNDS					
Operating Revenues					
Sewer Service Charges	\$ -	\$ -	\$ 206,191	\$ -	\$ 206,191
Metered Water Sales		134,399			134,399
Water Supply Fee	108,910				108,910
EAA Fee	18,449				18,449
Chilled Water & Steam Sales				11,816	11,816
Conservation	9,519				9,519
Industrial Waste Surcharge			5,442		5,442
Stormwater	4,420				4,420
Recycled Water System	5,185				5,185
Recovery of TCEQ Fees		1,222	499		1,721
Reduction for Affordability Program	(692)	(692)	(1,146)		(2,530)
Intercompany Reallocations	5,630	(5,630)			-
Total Operating Revenues	151,421	129,299	210,986	11,816	503,522
Nonoperating Revenues					
Build America Bonds Subsidy	896	253	272	62	1,483
	1,022	1,192	1,680	-	3,894
Total Revenues	153,339	130,744	212,938	11,878	508,899
Capital Recovery Fees	9,818	11,455	14,727	-	36,000
Draw on Equity	1,400	-	-	-	1,400
Total Sources of Funds	\$ 164,557	\$ 142,199	\$ 227,665	\$ 11,878	\$ 546,299
USES OF FUNDS					
Operations and Maintenance	\$ 82,459	\$ 61,151	\$ 105,999	\$ 10,704	\$ 260,313
Operating Reserve	598	96	258	-	952
Revenue Bond Debt Requirement	53,930	47,692	75,300	2,571	179,493
Other Debt Service Requirement	429	854	1,715	9	3,007
Transfer to the City of San Antonio	3,406	3,497	5,703	321	12,927
Balance Available for:					
Renewal and Replacement Fund (Restricted)	9,818	11,455	14,727	-	36,000
Renewal and Replacement Fund (Unrestricted)	13,917	17,454	23,963	(1,727)	53,607
Total Uses of Funds	\$ 164,557	\$ 142,199	\$ 227,665	\$ 11,878	\$ 546,299

WATER SUPPLY CORE BUSINESS

The Water Supply core business is responsible for all functions related to the development and provision of additional water resources, including recycled water. In order to support the cost associated with these initiatives, SAWS implemented the Water Supply Fee, which is a separate funding mechanism for water supply development and water quality protection. The Water Supply core business also strives to extend SAWS' existing water supplies by promoting water conservation practices

	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
<i>(dollars in thousands)</i>				
SOURCES OF FUNDS				
Operating Revenues				
Water Supply Fee	\$ 97,582	\$ 91,929	\$ 92,107	\$ 108,910
Conservation	10,384	9,939	9,419	9,519
EAA Fee	8,255	19,944	19,097	18,449
Recycled Water System	5,071	5,038	4,585	5,185
Stormwater	4,161	4,567	4,561	4,420
Reduction for Affordability Program	(327)	(343)	(602)	(692)
Intercompany Reallocations	5,630	5,630	5,630	5,630
Total Operating Revenues	130,756	136,704	134,797	151,421
Nonoperating Revenues	570	1,021	281	896
Build America Bonds Subsidy	1,045	1,051	1,050	1,022
Total Revenues	132,371	138,776	136,128	153,339
Capital Recovery Fees	6,384	9,645	9,818	9,818
Draw on Equity	-	1,660	1,400	1,400
Total Sources of Funds	\$ 138,755	\$ 150,081	\$ 147,346	\$ 164,557
USES OF FUNDS				
Operations and Maintenance	\$ 37,531	\$ 78,564	\$ 79,960	\$ 82,459
Operating Reserve	94	2,457	1,288	598
Revenue Bond Debt Requirement	38,614	39,790	44,753	53,930
Other Debt Service Requirement	654	419	487	429
Transfer to the City of San Antonio	3,208	3,164	2,927	3,406
Balance Available for:				
Renewal and Replacement Fund (Restricted)	6,376	9,642	9,818	9,818
Renewal and Replacement Fund (Unrestricted)	52,278	16,045	8,113	13,917
Total Uses of Funds	\$ 138,755	\$ 150,081	\$ 147,346	\$ 164,557

WATER DELIVERY CORE BUSINESS

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

	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
<i>(dollars in thousands)</i>				
SOURCES OF FUNDS				
Operating Revenues				
Metered Water Sales	\$ 129,985	\$ 126,246	\$ 128,392	\$ 134,399
Recovery of TCEQ Fees	1,178	1,064	1,208	1,222
Reduction for Affordability Program	(345)	(602)	(602)	(692)
Intercompany Reallocations	(5,630)	(5,630)	(5,630)	(5,630)
Total Operating Revenues	125,188	121,078	123,368	129,299
Nonoperating Revenues	407	308	187	253
Build America Bonds Subsidy	1,214	1,230	1,228	1,192
Total Revenues	126,809	122,616	124,783	130,744
Capital Recovery Fees	8,688	13,464	11,455	11,455
Draw on Equity	-	2,094	-	-
Total Sources of Funds	\$ 135,497	\$ 138,174	\$ 136,238	\$ 142,199
USES OF FUNDS				
Operations and Maintenance	\$ 69,249	\$ 62,702	\$ 60,309	\$ 61,151
Operating Reserve	521	76	(413)	96
Revenue Bond Debt Requirement	35,699	37,541	43,641	47,692
Other Debt Service Requirement	947	785	974	854
Transfer to the City of San Antonio	3,316	3,099	3,336	3,497
Balance Available for:				
Renewal and Replacement Fund (Restricted)	8,756	13,472	11,455	11,455
Renewal and Replacement Fund (Unrestricted)	17,009	20,499	16,936	17,454
Total Uses of Funds	\$ 135,497	\$ 138,174	\$ 136,238	\$ 142,199

WASTEWATER CORE BUSINESS

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

	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
<i>(dollars in thousands)</i>				
SOURCES OF FUNDS				
Operating Revenues				
Sewer Service Charges	\$ 145,676	\$ 163,782	\$ 184,433	\$ 206,191
Industrial Waste Surcharge	4,817	5,139	4,771	5,442
Recovery of TCEQ Fees	464	411	492	499
Reduction for Affordability Program	(662)	(963)	(997)	(1,146)
Total Operating Revenues	150,295	168,369	188,699	210,986
Nonoperating Revenues	1,035	657	462	272
Build America Bonds Subsidy	1,711	1,733	1,729	1,680
Total Revenues	153,041	170,759	190,890	212,938
Capital Recovery Fees	8,190	13,651	14,727	14,727
Draw on Equity	-	2,970	-	-
Total Sources of Funds	\$ 161,231	\$ 187,380	\$ 205,617	\$ 227,665
USES OF FUNDS				
Operations and Maintenance	\$ 76,685	\$ 82,984	\$ 94,272	\$ 105,999
Operating Reserve	646	673	4,755	258
Revenue Bond Debt Requirement	59,000	59,240	69,651	75,300
Other Debt Service Requirement	1,539	1,710	1,981	1,715
Transfer to the City of San Antonio	4,083	4,559	5,106	5,703
Balance Available for:				
Renewal and Replacement Fund (Restricted)	8,280	13,811	14,727	14,727
Renewal and Replacement Fund (Unrestricted)	10,998	24,403	15,125	23,963
Total Uses of Funds	\$ 161,231	\$ 187,380	\$ 205,617	\$ 227,665

CHILLED WATER AND STEAM

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

	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
<i>(dollars in thousands)</i>				
SOURCES OF FUNDS				
Operating Revenues				
Chilled Water and Steam Sales	\$ 11,631	\$ 12,378	\$ 11,816	\$ 11,816
Total Operating Revenues	11,631	12,378	11,816	11,816
Nonoperating Revenues	198	150	20	62
Build America Bonds Subsidy	-	-	-	-
Total Revenues	11,829	12,528	11,836	11,878
Capital Recovery Fees	-	-	-	-
Draw on Equity	-	177	-	-
Total Sources of Funds	\$ 11,829	\$ 12,705	\$ 11,836	\$ 11,878
USES OF FUNDS				
Operations and Maintenance	\$ 9,789	\$ 9,667	\$ 9,396	\$ 10,704
Operating Reserve	11	(43)	34	-
Revenue Bond Debt Requirement	1,712	2,035	2,638	2,571
Other Debt Service Requirement	65	21	11	9
Transfer to the City of San Antonio	319	338	320	321
Balance Available for:				
Renewal and Replacement Fund (Restricted)	-	-	-	-
Renewal and Replacement Fund (Unrestricted)	(67)	685	(563)	(1,727)
Total Uses of Funds	\$ 11,829	\$ 12,703	\$ 11,836	\$ 11,878

CHANGE IN EQUITY

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

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

The following schedule reflects the projected change in equity for 2014. Total equity is expected to increase by \$73.6 million or 3.6% during 2014.

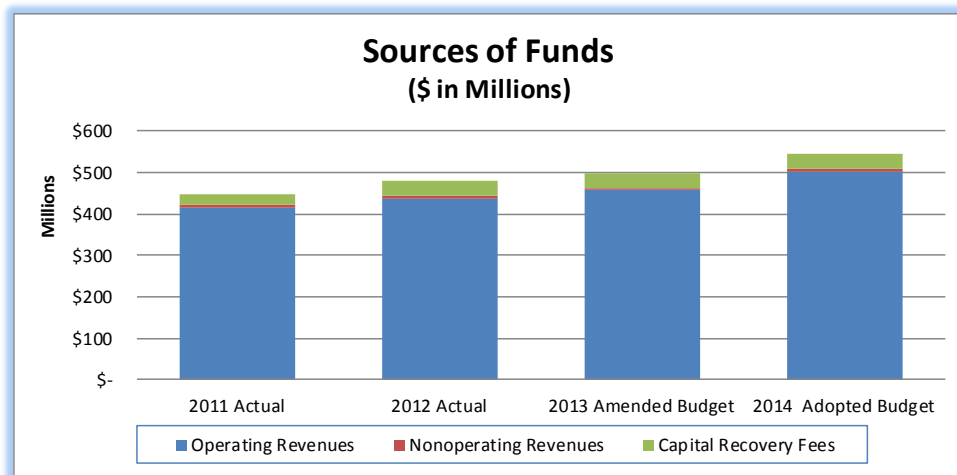
<i>(\$ in thousands)</i>	System Fund	Debt Service Fund	Debt Reserve Fund	Renewal and Replacement Fund	Project Fund	Combined Total
Equity, December 31, 2013	\$ 1,513,493	\$ 39,710	\$ 62,560	\$ 220,353	\$ 188,807	\$ 2,024,923
Change in Equity - brought forward	97,524	(106,186)	-	82,082	148	73,568
Transfers in (out)	(179,493)	179,493	3,674	(3,674)	-	-
Proceeds from Bond Issue	(296,969)	-	-	-	296,969	-
Bond Issue Costs	3,129	-	-	-	(3,129)	-
Retirement of Bonds	64,484	(64,484)	-	-	-	-
Commercial paper retired	3,105	(3,105)	-	-	-	-
Expenditures for plant additions	391,200	-	-	(62,690)	(328,510)	-
Equity, December 31, 2014	\$ 1,596,474	\$ 45,428	\$ 66,234	\$ 236,070	\$ 154,285	\$ 2,098,491

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SOURCES OF FUNDS

The following table summarizes the 2014 budgeted Sources of Funds for all core businesses.

	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
<i>(dollars in thousands)</i>				
SOURCES OF FUNDS				
Operating Revenues				
Sewer Service Charges	\$ 145,676	\$ 163,782	\$ 184,433	\$ 206,191
Metered Water Sales	129,985	126,246	128,392	134,399
Water Supply Fee	97,582	91,929	92,107	108,910
EAA Fee	8,255	19,944	19,097	18,449
Chilled Water & Steam Sales	11,631	12,378	11,816	11,816
Conservation	10,384	9,939	9,419	9,519
Industrial Waste Surcharge	4,817	5,139	4,771	5,442
Stormwater	4,161	4,567	4,561	4,420
Recycled Water System	5,071	5,038	4,585	5,185
Recovery of TCEQ Fees	1,642	1,475	1,700	1,721
Reduction for Affordability Program	(1,335)	(1,908)	(2,201)	(2,530)
Total Operating Revenues	417,869	438,529	458,680	503,522
Nonoperating Revenues				
Build America Bonds Subsidy	2,210	2,136	950	1,483
	3,970	4,014	4,007	3,894
Total Revenues	424,049	444,679	463,637	508,899
Capital Recovery Fees	23,263	36,761	36,000	36,000
Draw on Equity	-	6,901	1,400	1,400
Total Sources of Funds	\$ 447,312	\$ 488,341	\$ 501,037	\$ 546,299



REVENUES

Sources of funds consist of operating revenues, non-operating revenues, Build America Bonds subsidy, and capital recovery fees. Operating revenues include revenues from water (potable and recycled), water supply, and wastewater services accounted for through metered billings. Additional revenues include Special Services fees designed to recover costs associated with providing services that typically benefit a particular customer or type of service. These services include various permit, sampling or laboratory fees, and account services.

WATER AND WASTEWATER CUSTOMER AND USAGE TRENDS

Over 90% of operating revenues consist of the Water Supply Fee, Metered Water Sales, EAA Fee and Sewer Service Charges, all of which are highly dependent upon customers' metered water usage. Fluctuations in metered water usage is primarily the result of changes in:

- the number of customers
- the average use per customer

In the budget process, customer and usage data, statistics and trends are tracked by each rate block to generate multiple revenue forecast projections, including:

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

Due to this systematic and comprehensive approach to forecasting the metered revenues, SAWS has been able to identify developing shifts in usage patterns and underlying trends in the uses of the water resources by its customers. These customer and usage forecasts are aggregated to develop a comprehensive forecast for water, irrigation and wastewater revenues of the system.

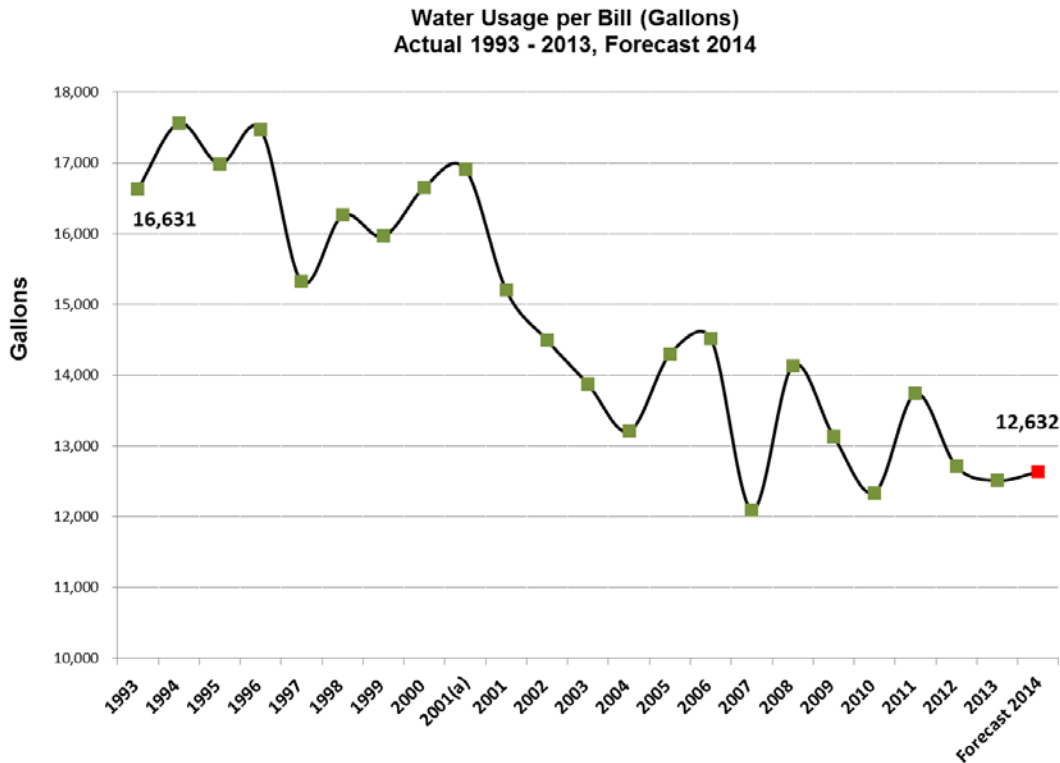
Over the last several years, the wastewater customer growth has exhibited slightly higher growth than that of the SAWS water service area. With this trend expected to continue, 2014 customer growth is forecasted at 1.5% with the following breakdown between water and wastewater:

- 1.4% for water customers
- 1.7% for wastewater customers

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

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

- A significant, persistent downward trend: 1999 – 2007
- Volatility in the trend due to the weather:
 - Drought year peaks: 2005-2006, 2008-2009, and 2011
 - Rainy year troughs: 2004, 2007, 2010, and 2012
- Lowering effect of conservation and drought restrictions: 2008 dry without restrictions lowering to 2009 and 2011 with restrictions.



Weather fluctuations, from very rainy to dry drought conditions and resulting drought restrictions, factor into future water usage forecasts. Extreme weather profiles of 2007 wet and 2011 dry conditions provide a proxy for the expected range of usage conditions in the future.

During 2007, rainfall fell for most of the year resulting in the lowest usage per bill in the historical sample horizon, thus providing for a possible lower range of expected usage in the future. 2011 was extremely dry, but also had drought restrictions for most of the year unlike 2008 which was very dry without restrictions. Given the likelihood of drought restrictions during extremely dry periods, 2011 provides a possible upper range of expected usage in the future.

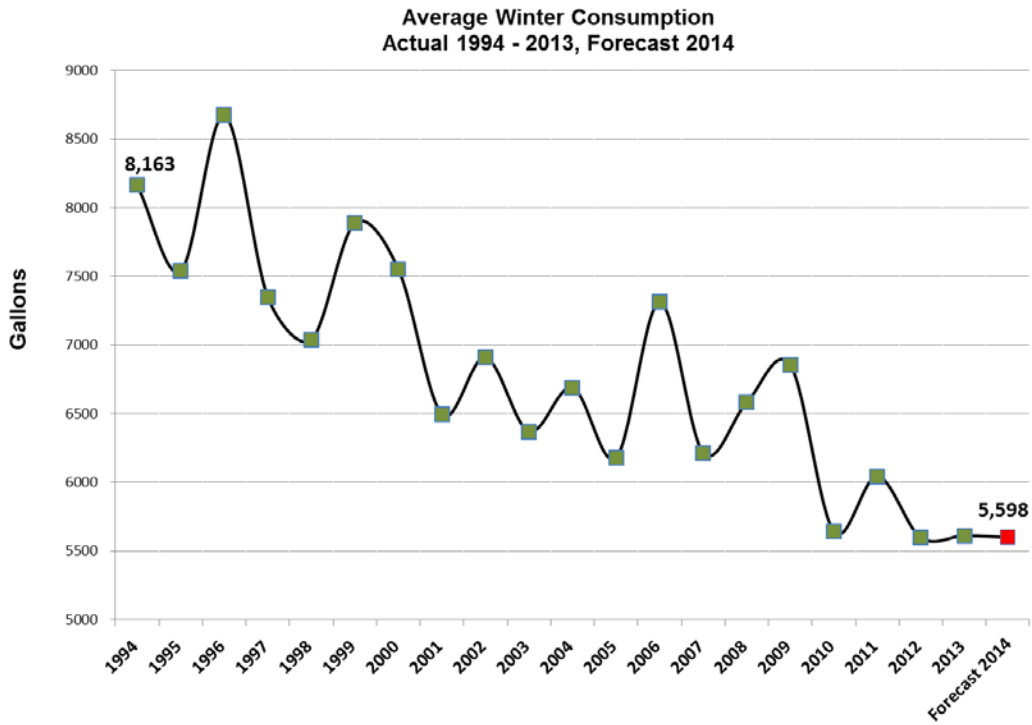
The 2014 use per customer forecast compared to the 2007 and 2011 range is an indication of the conservative nature and reduced revenue risk of the water revenue forecast. Details of the 2014 water usage forecast are as follows:

- Use per customer forecast of 12,632 gallons is at the 34th percentile of the 2007 to 2011 range
- Total adjusted water usage is forecasted at 56.0 billion gallons, higher than the 54.4 billion gallons budgeted in 2013 due to customer growth and use per bill forecast adjustments of 1.5% each.

Metered wastewater volumetric revenues are based on contributed flow estimated through water usage. For the commercial class, water usage for irrigation (metered or assumed) is not subject to wastewater charges. For the residential class, the contributed flow is estimated through the average winter consumption (AWC), which is the average water usage for a 90 day period during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year.

The AWC, as shown in the following chart, has declined dramatically over the last decade as a result of indoor conservation efforts and public awareness about the winter averaging method and measurement period. As reflected in the AWC chart below, the 2010-2012 AWC levels were significantly lower than 2006-2009 values. The 2014 AWC budget of 5,598 gallons assumes normal weather conditions during the winter averaging period in

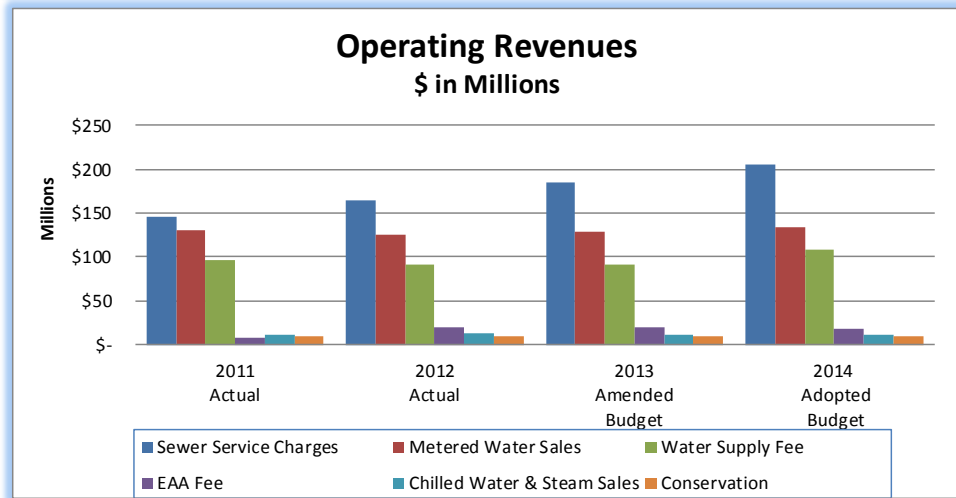
addition to a systematic decline in use per customer due to water conservation and awareness of rate adjustments.



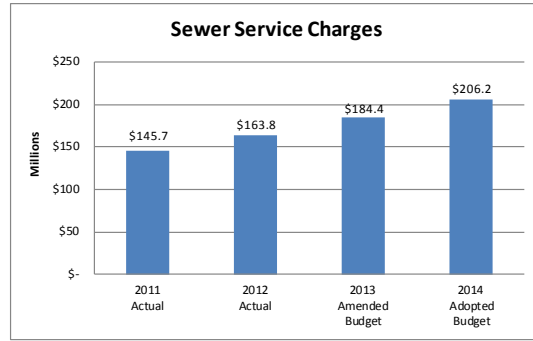
OPERATING REVENUES

The 2014 revenue budget includes a rate adjustment of 5.1% on an average residential bill (7,788 gallons water; 6,178 wastewater assumed). Details of the rate adjustment are as follows:

- 13.1% Water Supply Fee, 2.5% water delivery, and 3.8% wastewater rate adjustments
- Rate increases are effective for usage beginning January 1, 2014
- 0.4% reduction in the average residential bill due to EAA Fee rate reduction
- Rate adjustments result in projected additional operating revenue of \$23.6 million in 2014



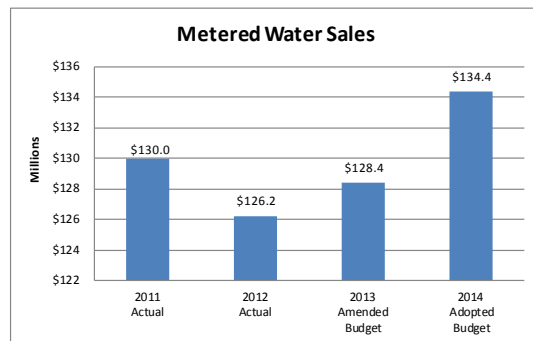
Sewer Service Charges



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

2014 wastewater operating revenues are forecast at \$211 million and consist primarily \$206 million in sewer service charges and \$5 million in sewer surcharge revenues. Net metered wastewater revenues include a 3.8% rate adjustment forecast to generate \$7.5 million in additional wastewater revenue in 2014.

Metered Water Sales

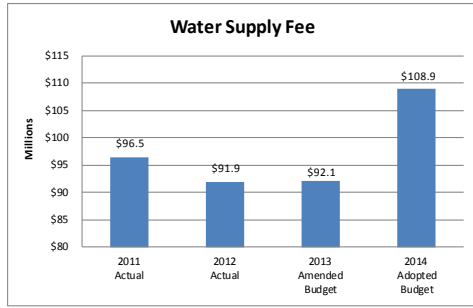


Water charges are designed to recover the costs associated with the production, transmission, and distribution of water to the customer. 2014 water operating revenues are forecast at \$129.3 million, including a 2.5% rate adjustment forecast to generate \$3.4 million in additional water revenue in 2014.

The 2014 revenue forecast assumes that total water sales will increase slightly to 56.0 billion gallons from the 54.4 billion gallons forecasted for 2014, primarily due to assumed customer growth of 1.5%

From the metered water sales revenues, \$5.6 million is budgeted to be transferred to the Water Supply core business to account for a portion of the water delivery rate schedule that continues to fund those Water Supply programs implemented before the Water Supply Fee was developed.

Water Supply Fee Revenues



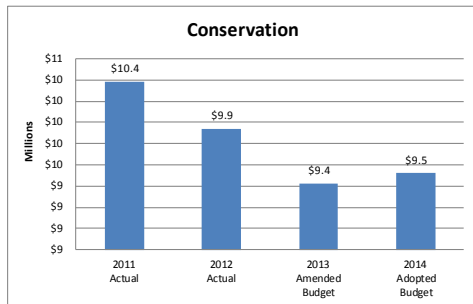
The Water Supply Fee was adopted in 2000 to support one of SAWS fundamental responsibilities: developing and procuring additional water supplies. In 2014, net metered water supply fee revenues are projected at \$108.9 million including a 13.1% Water Supply Fee rate adjustment forecast to generate \$12.7 million in additional revenue in 2014.

Consistent with Water Delivery, the revenue forecast is based on 56.0 billion gallons of billed water usage, with an additional \$5.6 million being transferred from the Water Delivery core business as previously discussed.

Recycled Water Revenues

Recycled water revenues are forecast at \$5.2 million, including a 2.5% rate adjustment on all metered recycled water sales not including the CPS Energy contract. The forecasted receipt of \$3.2 million from the CPS Energy contract is projected contribute 62.0% of recycled water revenues. Recycled water sales and operations are considered to be a part of the Water Supply core business.

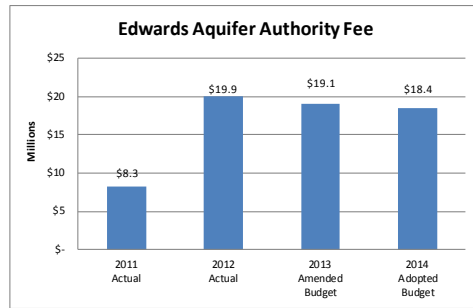
Conservation Revenues



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

For 2014, conservation revenues are budgeted at \$9.5 million or 6.2% of Water Supply operating revenues.

Edwards Aquifer Authority Fee



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

The 2014 EAA Fee budgeted revenue is \$18.4 million, based on the permit fee and rebates from the Edwards Aquifer Authority (EAA). The estimated 2014 EAA permit fee is 254,380 acre feet at \$84 per acre foot, totaling \$21.4 million. EAA rebates received in 2013 of \$3.0 million are subtracted from the EAA permit fee of \$21.4 million charge, resulting in \$18.4 million projected to be recovered from the billing of the 2014 EAA Fee.

Stormwater Fee

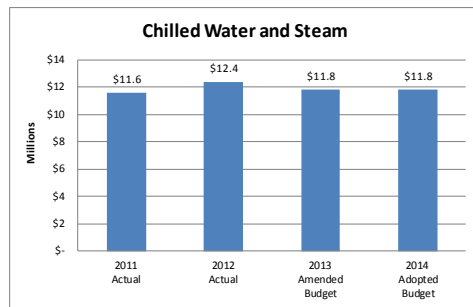
The San Antonio Water System bills stormwater charges and provides certain other services related to the City of San Antonio's Stormwater Program. The City provides a reimbursement to SAWS which substantially offsets the cost of providing those services. For 2014, \$4.4 million in stormwater expenses are budgeted to be reimbursed by the City. Projected 2014 stormwater costs are \$4.4 million, comprised of \$4.3 million in operations and maintenance expenses and \$0.1 million in capital outlay expenses.

State-Imposed TCEQ Fee

The TCEQ Fee is a monthly pass-through fee charged by SAWS to its water and wastewater customers necessary to recover fees assessed to SAWS by the Texas Commission on Environmental Quality (TCEQ). The fee is expected to generate \$1.7 million in operating revenue in 2014.

The TCEQ Fee applies to all billed retail water and wastewater accounts of SAWS, excluding irrigation and recycled water only accounts. Additionally, the TCEQ Fee is structured so that SAWS is delegated the authority to administratively adjust such TCEQ Fee pass-through on an annual basis. For 2014, TCEQ Fees were increased slightly, with the water fee going from \$0.17 to \$0.18 per customer per month and the wastewater fee going from \$0.05 to \$0.06 per customer per month.

Chilled Water and Steam Sales



SAWS provides chilled water and steam for heating and cooling purposes primarily to commercial customers located in downtown San Antonio and the Port Authority of San Antonio. 2014 revenues are projected at \$11.9 million, or 2.3% of total operating revenues.

Affordability Program

The San Antonio Water System provides a variety of assistance to low income customers through its Affordability Program. One type of assistance, the Affordability Discount, provides a sliding scale bill discount based on the income level of those certified under the program. For 2014, \$2.5 million has been set aside for the discount, or 0.5% of total operating revenues.

NON-OPERATING REVENUES

2014 non-operating revenues, budgeted at \$5.4 million, are comprised of \$1.5 million of interest earnings on investments and a \$3.9 million federal subsidy to be received on Build America Bonds. In total, non-operating revenues account for 1.0% of the total sources of funds for 2014.

For the 2014 budget, the average investment base is assumed to be \$475 million. The interest earnings rate is estimated to be 0.25% annual rate, remaining at historically low levels.

DRAW ON EQUITY

The 2014 Draw on Equity of \$1.4 million is based on projected annual payments from the Lower Colorado River Authority (LCRA). LCRA and SAWS settled a lawsuit in 2011 stipulating that LCRA pay \$1.4 million annually through 2019.

CAPITAL RECOVERY FEES

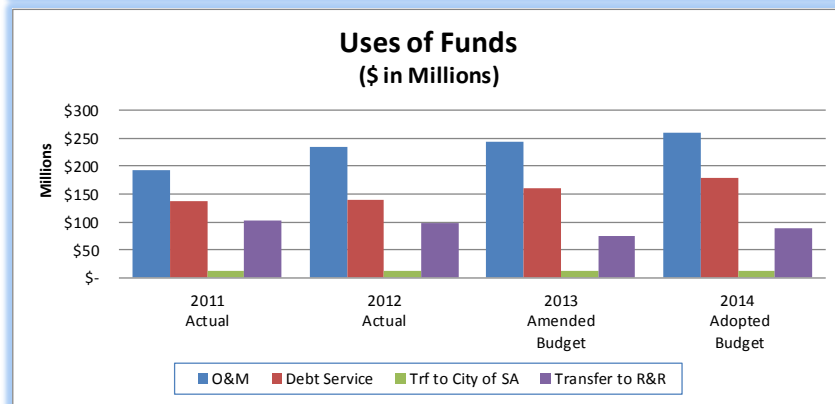
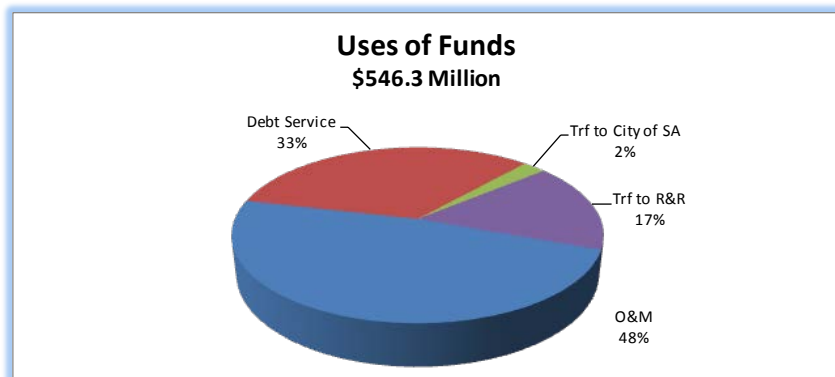
Capital recovery fees are codified in Chapter 395 of the Texas Local Government Code and provide for collection of fees to recover capital improvement costs necessary to serve new development. Through the city ordinances that formed SAWS, capital recovery fees are not considered to be included in Gross Revenues in the flow of funds. Instead, these fees are treated as capital contributions dedicated to fund eligible projects in the capital improvement program.

For 2014, capital recovery fees are projected at \$36.0 million. In total, such fees are projected to account for 6.6% of the total sources of funds for 2014.

USES OF FUNDS

Uses of funds are summarized in the following table:

	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
<i>(dollars in thousands)</i>				
USES OF FUNDS				
Operations and Maintenance	\$ 193,254	\$ 233,917	\$ 243,937	\$ 260,313
Operating Reserve	1,272	3,163	5,664	952
Revenue Bond Debt Requirement	135,025	138,606	160,683	179,493
Other Debt Service Requirement	3,206	2,935	3,453	3,007
Transfer to the City of San Antonio	10,926	11,160	11,689	12,927
Balance Available for:				
Renewal and Replacement Fund (Restricted)	23,412	36,761	36,000	36,000
Renewal and Replacement Fund (Unrestricted)	80,217	61,799	39,611	53,607
Total Uses of Funds	\$ 447,312	\$ 488,341	\$ 501,037	\$ 546,299

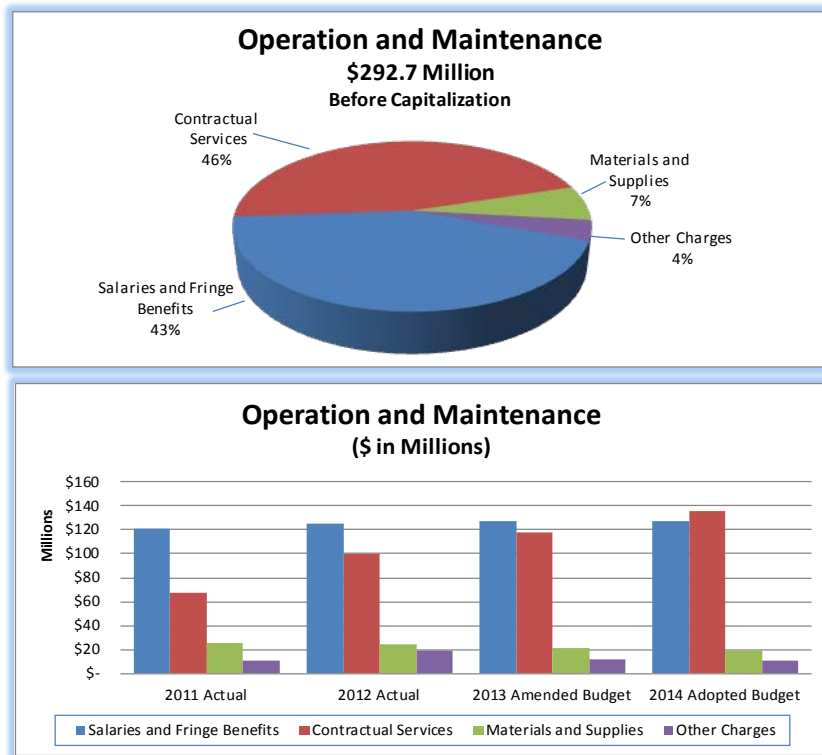


OPERATION AND MAINTENANCE EXPENSE

The cost to operate and maintain the System on a daily basis comprises the largest single requirement of SAWS' revenues. Approximately 48 cents of every dollar collected from customers goes to support ongoing operations and maintenance. The costs in the adopted budget are prudent and necessary for:

- Planning and development of water resources
- Production and delivery of quality drinking water
- Repair and maintenance of distribution mains and pumping facilities
- Collection and treatment of wastewater
- Implementation of new and expanded programs designed to further reduce sewer overflows
- Billing and collection of customer accounts
- Responding to customer inquiries
- Maintaining books and accounts of record
- Administrative and planning activities

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



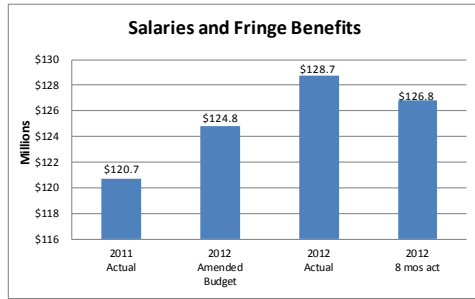
OPERATION AND MAINTENANCE BY EXPENSE CLASSIFICATION

(\$ in thousands)	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Salaries and Fringe Benefits				
511100 Salaries	\$ 79,872	\$ 80,769	\$ 82,734	\$ 80,466
511140 Overtime Pay	3,222	3,070	2,398	2,611
511150 On-Call Pay	333	405	340	462
511160 Employee Insurance	15,450	14,358	14,677	14,457
511162 Retirement	19,439	20,074	22,181	20,508
511164 Unused Sick Leave Buyback	29	33	35	31
511166 Personal Leave Buyback	851	874	887	885
511168 Accrued Vacation Leave	1,176	876	1,169	1,328
511170 Incentive Pay	319	287	297	58
511175 Other Post Employment Benefits	-	4,033	4,000	6,000
Salaries and Fringe Benefits Total	120,691	124,779	128,718	126,806
Contractual Services				
511210 Operating Expense	1,951	2,092	1,808	1,826
511211 Rental of Facilities	336	255	237	265
511212 Alarm and Security	1,838	1,606	1,576	1,143
511213 Collection Expense	189	160	82	-
511214 Uniforms and Shoe Allowance	62	88	258	282
511216 Catering Svcs & Luncheons	113	89	92	76
511219 Program Rebates	400	404	935	611
511220 Maintenance Expense	10,141	9,395	9,317	8,587
511221 Street Cut Permit Admin Fee	692	602	886	627
511222 St Pave/Repair Fee	4,652	986	1,002	842
511223 Preventive Maintenance	61	65	67	62
511224 Corrective Maintenance	1,120	1,283	1,050	1,243
511225 Damage Repair	227	133	175	144
511230 Equipment Rental Charges	535	540	340	704
511240 Travel	184	172	165	116
511245 Training	639	614	542	479
511247 Conferences	55	40	44	60
511250 Memberships and Subscriptions	416	395	346	312
511260 Utilities	24,930	23,319	24,368	25,984
511261 Water Options	15,069	15,406	16,789	25,281
511265 Ground Water District Pay	7,261	19,471	21,351	21,643
511270 Mail and Parcel Post	2,000	1,990	2,082	2,018
511280 Telemetering Charges	46	45	50	35
511309 Educational Assist-Books	15	8	15	13
511310 Educational Assistance	207	140	210	182
511311 Sludge Removal and Haul	3	-	-	-
511312 Contractual Prof Svcs	(14,644)	10,886	22,983	33,953
511313 Inspect & Assessment Fees	1,466	1,497	1,646	1,586
511315 Temporary Employees	614	799	468	356
511320 Legal Services	2,162	3,310	3,287	2,178
511370 Communications	1,014	963	1,138	1,118
511381 Software and Hardware Maintenance	3,145	3,413	3,434	3,712
Contractual Services Total	66,899	100,166	116,743	135,438

OPERATION AND MAINTENANCE BY EXPENSE CLASSIFICATION (CONTINUED)

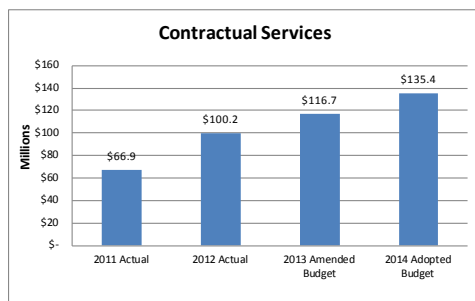
(\$ in thousands)	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Materials and Supplies				
511410 Small Tools	850	716	577	544
511417 Copy and Printing Expense	19	10	25	25
511420 Operating Materials	3,071	2,734	2,466	2,077
511421 Heating Fuel	80	44	77	77
511422 Chemicals	6,314	6,602	6,479	5,507
511425 Education of School Children	34	50	25	20
511426 Public Awareness-WQEE	1	-	1	1
511427 Enforcement	34	33	120	16
511428 Program Materials	1,620	1,333	864	712
511430 Maintenance Materials	7,834	7,354	6,344	6,088
511440 Safety Materials & Supplies	914	728	748	642
511441 Inventory Variances	(8)	5	19	13
511450 Tires and Tubes	572	652	501	611
511451 Motor Fuel & Lubricants	3,534	3,705	3,204	3,095
Materials and Supplies Total	24,869	23,966	21,450	19,428
Other Charges				
511510 Judgements and Claims	685	2,439	621	563
511511 AL & GL Claims - Cont. Liab.	492	(292)	482	216
511520 Bank Charges	830	881	830	516
511525 Cash Short/(Over)	1	-	-	-
511530 Employee Relations	310	271	270	185
511540 Retiree Insurance	6,840	14,721	6,824	7,094
511570 Casualty Insurance	1,147	1,218	1,414	1,327
511580 Unemployment Compensation	50	75	42	69
511590 Workers Comp Medical	813	479	600	866
511600 WC-Contingent Liab Adjust	(288)	(309)	-	-
511610 Workers Comp Benefits	253	62	250	203
511620 WC-Misc Claims Expense	24	35	30	35
Other Charges Total	11,157	19,580	11,363	11,074
Total Operations and Maintenance Expense Before Capitalized Costs	223,616	268,491	278,274	292,742
Capitalized Costs	(30,362)	(33,414)	(34,337)	(32,429)
Intercenter Transfers	-	(1,160)	-	-
Grand Total	\$ 193,254	\$ 233,917	\$ 243,937	\$ 260,313

Salaries and Fringe Benefits



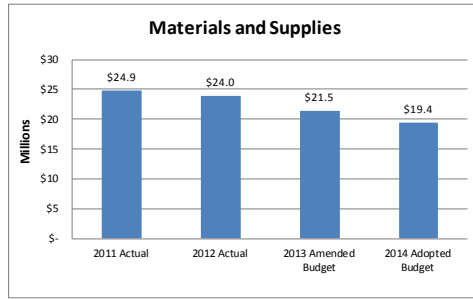
Salaries and fringe benefits include full time and part time salaries, overtime, on-call pay, employees’ insurance and retirement benefits, and contributions to a trust established to provide other post-employment benefits (OPEB). Total salary and fringe benefit costs for 2014 are estimated at \$126.8 million, or 43.3% of gross operation and maintenance expenditures, and reflect a 1.5% decrease from the prior year budget. The primary driver behind this decrease is the reduction of 101 full-time equivalent positions. These reductions were achieved through the elimination of vacant positions and a voluntary retirement program. Partially offsetting the reduction in salaries and benefits associated with the reduced headcount are merit-based salary increases totaling 2.9% in the aggregate and a \$2.0 million increase in the contribution to SAWS’ OPEB trust fund.

Contractual Services



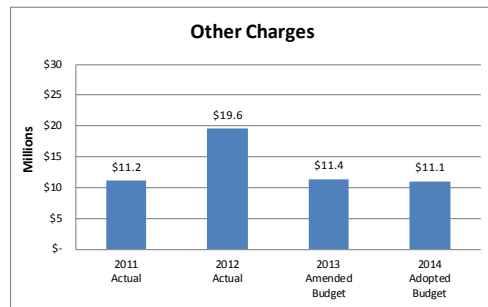
Contractual services costs represent expenditures for services that are obtained by express or implied contract. Total Contractual Services for 2014 are budgeted at \$135.4 million, which is 46.3% of the gross operation and maintenance expenditures and reflects a 16.0% increase from the 2013 budget. Additional funding to continue the operational aspects of SAWS’ SSO reduction program was the primary reason for the budget increase in the category. Other increases are attributed to a projected \$1.6 million increase in utility costs associated with the production of water from the Carrizo Aquifer in Gonzalez County (Region Carrizo Project) which came on-line in late 2013.

Materials and Supplies



The Materials and Supplies budget of \$19.4 million (6.6% of gross operation and maintenance expenditures) has decreased 9.4% as compared to the prior year budget. The decrease is due primarily to a reduction in chemical costs as a result of efficiencies achieved in odor control of sewage in the collection system. Other efficiency efforts across the organization contributed the remaining savings in this category.

Other Charges



Other Charges for 2014 are estimated at \$11.1 million, or 3.8% of gross operation and maintenance expenditures, and reflect a 2.5% decrease from the prior year budget. Also budgeted in this category are bank charges and retirees’ healthcare costs. Projected reductions in auto and general liability claims, casualty insurance and bank charges more than offset increases in retiree healthcare and workers compensation costs.

Capitalized Costs

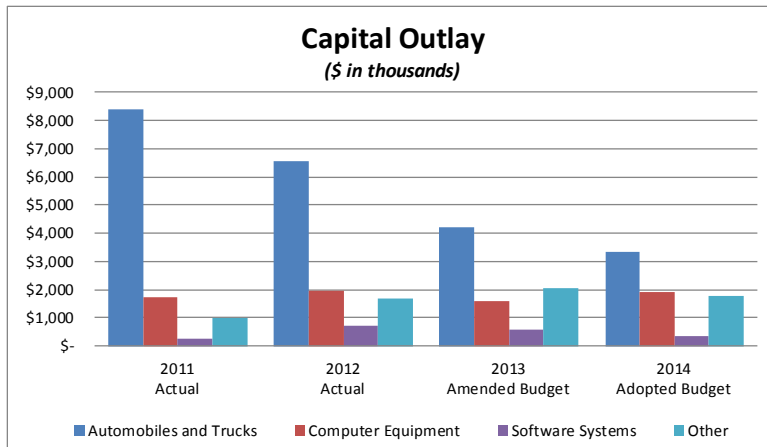
Operating and maintenance costs that support functions directly related to capital acquisitions are reflected as reductions to the gross Operations and Maintenance costs and are funded as part of SAWS Capital Improvement Program. In 2014, Capitalized Costs are estimated at \$32.4 million, which is a decrease of 5.6% from 2013.

CAPITAL OUTLAY

Capital Outlay expenditures are expenditures for certain capital assets not included in SAWS Capital Improvement Program. These assets have an individual cost of \$5,000 or more and a useful life greater than one year but less than fifteen years. This includes machinery and equipment, computer hardware, software systems, laboratory equipment, vehicles, heavy equipment, communication equipment, and miscellaneous equipment. The Capital Outlay budget is based on priorities established by executive management. The 2014 capital outlay budget will fund \$7.4 million of capital expenditures meeting the above criteria.

The table below summarizes the planned 2014 expenditures for the capital outlay program. The proposed expenditure level represents a decrease of \$1.1 million from the prior-year level.

<i>(\$ in thousands)</i>	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Automobiles and Trucks	\$ 8,397	\$ 6,556	\$ 4,230	\$ 3,332
Communications Equipment	48	-	281	
Computer Equipment	1,725	1,941	1,600	1,909
Lab Equipment	-	292	242	219
Light Equipment	104	-	94	
Machinery and Equipment	-	-	210	90
Miscellaneous Equipment	759	1,215	486	820
Office Furniture and Equipment	-	46	-	
Pumping Equipment	69	61	739	640
Software Systems	239	693	590	366
Structures and Improvements	25	45	-	
Total	\$ 11,366	\$ 10,849	\$ 8,472	\$ 7,376



OTHER USES OF FUNDS

Operating Reserve

The operating reserve requirement reflects compliance with Ordinance No. 75686, which dictates that SAWS maintain a “two month reserve amount based upon the budgeted amount of operations and maintenance expenses for the current fiscal year”. In 2014, the projected operating reserve requirement is \$1.0 million as a result of the budgeted increase in operating and maintenance expenditures between 2013 and 2014.

Transfer to the City of San Antonio

Pursuant to City Ordinance No. 75686, SAWS is required to transfer to the General Fund of the City an amount of money (as determined by City Council) up to 5% of the Gross Revenues. Since the inception of SAWS in 1992, the percentage of the transfer amount to the City has been set at 2.7% of non-exempt total revenues. Assuming this same level of transfer, SAWS has budgeted the amount of this transfer at \$12.9 million for 2014.

Balance Available for Transfer to Renewal and Replacement Fund

After meeting all other requirements of system revenues including operations and maintenance, operating reserve, debt service, and transfer to the City’s General Fund, \$89.6 million is estimated to be available for transfer to the Renewal and Replacement Fund (R&R) of which \$36 million due to the collection of capital recovery fees. The Renewal and Replacement Fund is used for the purpose of funding improvements, extensions, additions, replacements, or other capital expenditures related to the System and for any other lawful purpose. At a minimum, SAWS is required to transfer to this fund an amount equal to the amount transferred to the City’s General Fund.

The Renewal and Replacement Fund also pays for capital outlay expenditures, as discussed previously.

After funding of \$7.4 million for 2014 capital outlay expenditures, \$82.2 million is expected to be added to the Renewal and Replacement Fund. These funds are expected to be utilized to provide pay-as-you-go funding to support the 2014 Capital Improvement Program.

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DEBT SERVICE

San Antonio Water System utilizes both long-term and short-term debt to finance the Capital Improvements Program (CIP). SAWS' currently outstanding revenue bonds consist of fixed-rate and variable rate obligations. Commercial paper provides SAWS with flexibility and efficiency in the timing and amount of debt issued. The commercial paper program and variable rate debt provides a hedge to partially offset the variable rate nature of its investment portfolio.

REVENUE BONDS

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

- **Senior Lien Water System Revenue Bonds** - comprised of Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, Series 2009B, Series 2010B, Series 2011, Series 2011A, Series 2012, and Series 2012A outstanding in the amount of \$1,506,725,000 as of December 31, 2013, are collateralized by a senior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System and maintaining an operating reserve for operating and maintenance expenses.
- **Junior Lien Water System Revenue Bonds** - comprised of Series 2004, Series 2004-A, Series 2007, Series 2007A, Series 2008, Series 2008A, Series 2009, Series 2009A, Series 2010, Series 2010A, Series 2011, Series 2011A, Series 2012 (NO RESERVE FUND), Series 2012, Series 2013A, Series 2013B (NO RESERVE FUND), Series 2013C, Series 2013D, and Series 2013E (NO RESERVE FUND) outstanding in the amount of \$634,190,000 as of December 31, 2013, are collateralized by a junior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System, maintaining an operating reserve for operating and maintenance expenses, and paying the debt service on senior lien debt.
- **Junior Lien Water System Variable Rate Revenue Bonds** – comprised of the \$100,000,000 Series 2013F (NO RESERVE FUND) Bonds (the “Bonds”) issued as multi-modal variable rate bonds, initially issued in a Securities Industry and Financial Markets Association (SIFMA) Index Mode. During the initial term of the Bonds, the interest rate will reset weekly based on the SIFMA Swap Index, plus a spread of 0.68%. The initial term expires October 31, 2016, at which time; the Bonds will be remarketed into a successive SIFMA Index Mode, or another mode as allowed under the authorizing ordinance. The debt service for the Bonds is collateralized by a junior lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the System, maintaining an operating reserve for operating and maintenance expenses, and paying the debt service on senior lien debt.
- **Subordinate Lien Revenue and Refunding Bonds - Interest Rate Hedge Agreement (Swap)** - In 2003, \$122.5 million of “City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B” (the “Subordinate Lien Obligations”) were issued in a weekly interest rate mode. To hedge against changes in interest expenses, the City of San Antonio, through SAWS, entered into an interest rate hedge agreement (the “Swap Agreement”) under which SAWS must pay a fixed rate of 4.18% and receive a variable rate which corresponds to the Municipal Swap Index published by SIFMA. The rates are applied to a specified notional amount which matches the amortization schedule of the principal amount of the Subordinate Lien Obligations. The payments under this obligation are collateralized by a subordinate lien and pledge of the gross revenues of the System after deducting and paying the current expenses of operation and maintenance of the system, maintaining an operating reserve for operating and maintenance expenses, and paying debt service on senior lien and junior lien debt.

In 2008, SAWS issued a Notice of Partial Redemption for \$110.6 million of the Subordinate Lien Obligations due to unfavorable market conditions relating to variable rate demand obligations, resulting in the related interest rate hedge agreement not providing an effective hedge against short term interest rate movements applicable to the related obligations. The Subordinate Lien Obligations were redeemed with commercial paper notes. \$98,000,000 of the commercial paper notes outstanding at December 31, 2013 are hedged by the Swap Agreement.

SAWS still considers the Swap Agreement to be a valuable variable rate management tool within its debt portfolio. The obligation to pay the fixed rate of 4.18% on the notional amount outstanding remains and is included in the 2014 budgeted debt service requirements of SAWS at the original principal amortization of the Subordinate Lien Obligations.

Annual Revenue Bond Debt Service Requirement

The bonded debt service requirement is comprised of bond interest costs and the retirement of a certain portion of bond principal. This requirement is projected based on maturity schedules or ordinance formula. The debt service schedules assume the issuance of approximately \$311.7 million of bonds in 2014. The amount necessary to fulfill total bonded debt service requirements in 2014 is projected to be \$182.5 million.

Reserve Fund Requirement

SAWS' bond ordinance requires the maintenance of a reserve fund for the payment of senior lien and junior lien debt obligations in an amount equal to 100% of the maximum annual debt service requirement for the senior lien obligations and 100% of the average annual debt service requirement for the junior lien obligations requiring a reserve fund. The ordinance provides for the use of cash, debt, and surety policies or a combination thereof, to satisfy the reserve fund requirement. The debt service schedules for the bonds anticipated to be issued in 2014 assumes the funding of the reserve fund from bond proceeds for bonds requiring a reserve fund.

OTHER DEBT SERVICE REQUIREMENTS

Tax Exempt Commercial Paper (TECP)

SAWS also maintains a commercial paper program that is used to provide funds for the interim financing of a portion of the capital improvements program. City Council of the City of San Antonio has authorized a commercial paper program of up to \$500 million. The TECP program is supported by two revolving credit agreements, one with Bank of Tokyo-Mitsubishi UFJ, Ltd., and the other with Wells Fargo Bank, N.A (the "Agreements"). Bank of Tokyo-Mitsubishi UFJ, Ltd. currently supports a \$250 million program of Series A TECP notes, and Wells Fargo Bank, N.A. currently supports a \$150 million program of Series B TECP notes. The current Agreements extend to October 5, 2015. Pursuant to the Agreements, the revolving line of credit currently totals \$400 million.

The 2014 Budget assumes \$302 million of commercial paper will be outstanding to fund ongoing capital improvement projects through 2014. As stated in the "Interest Rate Hedge Agreement (Swap)" section herein, \$98 million of the commercial paper program is attributable to the redemption of the Subordinate Lien Obligations. The 2014 Budget assumes that the interest to be paid on the \$98.0 million of TECP attributable to the redemption of the Subordinate Lien Obligations will be offset in its entirety by the amount to be received under the variable rate leg of the Swap, and this amount has been subtracted from the projected average commercial paper balance in calculating the projected commercial paper interest expense. SAWS' capital financing plan provides for the refunding of commercial paper as the outstanding balance trends toward the upper limit of the Agreement to ensure the outstanding balance does not exceed the revolving line of credit amount.

Other Debt Expense

SAWS expects to pay approximately \$2.5 million in debt related expenses in 2014. These expenses include remarketing agent fees, credit liquidity facility fees, rating agency fees, and paying agent fees. Remarketing agents are investment-banking firms responsible for the marketing and remarketing of variable rate obligations to investors as they mature. The credit liquidity facility provider commits to purchasing the maturing variable rate obligations should the remarketing agent be unable to remarket the variable rate obligations

BOND AND COMMERCIAL PAPER RATINGS

In March 2013, Standard & Poor’s Rating Services (“S&P”) raised the credit rating of SAWS’ senior lien debt to “AA+” from “AA”, and SAWS’ junior lien debt to “AA” from “AA-“. S&P cited SAWS’ strong management and planning as one factor for the upgrade. Subsequent to this upgrade, SAWS’ credit ratings are as follows:

	Senior Lien	Junior Lien	TECP Series A/TECP Series B
Fitch Ratings	AA+	AA	F1/F1+
Moody's Investors Service	Aa1	Aa2	P-1/P-1
Standard & Poor's	AA+	AA	A-1+/A-1+

The high quality ratings reflects SAWS’ large, diverse and growing service area; sound financial performance, long term planning in water supply and infrastructure needs, and competitive water and sewer rates.

DEBT COVERAGE

SAWS is required by ordinance to maintain a debt coverage ratio of 1.25 times the annual debt service on outstanding senior lien debt. The 2013 Annual Operating Budget projects an estimated annual Senior Lien Debt Coverage ratio of 1.86 times, which exceeds the ordinance requirement of 1.25 times.

DEBT COVERAGE CALCULATION

Total Sources of Funds	\$ 546,299,112
Less Revenues from:	
City Public Service contract	3,223,125
Interest on CPS contract	
Capital Recovery Fees	36,000,000
Transfer from Renewal & Replacement Fund	1,400,000
Interest on Project Funds	148,310
Gross Revenues as defined by Ordinance No. 75686	\$ 505,527,677
Less: Operations & Maintenance	260,313,112 *
Pledged Revenues as defined by Ordinance No. 75686	\$ 245,214,565
Annual Senior Lien Debt Service Requirement	\$ 125,447,225
Annual Senior Lien Debt Coverage Ratio	1.95
Maximum Annual Senior Lien Debt Service Requirement (Year 2027)	\$ 138,919,850
Maximum Annual Senior Lien Debt Coverage Ratio	1.77
Annual Combined Debt Service Requirement	\$ 179,493,202
Annual Combined Debt Coverage Ratio	1.37
Maximum Annual Combined Bonded Debt Service Requirement (Year 2017)	\$ 184,186,566
Maximum Annual Combined Bonded Debt Coverage Ratio	1.33

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

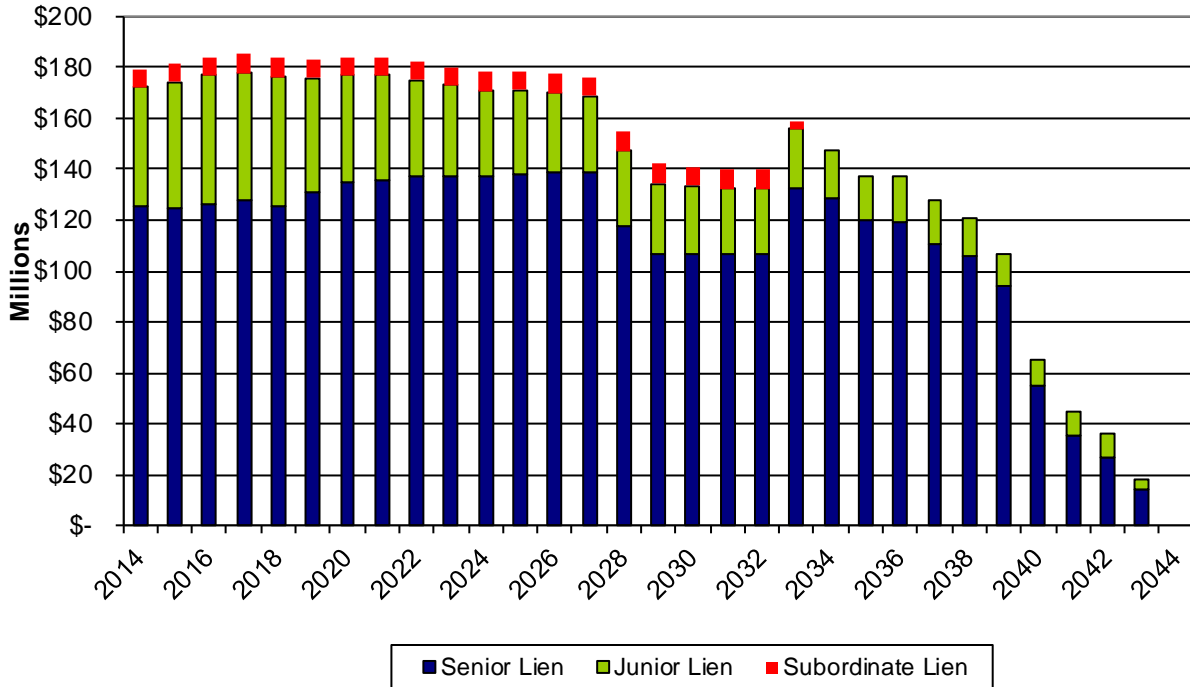
BUDGETED REVENUE AND REFUNDING BONDS DEBT SERVICE SCHEDULES

Fiscal Year December 31.	Senior Lien			Junior Lien		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 34,703,333	\$ 90,743,892	\$ 125,447,225	\$ 29,687,727	\$ 17,150,042	\$ 46,837,770
2015	35,525,000	89,229,367	124,754,367	32,428,333	16,872,275	49,300,609
2016	39,036,667	87,625,110	126,661,777	33,901,667	16,307,030	50,208,697
2017	41,771,667	85,798,195	127,569,862	34,766,667	15,420,795	50,187,461
2018	41,558,333	83,847,933	125,406,266	36,360,000	14,420,937	50,780,937
2019	48,811,667	81,933,058	130,744,725	31,816,667	13,345,241	45,161,907
2020	54,930,000	79,656,821	134,586,821	29,805,000	12,429,438	42,234,437
2021	59,006,667	77,019,278	136,025,945	29,273,333	11,581,535	40,854,868
2022	63,006,667	74,133,595	137,140,261	27,003,333	10,731,813	37,735,146
2023	66,525,000	71,023,988	137,548,988	25,361,667	9,976,693	35,338,360
2024	69,873,333	67,730,704	137,604,037	23,965,000	9,292,796	33,257,796
2025	74,141,667	64,250,888	138,392,555	23,875,000	8,653,532	32,528,532
2026	78,231,667	60,550,684	138,782,351	23,198,333	8,016,163	31,214,497
2027	82,271,667	56,648,183	138,919,850	22,593,333	7,386,888	29,980,222
2028	64,761,667	52,787,759	117,549,426	22,951,667	6,767,064	29,718,731
2029	57,051,667	49,680,046	106,731,713	21,618,333	6,126,300	27,744,633
2030	59,755,000	46,882,495	106,637,495	21,250,000	5,506,859	26,756,860
2031	62,561,667	43,938,776	106,500,443	20,955,000	4,891,226	25,846,225
2032	65,990,000	40,895,752	106,885,752	21,131,667	4,255,792	25,387,459
2033	94,638,333	37,738,050	132,376,383	19,920,000	3,597,161	23,517,161
2034	95,260,000	33,039,197	128,299,197	16,188,333	2,946,922	19,135,255
2035	91,600,000	28,160,348	119,760,348	14,970,000	2,451,913	17,421,913
2036	96,041,667	23,573,935	119,615,601	15,396,667	2,034,115	17,430,782
2037	91,596,667	18,821,785	110,418,452	15,746,667	1,601,735	17,348,402
2038	91,528,333	14,236,284	105,764,618	14,185,000	1,156,439	15,341,439
2039	84,665,000	9,603,517	94,268,518	11,518,333	776,398	12,294,731
2040	49,566,667	5,299,098	54,865,764	10,158,333	514,663	10,672,996
2041	32,523,333	2,828,597	35,351,930	9,425,000	312,728	9,737,728
2042	25,813,333	1,379,041	27,192,374	8,716,667	140,145	8,856,811
2043	13,670,000	358,838	14,028,838	4,125,000	30,938	4,155,938
2044	-	-	-	-	-	-
	\$1,866,416,667	\$1,479,415,213	\$3,345,831,880	\$ 652,292,727	\$ 214,695,577	\$ 866,988,304

BUDGETED REVENUE AND REFUNDING BONDS DEBT SCHEDULES

Fiscal Year December 31,	Interest Rate Hedge (Swap)			Total Bonded Debt Service		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 3,198,333	\$ 4,009,874	\$ 7,208,207	\$ 67,589,394	\$ 111,903,809	\$ 179,493,202
2015	3,345,000	3,876,184	7,221,184	71,298,333	109,977,826	181,276,159
2016	3,498,333	3,736,363	7,234,696	76,436,667	107,668,503	184,105,170
2017	3,656,667	3,590,132	7,246,799	80,195,000	104,809,122	185,004,122
2018	3,823,333	3,437,284	7,260,617	81,741,666	101,706,154	183,447,820
2019	3,996,667	3,277,468	7,274,135	84,625,000	98,555,767	183,180,767
2020	4,178,333	3,110,408	7,288,741	88,913,333	95,196,666	184,110,000
2021	4,370,000	2,935,753	7,305,753	92,650,000	91,536,566	184,186,566
2022	4,571,667	2,753,087	7,324,754	94,581,667	87,618,495	182,200,162
2023	4,780,000	2,561,992	7,341,992	96,666,667	83,562,673	180,229,340
2024	4,996,667	2,362,188	7,358,854	98,835,000	79,385,688	178,220,688
2025	5,226,667	2,153,327	7,379,994	103,243,333	75,057,748	178,301,081
2026	5,461,667	1,934,852	7,396,519	106,891,667	70,501,700	177,393,366
2027	5,710,000	1,706,555	7,416,555	110,575,000	65,741,626	176,316,626
2028	5,971,667	1,467,877	7,439,543	93,685,000	61,022,700	154,707,700
2029	6,243,333	1,218,261	7,461,594	84,913,333	57,024,607	141,937,940
2030	6,528,333	957,290	7,485,623	87,533,334	53,346,644	140,879,978
2031	6,825,000	684,405	7,509,405	90,341,666	49,514,407	139,856,074
2032	7,135,000	399,120	7,534,120	94,256,667	45,550,665	139,807,332
2033	2,413,333	100,877	2,514,211	116,971,667	41,436,088	158,407,755
2034	-	-	-	111,448,333	35,986,119	147,434,452
2035	-	-	-	106,570,000	30,612,261	137,182,261
2036	-	-	-	111,438,333	25,608,050	137,046,383
2037	-	-	-	107,343,333	20,423,520	127,766,853
2038	-	-	-	105,713,333	15,392,723	121,106,056
2039	-	-	-	96,183,333	10,379,916	106,563,249
2040	-	-	-	59,725,000	5,813,761	65,538,761
2041	-	-	-	41,948,333	3,141,325	45,089,658
2042	-	-	-	34,530,000	1,519,185	36,049,185
2043	-	-	-	17,795,000	389,775	18,184,775
2044	-	-	-	-	-	-
	\$ 95,930,000	\$ 46,273,297	\$ 142,203,297	\$2,614,639,394	\$1,740,384,087	\$4,355,023,481

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



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ORGANIZATION AND STAFFING

ORGANIZATION AND STAFFING

OPERATION AND MAINTENANCE EXPENSE BY DEPARTMENT

(\$ in thousands)	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Board of Trustees and Pres/CEO Group				
Office of the President-CEO	\$ 990	\$ 919	\$ 909	\$ 913
Board of Trustees	49	59	57	52
Board of Trustees Support	397	375	353	259
Efficiencies and Innovation	-	-	-	297
Internal Audit Dept	476	382	403	461
Board of Trustees and Pres/CEO Group Total	1,912	1,735	1,722	1,982
Engineering and Construction Group				
Office of the VP	329	363	629	365
Collection and Distribution Department	1,426	1,519	1,489	1,377
Governmental Engineering Department	1,917	2,216	2,220	1,541
Infrastructure Planning Department	4,454	4,814	5,057	5,233
Operations and Maintenance Eng.	792	816	785	-
Pipeline Inspections Department	4,169	4,343	4,468	3,946
Production, Recycle, Treatment Engineering Dep	3,156	3,378	3,446	2,719
Service Center Facility Plan	106	112	107	100
Engineering and Construction Group Total	16,349	17,562	18,202	15,281
Water Resources and Conservation Group				
Office of the VP	253	226	215	210
Conservation Department	5,068	4,481	4,850	4,363
Laboratory Technical Services Department	1,908	1,649	1,712	2,349
Resource Protection & Compliance Div	5,498	5,698	5,710	6,572
Water Resources Department	(2,565)	37,436	40,571	50,630
Water Resources and Conservation Group Total	10,163	49,489	53,057	64,124
Operations Group				
Ofc of Chief Operating Officer	1,399	1,334	1,115	1,078
Fleet and Facilities	22,032	22,990	21,607	21,371
Security	2,904	2,519	2,571	2,195
Emergency Operations Center	1,122	1,311	1,196	1,062
Operations Group Total	27,458	28,154	26,489	25,706
Distribution and Collection Operations Group				
Office of the VP	326	318	278	254
Construction and Maintenance	12,455	12,193	12,348	12,227
Distribution and Collection Support Services	696	743	711	641
Dos Rios Service Center	-	-	622	1,491
Eastern Service Centers	14,352	11,426	10,301	10,515
Medio Creek Service Center	-	-	652	1,132
Western Service Centers	13,063	10,095	7,887	6,477
Distribution and Collection Operations Group Total	40,891	34,775	32,800	32,737
Production and Treatment Operations				
Office of the VP	100	108	30	39
Ofc of Director - Production and Treatment Oper	-	-	-	257
Production Department	27,334	25,432	27,684	25,324
Treatment Maintenance Management	10,075	11,072	9,716	10,425
Treatment Operations Management	19,322	20,342	21,026	19,509
Production and Treatment Operations Total	56,830	56,955	58,456	55,555
Sewer System Improvements				
Capacity Assessment	-	-	1,518	3,563
Capacity Mgt O&M (CMOM)	-	-	7,062	5,205
Program Administration	1,047	1,249	2,680	5,222
Structural Sewer Assessment	-	-	2,407	9,077
Sewer System Improvements Total	1,047	1,249	13,667	23,067

OPERATION AND MAINTENANCE EXPENSE BY DEPARTMENT (CONTINUED)

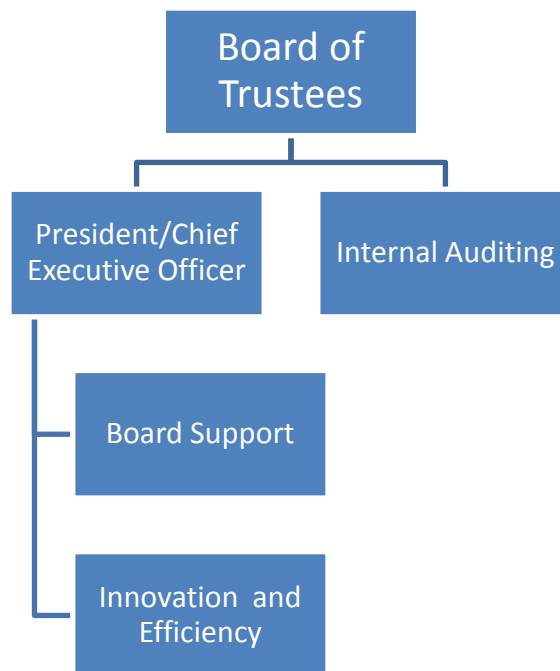
(\$ in thousands)	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Financial Services Group				
Office of the CFO	333	335	308	301
Accounting	2,332	2,255	2,349	2,402
Financial Planning	648	597	632	483
Purchasing	633	539	505	588
Treasury	826	815	894	1,394
Financial Services Group Total	4,772	4,542	4,689	5,168
Information Systems				
Administration	520	516	519	973
Application Services Section	2,420	2,515	2,571	3,182
Information Services Programs	437	334	557	485
Information Technology	8,820	8,576	9,113	8,096
Information Systems Total	12,196	11,941	12,761	12,736
Customer Service				
Customer Service Administration	275	429	516	562
Billing	1,661	1,386	1,677	1,797
Customer Care	2,760	2,646	2,649	2,942
Field Operations	6,647	6,862	6,687	7,241
Quality	477	440	714	353
Customer Service Total	11,819	11,763	12,243	12,896
Legal Group				
Contracting Department	1,527	1,669	1,874	1,690
Corporate Real Estate Department	878	775	730	794
Legal Department	3,313	4,595	4,709	3,568
Legal Group Total	5,718	7,039	7,313	6,053
Human Resources Group				
Office of the VP	631	645	580	412
Human Resources	3,488	3,275	3,478	2,931
Risk Management	2,795	3,004	3,323	3,104
Human Resources Group Total	6,914	6,924	7,381	6,447
Public Affairs				
Communications	1,708	1,841	1,517	1,289
Communications Administration	365	332	376	312
External Relations	2,173	2,086	2,133	1,919
Public Affairs Total	4,245	4,259	4,026	3,520
Other Requirements	23,301	32,103	25,469	27,471
Total Operations and Maintenance Expense Before Capitalized Costs	223,616	268,491	278,274	292,742
Capitalized Costs	(30,362)	(33,414)	(34,337)	(32,429)
Intercenter Transfers	-	(1,160)	-	-
Grand Total	\$ 193,254	\$ 233,917	\$ 243,937	\$ 260,313

BOARD OF TRUSTEES AND PRESIDENT/CEO

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

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

- **Management** – Oversees all operations of the Office of the President/CEO including Board support functions, managing staff, budgets, administration, policies and procedures.
- **Strategic Communications** – Identifies and manages critical issues that have public impact and require the attention of the President/CEO and Executive Management Team.
- **Planning** – Develops and implements strategic and business planning processes.
- **Innovation and Efficiency** – Conducts performance reviews and process analysis across the organization to streamline operations, maximize budgetary resources, promote efficiencies, enhance customer service and implement innovative management practices.



BOARD OF TRUSTEES AND PRESIDENT/CEO (CONTINUED)

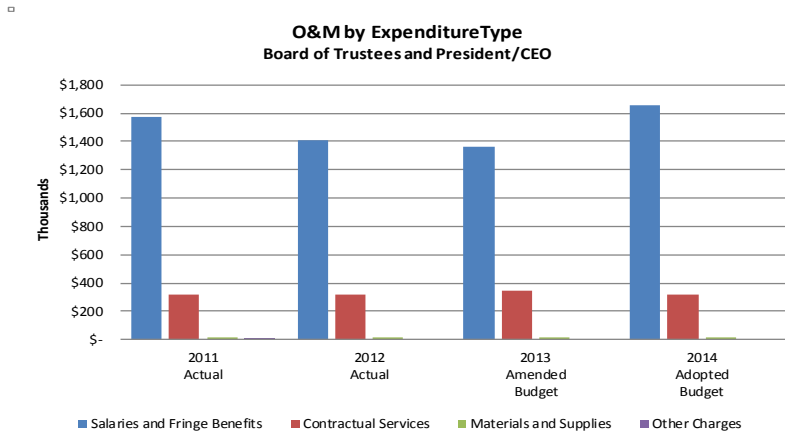
(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 1,571	\$ 1,405	\$ 1,360	\$ 1,651
Contractual Services	317	316	345	317
Materials and Supplies	19	14	17	14
Other Charges	6	-	-	-
Total O&M Before Capitalized Cost	1,912	1,735	1,722	1,982
Capitalized Cost	-	-	-	-
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 1,912	\$ 1,735	\$ 1,722	\$ 1,982

Capital Outlay	\$ -	\$ -	\$ -	\$ 2
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Office of the President-CEO	\$ 990	\$ 919	\$ 909	\$ 913
Board of Trustees	49	59	57	52
Board of Trustees Support	397	375	353	259
Efficiencies and Innovation	-	-	-	297
Internal Audit Dept	476	382	403	461
O&M Before Capitalized Cost Total	1,912	1,735	1,722	1,982
Capitalized Cost	-	-	-	-
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 1,912	\$ 1,735	\$ 1,722	\$ 1,982

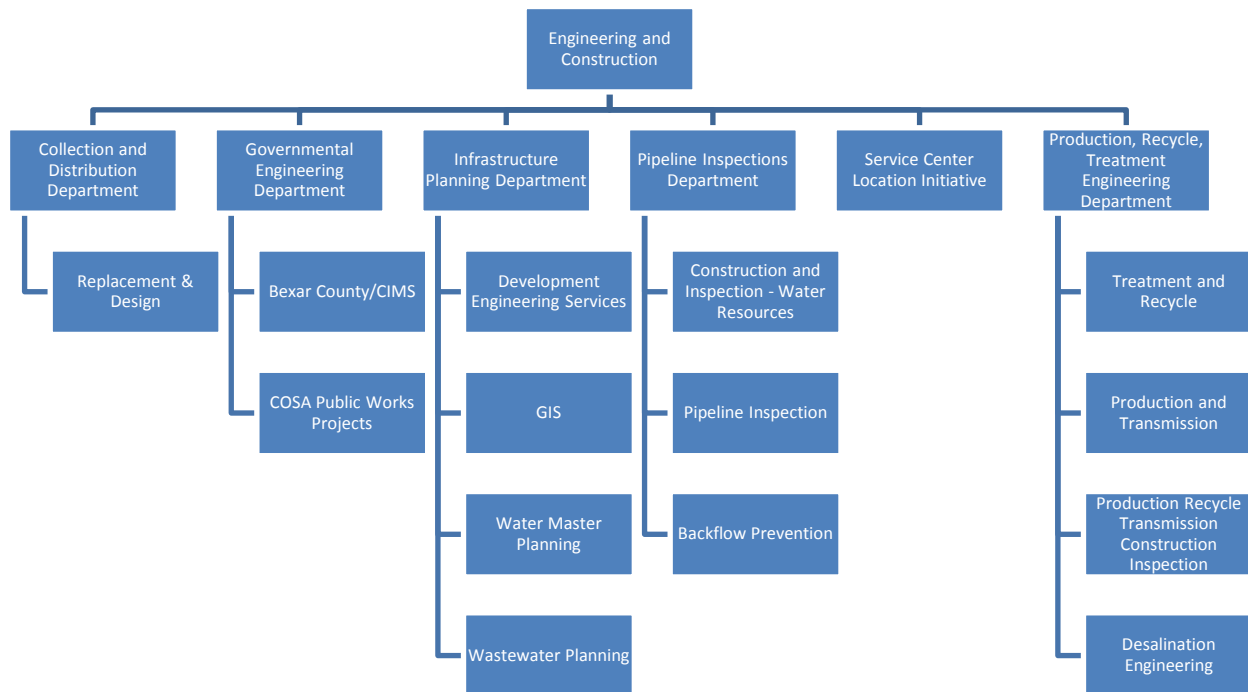
FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Office of the President-CEO	6.0	6.0	6.0	5.2
Board of Trustees Support	2.0	2.0	2.0	0.9
Efficiencies and Innovation				2.6
Internal Audit Dept	5.0	5.0	5.0	3.9
Total FULL-TIME EQUIVALENTS	13.0	13.0	13.0	12.6



ENGINEERING AND CONSTRUCTION

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

- **Infrastructure Planning** – Manages impact fee program; maintains infrastructure maps and GIS databases; develops water and wastewater master plans, manages new development. .
- **Production, Recycle, Treatment Engineering** – Handles planning, design and construction management for water production facilities and water recycling plants.
- **Collection & Distribution Engineering** – Plans and designs water distribution system and wastewater collection system.
- **Governmental Engineering**: manages all intergovernmental capital projects.
- **Pipeline Inspections** – Inspects pipeline construction projects and water supply projects, and manages the backflow prevention program.
- **Service Center Location Initiative** – Assesses service and customer center location needs; identifies the most cost-effective and operationally efficient facility plan for these service centers



ENGINEERING AND CONSTRUCTION (CONTINUED)

(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 15,288	\$ 16,558	\$ 16,675	\$ 14,086
Contractual Services	876	923	1,444	1,138
Materials and Supplies	186	82	83	57
Other Charges	-	-	-	-
Total O&M Before Capitalized Cost	16,349	17,562	18,202	15,281
Capitalized Cost	(15,002)	(16,115)	(16,639)	(13,823)
Intercenter Transfers	1	1	-	-
Net Change in Equity Total	\$ 1,348	\$ 1,449	\$ 1,563	\$ 1,458

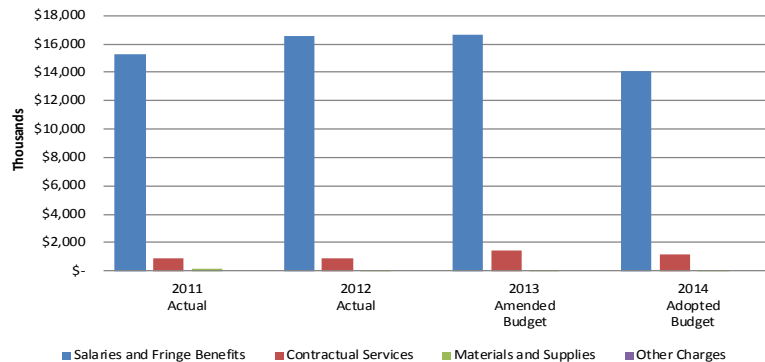
Capital Outlay	\$ 11	\$ 389	\$ 32	\$ -
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Office of the VP	\$ 329	\$ 363	\$ 629	\$ 365
Collection and Distribution Department	1,426	1,519	1,489	1,377
Governmental Engineering Department	1,917	2,216	2,220	1,541
Infrastructure Planning Department	4,454	4,814	5,057	5,233
Operations and Maintenance Eng.	792	816	785	-
Pipeline Inspections Department	4,169	4,343	4,468	3,946
Production, Recycle, Treatment Engineering	3,156	3,378	3,446	2,719
Service Center Facility Plan	106	112	107	99
O&M Before Capitalized Cost Total	16,349	17,562	18,202	15,281
Capitalized Cost	(15,002)	(16,115)	(16,639)	(13,823)
Intercenter Transfers	1	1	-	-
Net Change in Equity Total	\$ 1,348	\$ 1,449	\$ 1,563	\$ 1,458

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Office of the VP	3.0	3.0	5.0	1.7
Collection and Distribution Department	17.0	17.0	17.0	15.3
Governmental Engineering Department	26.0	25.0	26.0	16.9
Infrastructure Planning Department	59.5	57.5	57.5	58.7
Operations and Maintenance Eng.	10.0	9.0	9.0	-
Pipeline Inspections Department	60.0	62.0	63.0	58.2
Production, Recycle, Treatment Engineering	33.0	34.0	36.0	29.1
Service Center Facility Plan	1.0	1.0	1.0	0.9
Total FULL-TIME EQUIVALENTS	209.5	208.5	214.5	180.9

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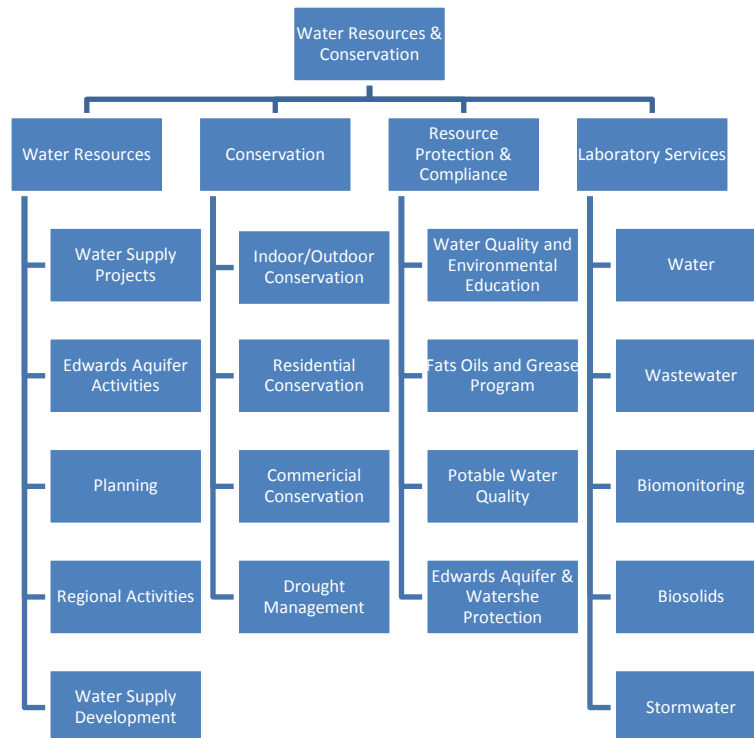
O&M by Expenditure Type
Engineering and Construction



WATER RESOURCES AND CONSERVATION

The Water Resources and Conservation group is responsible for the development, management and conservation of water supplies, as well as drought management and water rights acquisitions. The group also is responsible for all water quality issues and ensuring extensive sampling and monitoring for compliance purposes. SAWS' proven conservation programs have become a cornerstone of the community's long-term water management strategy. The group consists of the following four departments:

- **Water Resources** – Develops and implements long-term, sustainable water projects while proactively managing existing supplies. SAWS already manages supplies from Canyon Lake, Trinity Aquifer, Carrizo Aquifer, Medina Lake and River as well as Lake Dunlap to supplement our foundational Edwards Aquifer supply. Groundwater Desalinization, a future supply, is currently under construction. Other proven innovations, like our 100-mile recycled water system and underground storage reservoir, leverage technology to secure San Antonio's water future.
- **Conservation** – Delivers nationally recognized programs that achieve cost-effective water savings while enhancing quality of life. San Antonio's cheapest source of water is conservation – water we don't use. To help keep rates affordable, SAWS aggressively promotes more efficient landscape water use through education, outreach and drought ordinance rules, while continuing to encourage indoor conservation via high-efficiency fixtures for homes and businesses, rebates for residential and commercial users.
- **Resource Protection & Compliance** – Ensures water quality of all sources are protected; enforces the regulatory requirements established to protect regional water quality; monitors best management practices at construction sites; utilizes an extensive sampling and monitoring network for compliance purposes.
- **Laboratory Services** – Provides analytical services; activities include sample testing, environmental and safety tests, regulatory reporting, analytical planning, training and quality assurance. The lab is certified by the National Environmental Laboratory Accreditation Conference.



WATER RESOURCES AND CONSERVATION (CONTINUED)

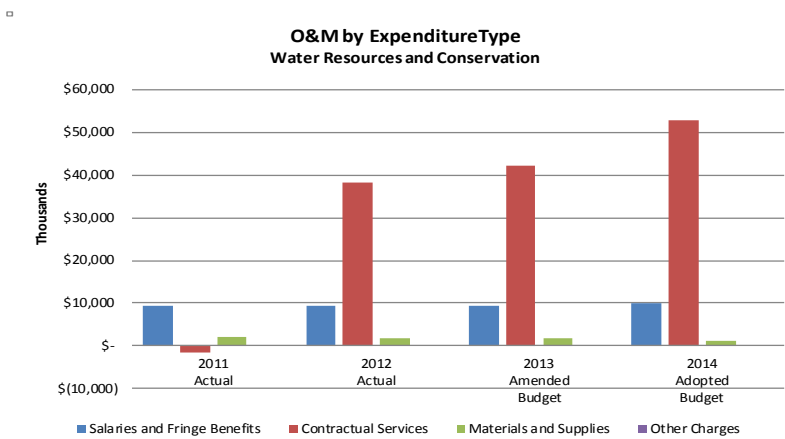
(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 9,474	\$ 9,484	\$ 9,258	\$ 10,017
Contractual Services	(1,562)	38,156	42,036	52,897
Materials and Supplies	2,252	1,849	1,762	1,210
Other Charges	-	-	-	-
Total O&M Before Capitalized Cost	10,163	49,489	53,057	64,124
Capitalized Cost	(87)	(170)	(167)	(252)
Intercenter Transfers	2	(2)	-	-
Net Change in Equity Total	\$ 10,078	\$ 49,317	\$ 52,890	\$ 63,873

Capital Outlay	\$ -	\$ 338	\$ 217	\$ 195
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Office of the VP	\$ 253	\$ 226	\$ 215	\$ 210
Conservation Department	5,068	4,481	4,850	4,363
Laboratory Technical Services Department	1,908	1,649	1,712	2,349
Resource Protection & Compliance Div	5,498	5,698	5,710	6,572
Water Resources Department	(2,565)	37,436	40,571	50,630
O&M Before Capitalized Cost Total	10,163	49,489	53,057	64,124
Capitalized Cost	(87)	(170)	(167)	(252)
Intercenter Transfers	2	(2)	-	-
Net Change in Equity Total	\$ 10,078	\$ 49,317	\$ 52,890	\$ 63,873

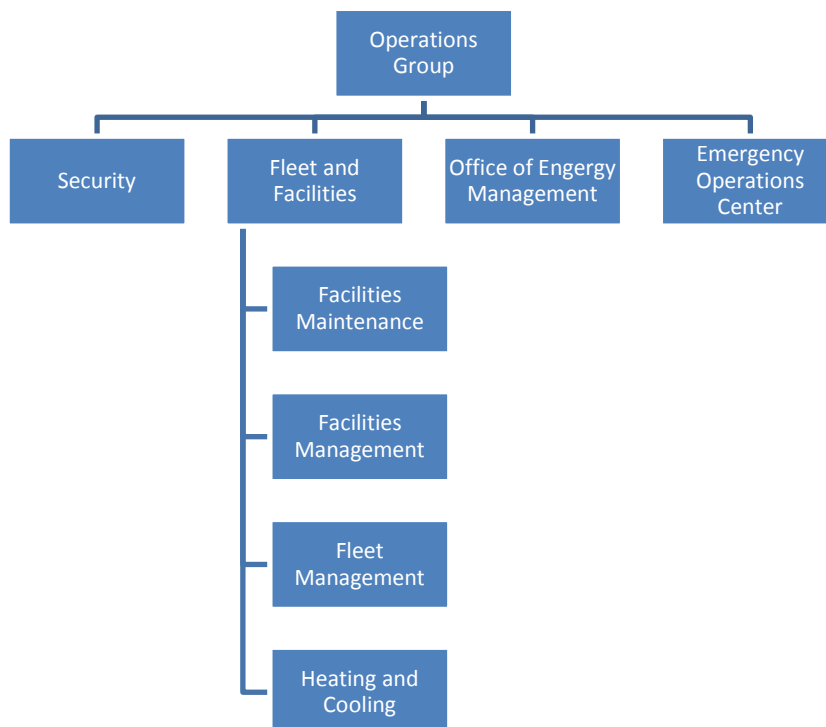
FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Office of the VP	2.0	2.0	2.0	1.6
Conservation Department	24.5	24.5	25.6	19.4
Laboratory Technical Services Department	22.0	23.0	23.0	23.0
Resource Protection & Compliance Div	69.0	71.0	71.0	72.6
Water Resources Department	20.0	20.0	19.0	17.6
Total FULL-TIME EQUIVALENTS	137.5	140.5	140.6	134.2



OPERATIONS GROUP

The Operations Group is managed by the Chief Operating Officer (COO), who also oversees the Production & Treatment, Distribution & Collection and Sewer System Improvement Groups. The area is responsible for managing the operation and maintenance of the water distribution and wastewater collection systems, and the water and wastewater treatment plants. The group consists of the following departments:

- **Fleet and Facilities** – several areas fall under this department.
 - *Heating and Cooling* is responsible for the production of chilled water and steam to provide centralized thermal services to federal, city and private facilities in San Antonio.
 - *Facilities Management and Maintenance* provides building maintenance and management services at corporate headquarters including space planning, office reconfigurations, oversight of HVAC systems, mailroom and contracts for custodial, landscaping and cafeteria services at the headquarters. The area is also responsible for maintenance of buildings and grounds at SAWS service centers and treatment plants. This includes internal and external building maintenance and repairs, as well as landscaping, fencing, parking lots, gates and roads.
 - *Fleet* provides comprehensive maintenance services for vehicles and equipment. The Fleet Department manages vehicle replacement and disposal, company fuel, and operates the corporate vehicle pool program.
- **Security** – Manages a proactive security program and associated support contracts for all SAWS employees and properties; monitors available threat-level information and develops strategies for ongoing security-related communications with employees, response organizations and employees.
- **Office of Energy Management** – Manages the CPS Energy metering and bill review and payment process. Develops the energy budget and tracks expenses and analysis trends. Monitors the energy Demand Side Management program with CPS Energy.
- **Emergency Operations Center** – Manages the 24-hour emergency center and reports/dispatches crews for water leaks, main breaks and overall tactical response to problems with the system. Monitors lift stations across the city through SCADA.



OPERATIONS GROUP (CONTINUED)

(\$ in thousands)

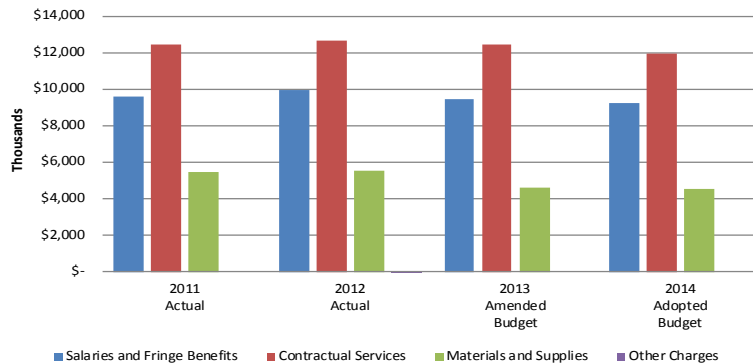
EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 9,569	\$ 9,981	\$ 9,444	\$ 9,216
Contractual Services	12,452	12,631	12,430	11,981
Materials and Supplies	5,437	5,540	4,615	4,509
Other Charges	-	2	-	-
Total O&M Before Capitalized Cost	27,458	28,154	26,489	25,706
Capitalized Cost	(1,340)	(1,474)	(1,393)	(2,500)
Intercenter Transfers	194	58	-	-
Net Change in Equity Total	\$ 26,312	\$ 26,737	\$ 25,096	\$ 23,206

Capital Outlay	\$ 8,580	\$ 6,809	\$ 6,348	\$ 3,335
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Ofc of Chief Operating Officer	\$ 1,399	\$ 1,334	\$ 1,115	\$ 1,078
Fleet and Facilities	22,032	22,990	21,607	21,371
Security	2,904	2,519	2,571	2,195
Emergency Operations Center	1,122	1,311	1,196	1,062
O&M Before Capitalized Cost Total	27,458	28,154	26,489	25,706
Capitalized Cost	(1,340)	(1,474)	(1,393)	(2,500)
Intercenter Transfers	194	58	-	-
Net Change in Equity Total	\$ 26,312	\$ 26,737	\$ 25,096	\$ 23,206

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Ofc of Chief Operating Officer	11.0	10.0	9.5	10.0
Emergency Operations Center	20.0	26.0	23.0	20.0
Environmental Services	1.0	2.0	2.0	
Fleet and Facilities	116.0	109.0	107.5	103.9
Security	7.0	9.0	9.0	7.8
Total FULL-TIME EQUIVALENTS	155.0	156.0	151.0	141.6

O&M by Expenditure Type
Operations



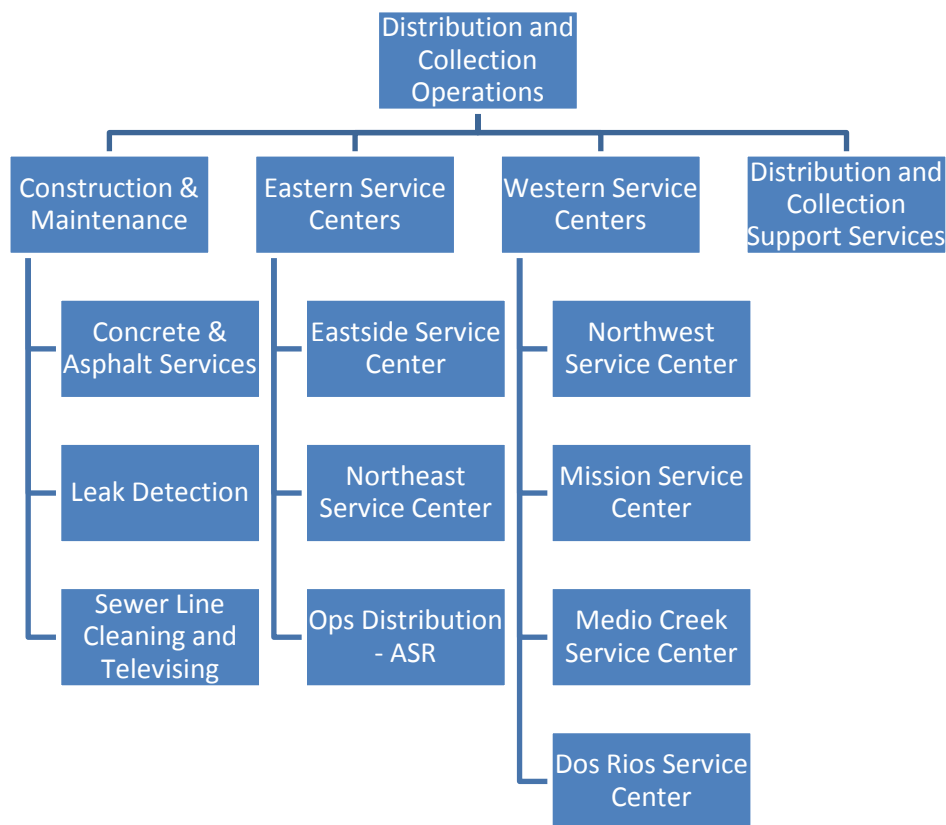
DISTRIBUTION AND COLLECTION

The Distribution and Collection Operations Group operates, maintains and repairs over 10,000 miles of combined water distribution and wastewater collection mains ensuring our customers receive uninterrupted, quality potable water and associated wastewater services.

This is accomplished by providing:

- **Emergency Response** – Provides critical support to SAWS customers and crews 24/7.
- **Construction Crews** – Offers in-house construction expertise, including asphalt and concrete services, to improve service restoration and increase customer satisfaction.
- **Leak Detection Program** – Ensures water leaks are identified, reducing water loss.
- **SSO Line Cleaning and Televising Program** – Supports commitments under the EPA consent decree.

SAWS distribution and collection crews are mobilized from six strategically located service centers throughout the city: Eastside, Mission Road (south central), Northeast and Northwest. Medio Creek and Dos Rios have recently been added as part of the integration of the DSP infrastructure.



DISTRIBUTION AND COLLECTION (CONTINUED)

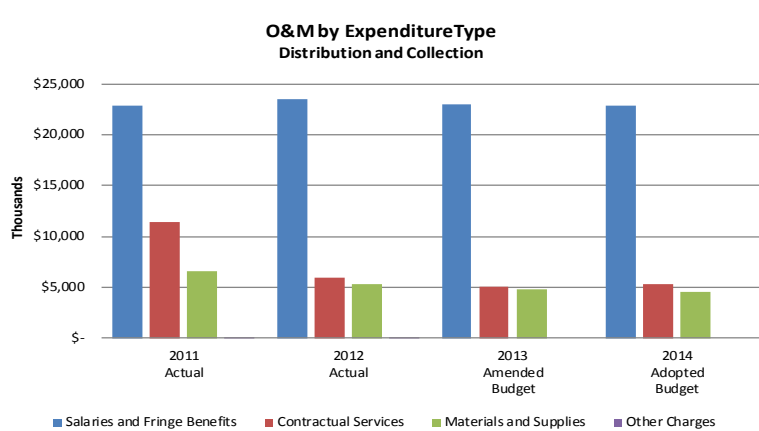
(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 22,892	\$ 23,515	\$ 22,967	\$ 22,880
Contractual Services	11,379	5,977	5,028	5,293
Materials and Supplies	6,611	5,267	4,805	4,563
Other Charges	9	16	-	-
Total O&M Before Capitalized Cost	40,891	34,775	32,800	32,737
Capitalized Cost	(3,927)	(4,351)	(3,808)	(3,171)
Intercenter Transfers	(104)	(877)	-	-
Net Change in Equity Total	\$ 36,860	\$ 29,547	\$ 28,992	\$ 29,566

Capital Outlay	\$ 403	\$ -	\$ -	\$ 219
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Office of the VP	\$ 326	\$ 318	\$ 278	\$ 254
Construction and Maintenance	12,455	12,193	12,348	12,227
Distribution and Collection Support Services	696	743	711	641
Dos Rios Service Center	-	-	622	1,491
Eastern Service Centers	14,352	11,426	10,301	10,515
Medio Creek Service Center	-	-	652	1,132
Western Service Centers	13,063	10,095	7,887	6,477
O&M Before Capitalized Cost Total	40,891	34,775	32,800	32,737
Capitalized Cost	(3,927)	(4,351)	(3,808)	(3,171)
Intercenter Transfers	(104)	(877)	-	-
Net Change in Equity Total	\$ 36,860	\$ 29,547	\$ 28,992	\$ 29,566

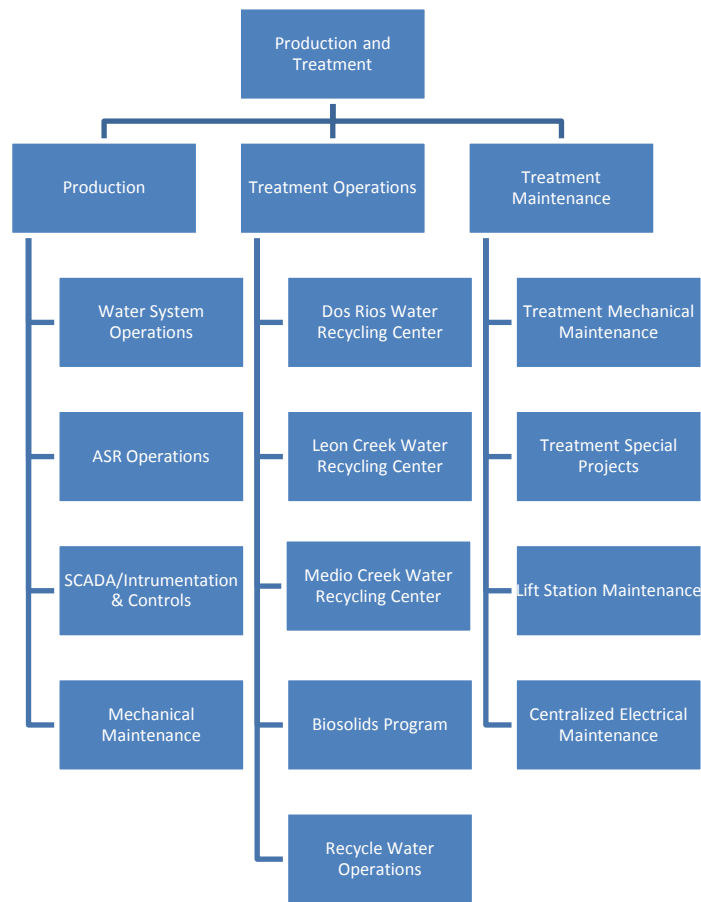
FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Office of the VP	2.0	2.0	2.0	1.8
Construction and Maintenance	125.5	122.5	151.0	144.7
Distribution and Collection Support Services	12.5	12.5	12.5	11.0
Dos Rios Service Center	-	-	12.0	20.7
Eastern Service Centers	154.0	155.0	140.0	147.4
Medio Creek Service Center	-	-	9.0	16.9
Western Service Centers	149.0	146.0	111.0	82.9
Total FULL-TIME EQUIVALENTS	443.0	438.0	437.5	425.3



PRODUCTION AND TREATMENT

The Production and Treatment Operations Group reports directly to the Sr. Vice President & Chief Operating Officer and provides the essential function of managing the 24-hour-a-day operation of the water and wastewater systems. The group is responsible for the operation, maintenance, and repair of facilities and equipment involved in the production and distribution of potable water; the operation, maintenance, and repair of the System’s water recycling facilities; and the processing of wastewater biosolids for ultimate disposal. This group consists of the following departments:

- **Production** – Manages the production of potable water across SAWS service area.
- **Treatment Operations** – Oversees all operations of the water recycling centers as well as manages all the biosolids to ensure proper recycling or disposal in compliance with state and federal regulations.
- **Treatment Maintenance** – Manages centralized electrical maintenance across all SAWS services, manages the mechanical maintenance of SAWS’ water recycling centers, lift stations, and the Aquifer Storage & Recovery (ASR).



PRODUCTION AND TREATMENT (CONTINUED)

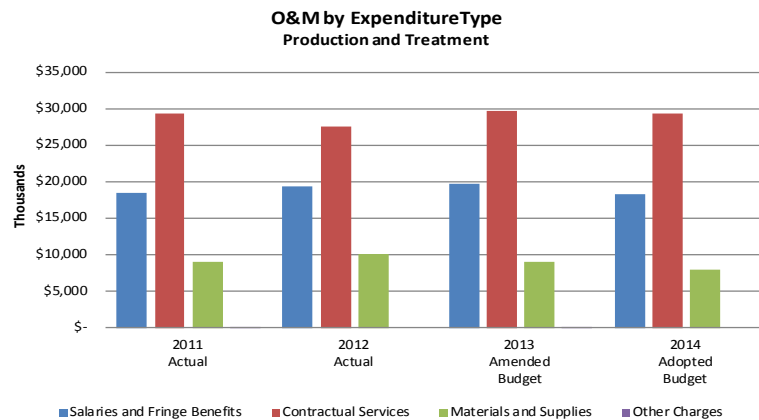
(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 18,547	\$ 19,409	\$ 19,665	\$ 18,303
Contractual Services	29,253	27,489	29,703	29,340
Materials and Supplies	9,026	10,056	9,088	7,911
Other Charges	4	-	1	-
Total O&M Before Capitalized Cost	56,830	56,955	58,456	55,555
Capitalized Cost	(1,237)	(1,176)	(2,388)	(2,129)
Intercenter Transfers	(126)	(394)	-	-
Net Change in Equity Total	\$ 55,467	\$ 55,384	\$ 56,068	\$ 53,426

Capital Outlay	\$ 371	\$ 1,259	\$ 1,814	\$ 1,355
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Office of the VP	\$ 100	\$ 108	\$ 30	\$ 39
Ofc of Director - Production and Treatment O	-	-	-	257
Production Department	27,333	25,432	27,684	25,324
Treatment Maintenance Management	10,075	11,072	9,716	10,425
Treatment Operations Management	19,322	20,342	21,026	19,509
O&M Before Capitalized Cost Total	56,830	56,955	58,456	55,555
Capitalized Cost	(1,237)	(1,176)	(2,388)	(2,129)
Intercenter Transfers	(126)	(394)	-	-
Net Change in Equity Total	\$ 55,467	\$ 55,384	\$ 56,068	\$ 53,426

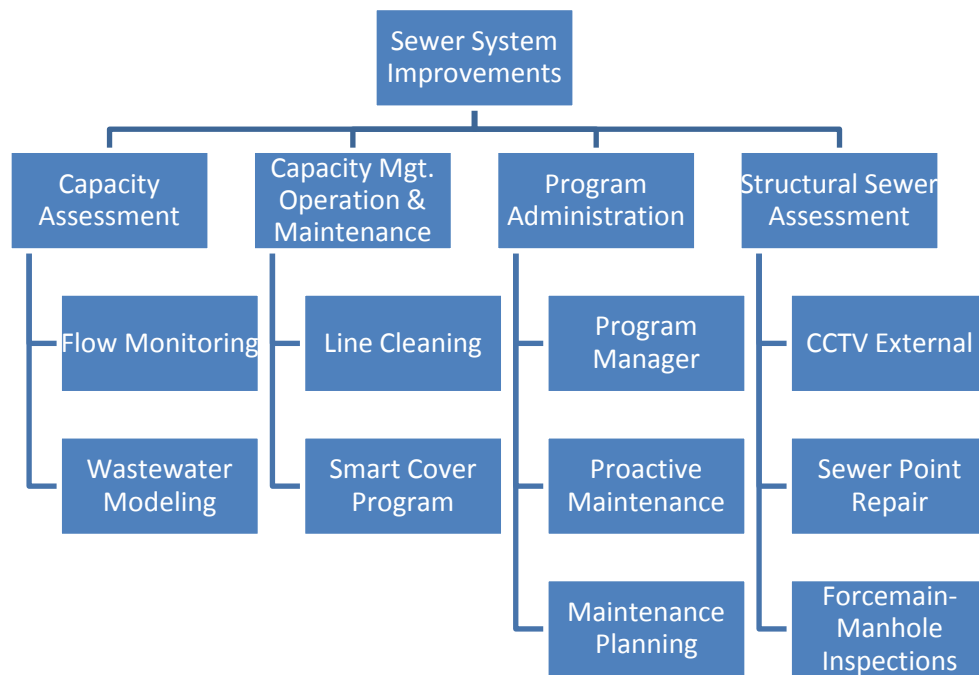
FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Ofc of Director - Production and Treatment Operati				2.5
Production Department	100.0	100.0	97.5	70.4
Treatment Maintenance Management	118.0	117.0	119.0	123.7
Treatment Operations Management	84.0	82.0	85.0	79.0
Total FULL-TIME EQUIVALENTS	302.0	299.0	301.5	275.6



SEWER SYSTEM IMPROVEMENTS

The Sewer System Improvements Department is responsible for developing, implementing and administering various programs designed to reduce sanitary sewer overflows in the wastewater collection and transmission system (WCTS). This is accomplished through the following functions:

- **Capacity Assessment** – Responsible for evaluating the capacity of the WCTS that includes flow monitoring and a series of hydraulic modeling and investigative steps to identify and prioritize capacity constraints.
- **Capacity, Management, Operation & Maintenance (CMOM)** – Comprehensive program encompassing activities to optimize the performance of the WCTS related to SSO reduction, including a system-wide cleaning program and Fats, Oils, and Grease Control Program.
- **Program Administration** – Leads the comprehensive Sewer System Improvement program activities related to SSO reduction. Provides overall data management and reporting pertaining to the operations and maintenance of the WCTS.
- **Structural Sewer Assessment** – Provides program direction for activities associated with inspecting, assessing and performing remedial measures associated with condition and capacity constraints in the WCTS.



SEWER SYSTEM IMPROVEMENTS (CONTINUED)

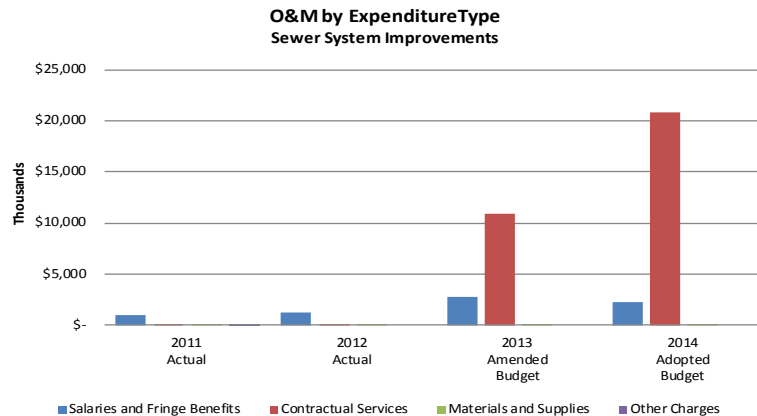
(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 1,029	\$ 1,229	\$ 2,765	\$ 2,222
Contractual Services	13	12	10,893	20,832
Materials and Supplies	5	8	9	12
Other Charges	1	-	-	-
Total O&M Before Capitalized Cost	1,047	1,249	13,667	23,067
Capitalized Cost	(197)	(225)	(507)	(1,604)
Intercenter Transfers	-	(1)	-	-
Net Change in Equity Total	\$ 851	\$ 1,023	\$ 13,160	\$ 21,463

Capital Outlay	\$ -	\$ -	\$ -	\$ 180
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Capacity Assessment	\$ -	\$ -	\$ 1,518	\$ 3,563
Capacity Mgt O&M (CMOM)	-	-	7,062	5,205
Program Administration	1,047	1,249	2,680	5,222
Structural Sewer Assessment	-	-	2,407	9,077
O&M Before Capitalized Cost Total	1,047	1,249	13,667	23,067
Capitalized Cost	(197)	(225)	(507)	(1,604)
Intercenter Transfers	-	(1)	-	-
Net Change in Equity Total	\$ 851	\$ 1,023	\$ 13,160	\$ 21,463

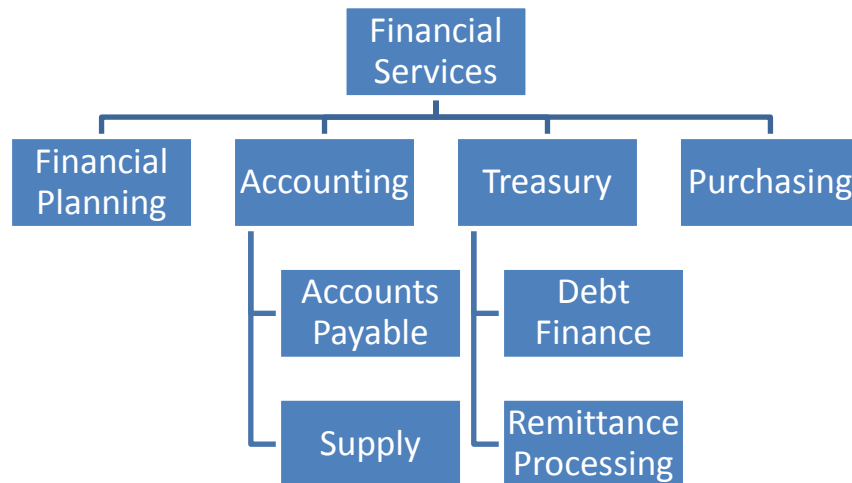
FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Capacity Assessment			1.0	
Capacity Mgt O&M (CMOM)			13.0	
Program Administration	16.0	16.0	22.0	29.0
Structural Sewer Assessment			2.0	
Total FULL-TIME EQUIVALENTS	16.0	16.0	38.0	29.0



FINANCIAL SERVICES

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

- **Financial Planning** – Responsible for short and long range financial plans and developing and implementing the budget.
- **Accounting** – Consists of general accounting, property accounting, payroll, accounts payable and supply departments.
- **Treasury** – Responsible for banking relationships, investment and debt management, and remittance (customer payment) processing.
- **Purchasing** – Responsible for the processing and contracting of all procurement requests for materials, supplies and services.



FINANCIAL SERVICES (CONTINUED)

(\$ in thousands)

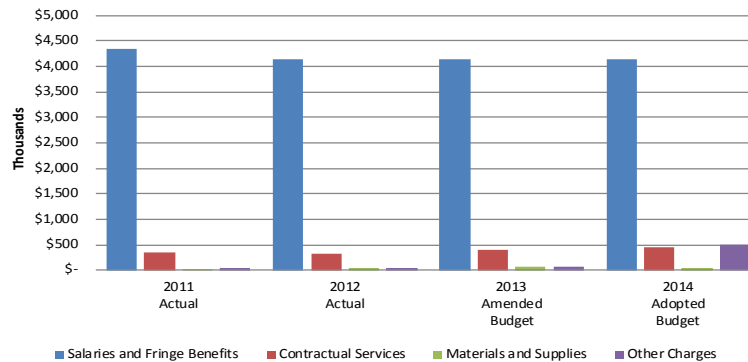
EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 4,341	\$ 4,135	\$ 4,145	\$ 4,144
Contractual Services	360	324	406	449
Materials and Supplies	27	41	63	58
Other Charges	45	41	74	516
Total O&M Before Capitalized Cost	4,772	4,542	4,689	5,168
Capitalized Cost	(948)	(896)	(977)	(1,010)
Intercenter Transfers	(1)	(1)	-	-
Net Change in Equity Total	\$ 3,823	\$ 3,645	\$ 3,712	\$ 4,157

Capital Outlay	\$ -	\$ -	\$ -	\$ -
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Office of the CFO	\$ 333	\$ 335	\$ 308	\$ 301
Accounting	2,332	2,255	2,349	2,402
Financial Planning	648	597	632	483
Purchasing	633	539	505	588
Treasury	826	815	894	1,394
O&M Before Capitalized Cost Total	4,772	4,542	4,689	5,168
Capitalized Cost	(948)	(896)	(977)	(1,010)
Intercenter Transfers	(1)	(1)	-	-
Net Change in Equity Total	\$ 3,823	\$ 3,645	\$ 3,712	\$ 4,157

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Office of the CFO	2.0	2.0	2.0	1.7
Accounting	37.5	36.5	36.0	32.0
Financial Planning	8.0	8.0	8.0	5.2
Purchasing	7.0	7.0	6.0	6.5
Treasury	13.0	12.0	12.0	12.9
Total FULL-TIME EQUIVALENTS	67.5	65.5	64.0	58.3

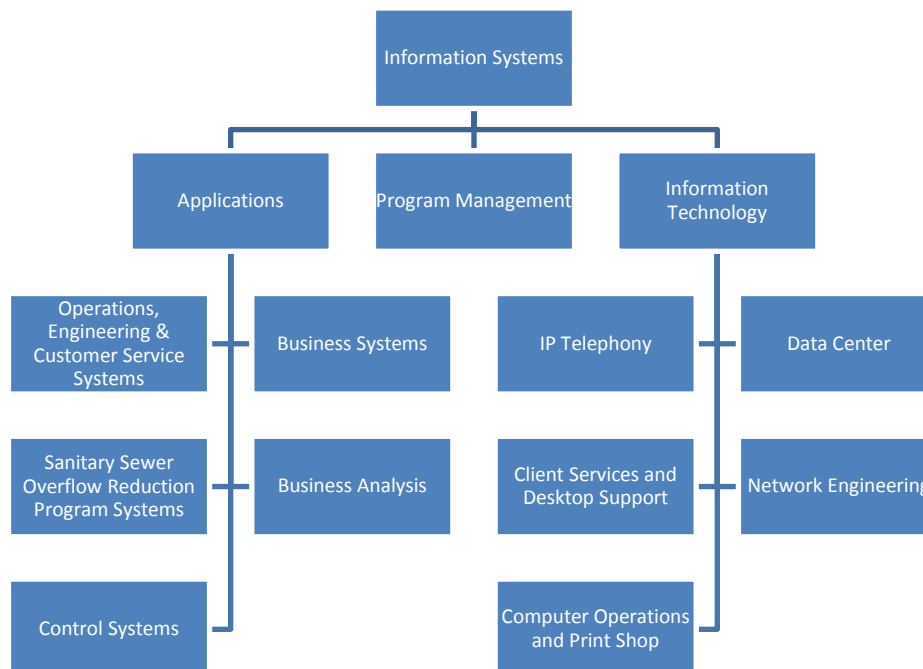
O&M by Expenditure Type
Financial Services



INFORMATION SYSTEMS

The Information Systems Group is responsible for the delivery of applications and information technology services, designed to promote innovation to sustain growth and enable SAWS to better serve the community. Information Systems includes:

- **Information Technology:**
 - *Data Center* – Responsible for SAWS 24/7, including all aspects of systems administration, database administration, systems software and hardware, the storage area network, backup and disaster recovery.
 - *Network Engineering* – Provides network and Internet services 24/7, including all aspects of network architecture and engineering, cyber security, network infrastructure and operations for SAWS facilities.
 - *IP Telephony* – Manages SAWS telecommunication services 24/7 including IP telephony, teleconferencing, Call Center systems, interactive voice response systems, recording systems, digital radio systems and 911 systems.
 - *Client Services and Desktop Support* – Supports workstation and related peripheral devices across SAWS, including desktop support services as well as technology and software orders and requisitions.
 - *Computer Operations and Print Shop* – Provides computer operations and bill printing services as well as copy services.
- **Applications** - Supports all functional areas of SAWS and responsible for SAWS software from requirements and design through programming, configuration, implementation, 24/7 operations, upgrades and sustainability.
- **Program Management** - Includes Information Systems program administration, project management, business process re-engineering, quality assurance, organizational change management to support SAWS' Innovation and Technology strategies.



INFORMATION SYSTEMS (CONTINUED)

(\$ in thousands)

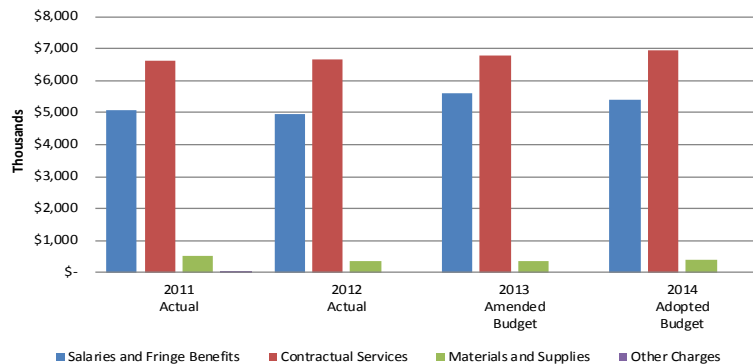
EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 5,083	\$ 4,942	\$ 5,608	\$ 5,402
Contractual Services	6,611	6,660	6,792	6,948
Materials and Supplies	502	339	361	387
Other Charges	1	-	-	-
Total O&M Before Capitalized Cost	12,196	11,941	12,761	12,736
Capitalized Cost	(772)	(762)	(1,138)	(1,162)
Intercenter Transfers	(1)	-	-	-
Net Change in Equity Total	\$ 11,423	\$ 11,178	\$ 11,622	\$ 11,575

Capital Outlay	\$ 2,000	\$ 2,009	\$ 1,780	\$ 1,904
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Administration	\$ 520	\$ 516	\$ 519	\$ 973
Application Services Section	2,420	2,515	2,571	3,182
Information Services Programs	437	334	557	485
Information Technology	8,820	8,576	9,113	8,096
O&M Before Capitalized Cost Total	12,196	11,941	12,761	12,736
Capitalized Cost	(772)	(762)	(1,138)	(1,162)
Intercenter Transfers	(1)	-	-	-
Net Change in Equity Total	\$ 11,423	\$ 11,178	\$ 11,622	\$ 11,575

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Administration	3.0	4.0	3.0	8.2
Application Services Section	15.0	15.0	15.0	14.0
Information Services Programs	6.0	5.0	6.0	5.2
Information Technology	38.0	37.0	37.0	30.6
Total FULL-TIME EQUIVALENTS	62.0	61.0	61.0	58.0

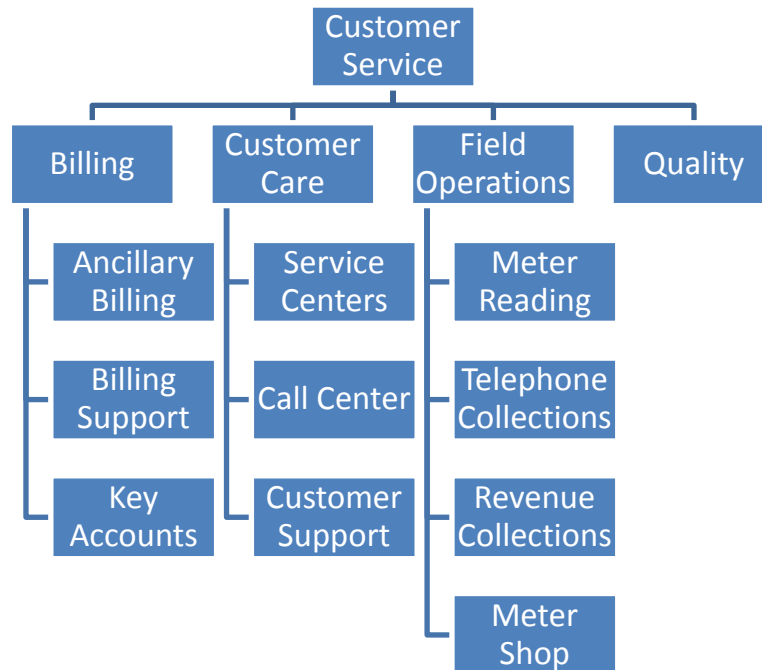
O&M by Expenditure Type
Information Systems



CUSTOMER SERVICE

The Customer Service Group is responsible for providing the highest level of service to SAWS customers at all times, responding in the most expedient and professional manner possible. This group is also responsible for the accurate and timely billing of SAWS customers and the maintenance of customer accounts.

- **Billing** – Reviews the billing process for accuracy of all SAWS bills printed daily; resolves customer service online billing issues.
- **Customer Care** – Promptly handles all inbound telephone customer inquiries regarding billing, account information, service problems and payments.
 - **Customer Centers** – Four full service walk-in locations provide friendly, personal interaction with our residential and commercial customers.
- **Field Operations** – Responsible for service turn-on/turn-off requests; collection of delinquent accounts; fire hydrant meter readings; and setting, removing and testing water meters.
 - **Meter Reading** – Ensures that all SAWS water meters are read on schedule, recorded and researched for accurate billing.
 - **Automated Meter Reading** – Responsible for deploying and maintaining a complete network of wireless meter reading devices, as well as meter data management for billing, account review, work order, meter shop, field investigation, and call center uses.
 - **Revenue Collections** – Determines and ensures correct billing format for customer accounts; and handles inbound calls regarding collection of delinquent accounts.
- **Quality** – Responsible for training and process improvements throughout Customer Service



CUSTOMER SERVICE (CONTINUED)

(\$ in thousands)

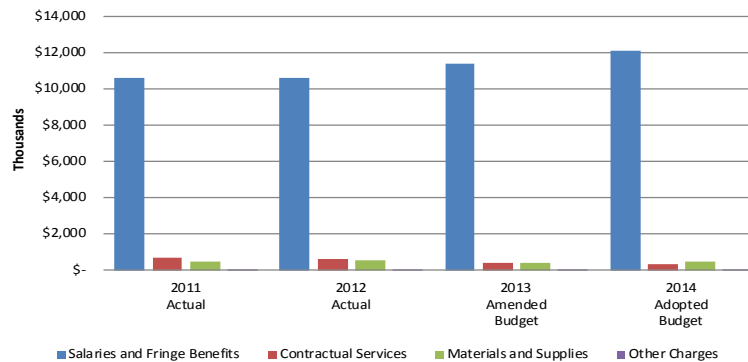
EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 10,620	\$ 10,611	\$ 11,398	\$ 12,065
Contractual Services	709	613	427	319
Materials and Supplies	487	535	413	509
Other Charges	4	4	6	3
Total O&M Before Capitalized Cost	11,819	11,763	12,243	12,896
Capitalized Cost	(519)	(369)	(480)	(424)
Intercenter Transfers	36	57	-	-
Net Change in Equity Total	\$ 11,336	\$ 11,450	\$ 11,763	\$ 12,473

Capital Outlay	\$ -	\$ 45	\$ 281	\$ 186
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Customer Service Administration	\$ 275	\$ 429	\$ 516	\$ 562
Billing	1,661	1,386	1,677	1,797
Customer Care	2,760	2,646	2,649	2,942
Field Operations	6,647	6,862	6,687	7,241
Quality	477	440	714	353
O&M Before Capitalized Cost Total	11,819	11,763	12,243	12,896
Capitalized Cost	(519)	(369)	(480)	(424)
Intercenter Transfers	36	57	-	-
Net Change in Equity Total	\$ 11,336	\$ 11,450	\$ 11,763	\$ 12,473

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Customer Service Administration	2.0	2.0	6.0	5.6
Billing	31.0	33.0	31.0	31.9
Customer Care	57.0	57.0	51.0	61.3
Field Operations	120.0	120.0	121.0	140.3
Quality	7.0	8.0	11.0	5.6
Total FULL-TIME EQUIVALENTS	217.0	220.0	220.0	244.7

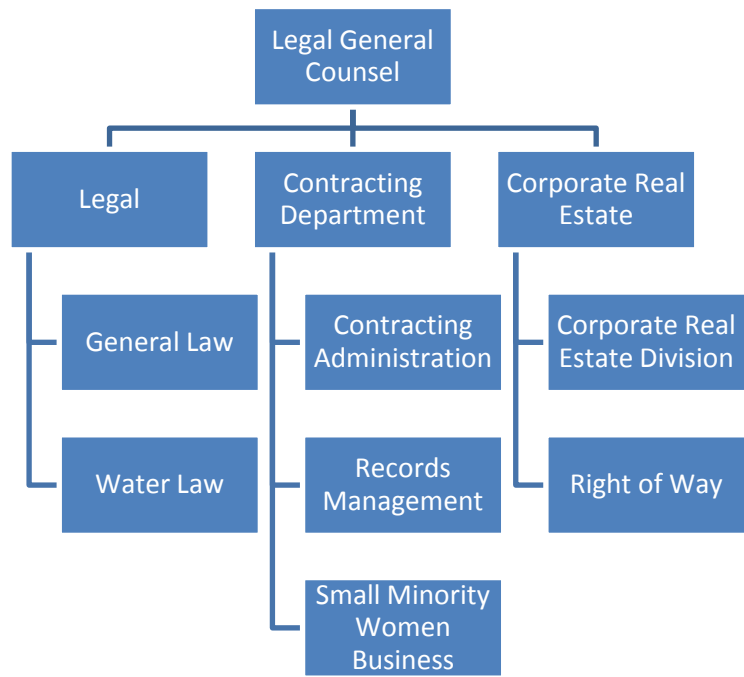
O&M by ExpenditureType
Customer Service



LEGAL

The Legal Group is headed by the Vice President and General Counsel. The Group consists of the Legal Services Department, the Contracting Department and the Corporate Real Estate Department, whose functions are described below:

- **Legal Services**– Provides full service, in-house legal support to the SAWS’ Board of Trustees, Executive Management and staff; provides legal advice and opinions, researches legal issues, drafts legal documents and memorandums, and 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; including those funded through the Texas Water Development Board capital funding program; manages all utility records in compliance with the Texas Local Government Records Act and Texas Public Information Act and best records management practices; oversees administration of SAWS’ Small, Minority and Women Owned Business Program.
- **Corporate Real Estate** – Implements property acquisitions, dispositions and lease management activities; manages third-party use of utility-owned property; supports all construction and maintenance activities by obtaining all rights of entry and easements involving access to property of third parties.



LEGAL (CONTINUED)

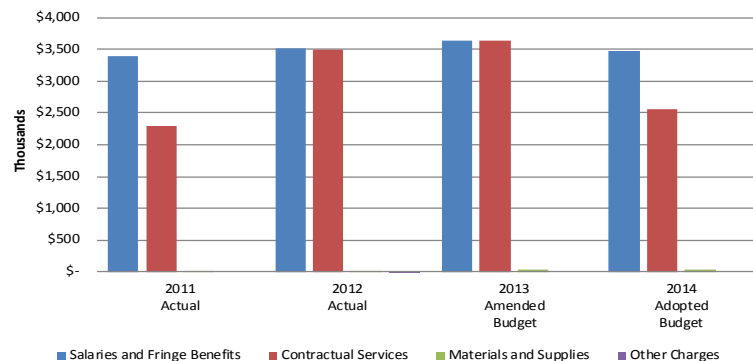
(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 3,386	\$ 3,515	\$ 3,641	\$ 3,472
Contractual Services	2,305	3,501	3,638	2,553
Materials and Supplies	26	21	34	28
Other Charges	-	2	-	-
Total O&M Before Capitalized Cost	5,718	7,039	7,313	6,053
Capitalized Cost	(2,571)	(2,787)	(3,007)	(2,763)
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 3,147	\$ 4,252	\$ 4,306	\$ 3,290
Capital Outlay	\$ -	\$ -	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Contracting Department	\$ 1,527	\$ 1,669	\$ 1,874	\$ 1,690
Corporate Real Estate Department	878	775	730	794
Legal Department	3,313	4,595	4,709	3,568
O&M Before Capitalized Cost Total	5,718	7,039	7,313	6,053
Capitalized Cost	(2,571)	(2,787)	(3,007)	(2,763)
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 3,147	\$ 4,252	\$ 4,306	\$ 3,290

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Contracting Department	17.0	18.0	22.0	18.9
Corporate Real Estate Department	8.0	9.0	8.0	6.9
Legal Department	11.5	11.5	11.5	11.8
Total FULL-TIME EQUIVALENTS	36.5	38.5	41.5	37.6

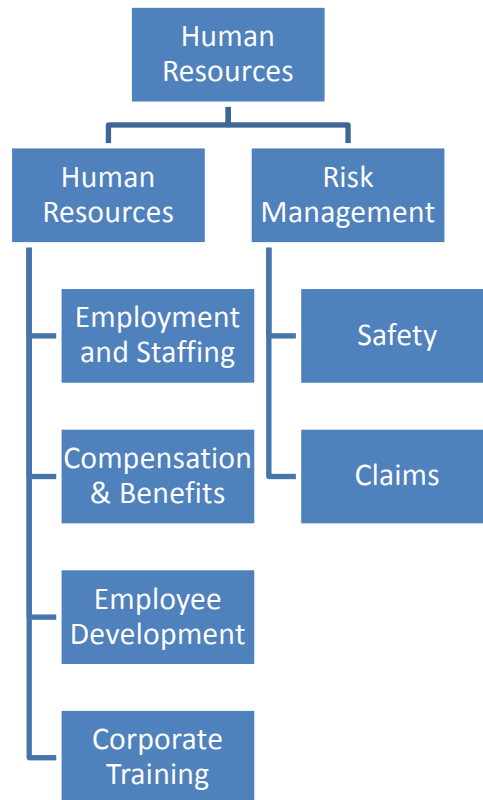
O&M by Expenditure Type
Legal



HUMAN RESOURCES

The Human Resource Group engages in attracting, training, and retaining a workforce of qualified employees to help SAWS in reaching its organizational goals and mission through a focus on safety, excellence and continuous improvement. This is accomplished through the functions listed below, which are performed by 2 departments: Human Resources and Risk Management.

- **Employment and Staffing** – Provides staffing and recruiting for both internal and external positions to promote workforce diversity and talent and obtain the most qualified candidates.
- **Compensation & Benefits** – Plans, develops and manages the employees' compensation, benefit and wellness programs to ensure competitive and cost-effective plans and programs are in place.
- **Employee Development** – Develops and administers a variety of employee programs including career development, orientations, education assistance, internships and mentoring programs.
- **Training & Development** – Establishes training objectives and strategies that integrate with SAWS' strategic plan and implements both in-house and contracted employee training for career- and self-development.
- **Risk Management** – Manages all facets of the utility's comprehensive commercial insurance program as well as the conduct of premises risk assessments.
 - **Safety** – Coordinates all SAWS safety activities and ensures a safe environment for all SAWS employees.
 - **Claims** – Operates as an in-house insurance office for SAWS, handling all workers compensation, casualty and subrogation claims.



HUMAN RESOURCES (CONTINUED)

(\$ in thousands)

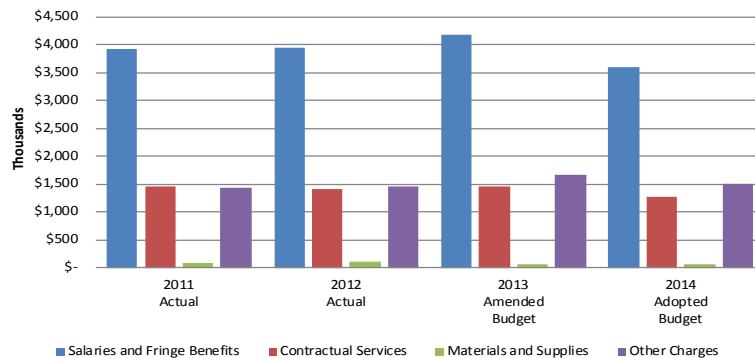
EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 3,919	\$ 3,947	\$ 4,173	\$ 3,602
Contractual Services	1,463	1,408	1,463	1,278
Materials and Supplies	94	101	71	61
Other Charges	1,437	1,468	1,674	1,506
Total O&M Before Capitalized Cost	6,914	6,924	7,381	6,447
Capitalized Cost	(96)	(102)	(116)	(109)
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 6,817	\$ 6,823	\$ 7,264	\$ 6,338

Capital Outlay	\$ -	\$ -	\$ -	\$ -
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EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Office of the VP	\$ 631	\$ 645	\$ 580	\$ 412
Human Resources	3,488	3,275	3,478	2,931
Risk Management	2,795	3,004	3,323	3,104
O&M Before Capitalized Cost Total	6,914	6,924	7,381	6,447
Capitalized Cost	(96)	(102)	(116)	(109)
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 6,817	\$ 6,823	\$ 7,264	\$ 6,338

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Office of the VP	5.0	5.0	5.0	3.5
Human Resources	26.5	26.5	24.0	19.9
Risk Management	20.0	20.5	23.0	19.5
Total FULL-TIME EQUIVALENTS	51.5	52.0	52.0	42.9

O&M by Expenditure Type
Human Resources

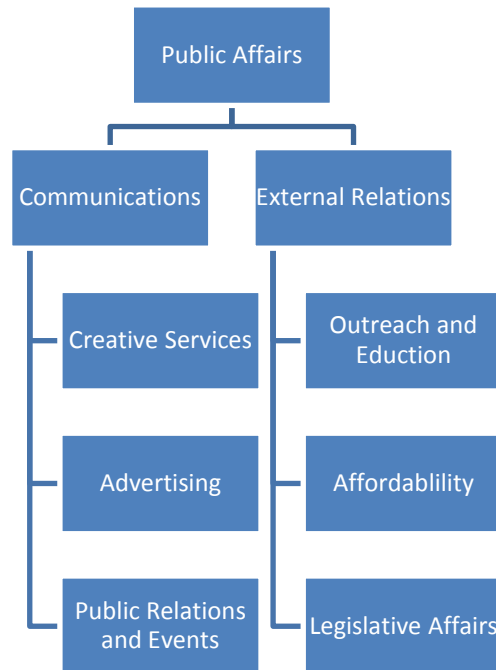


PUBLIC AFFAIRS

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

This is accomplished through:

- **Communications** – Encompasses mass communications efforts.
 - **Creative Services** – This department handles internal and external publications, including newsletters, brochure development, Internet, intranet, marketing brochures, audio/video presentation support, video production, etc.
 - **Public Relations** – Encompasses media relations for accuracy in news coverage concerning SAWS and advertising for building and maintaining awareness of corporate programs, projects and image.
- **External Relations** – Covers all targeted community outreach efforts such as community relations with neighborhood leaders; inter-governmental relations in San Antonio, neighboring counties, Austin and Washington, D.C. with elected officials and agencies; and youth education in developing tomorrow's informed water consumers.



PUBLIC AFFAIRS (CONTINUED)

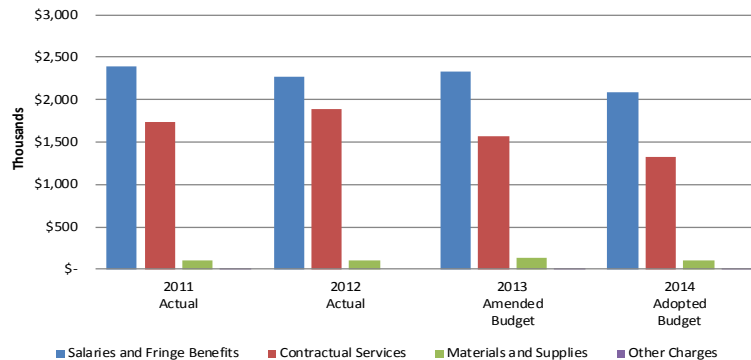
(\$ in thousands)

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 2,399	\$ 2,264	\$ 2,324	\$ 2,087
Contractual Services	1,737	1,891	1,568	1,324
Materials and Supplies	104	104	130	105
Other Charges	5	-	3	4
Total O&M Before Capitalized Cost	4,245	4,259	4,026	3,520
Capitalized Cost	(791)	(776)	(792)	(603)
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 3,455	\$ 3,483	\$ 3,234	\$ 2,916
Capital Outlay	\$ -	\$ -	\$ -	\$ -

EXPENDITURES BY DEPARTMENT	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
Communications	\$ 1,708	\$ 1,841	\$ 1,517	\$ 1,289
Communications Administration	365	332	376	312
External Relations	2,173	2,086	2,133	1,919
O&M Before Capitalized Cost Total	4,245	4,259	4,026	3,520
Capitalized Cost	(791)	(776)	(792)	(603)
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 3,455	\$ 3,483	\$ 3,234	\$ 2,916

FULL-TIME EQUIVALENTS	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Communications Administration	4.0	3.0	3.0	2.1
Communications	12.0	13.0	13.0	10.7
External Relations	15.5	15.5	15.5	11.7
Total FULL-TIME EQUIVALENTS	31.5	31.5	31.5	24.6

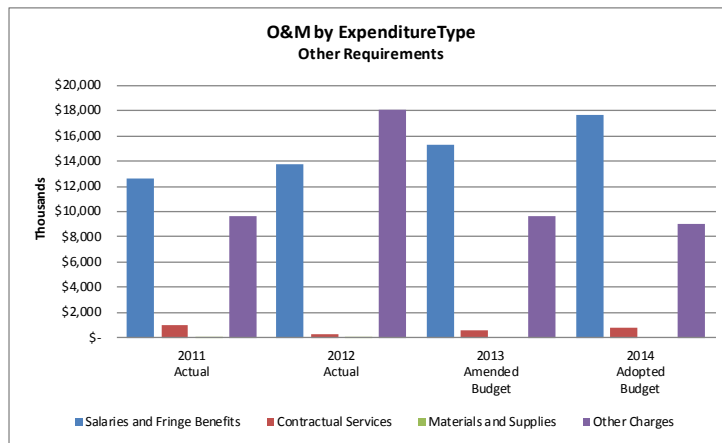
O&M by ExpenditureType
Public Affairs



OTHER REQUIREMENTS

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

EXPENDITURES BY TYPE	2011 Actual	2012 Actual	2013 Amended Budget	2014 Adopted Budget
O&M Before Capitalized Cost				
Salaries and Fringe Benefits	\$ 12,573	\$ 13,784	\$ 15,295	\$ 17,659
Contractual Services	987	263	569	766
Materials and Supplies	92	9	-	-
Other Charges	9,648	18,047	9,605	9,046
Total O&M Before Capitalized Cost	23,301	32,103	25,469	27,471
Capitalized Cost	(2,875)	(4,211)	(2,925)	(2,880)
Intercenter Transfers	-	-	-	-
Net Change in Equity Total	\$ 20,426	\$ 27,893	\$ 22,545	\$ 24,590
Capital Outlay	\$ -	\$ -	\$ -	\$ -



AUTHORIZED POSITIONS

The 2014 Budget includes funding for 1,665.3 full-time equivalent (FTE) positions. This represents a reduction of 100.8 authorized FTE positions from the 1,766.1 FTE positions budgeted in 2013. The reduction in FTE positions for 2014 reflects the results of the comprehensive in-house review of operations undertaken by SAWS in 2013 to find efficiencies and to reduce costs. The reduction in positions was accomplished by eliminating vacant positions as well as offering a retirement incentive to eligible employees.

The below table shows the distribution of funded FTE positions within each SAWS organizational unit authorized in each budget year from 2011 through 2014. Periodically, FTE positions and resources are reallocated among different areas of the organization in order to better meet changing needs. In such instances, where possible, prior year authorized FTE position levels have been restated as reflected in the below table in order to be consistent with the current year organizational structure.

	2011 Adopted Budget	2012 Adopted Budget	2013 Amended Budget	2014 Adopted Budget
Board of Trustees and President/CEO	13.0	13.0	13.0	12.6
Engineering and Construction	209.5	208.5	214.5	180.9
Water Resources and Conservation	137.5	140.5	140.6	134.2
Operations	155.0	156.0	151.0	141.6
Distribution and Collection	443.0	438.0	437.5	425.3
Production and Treatment	302.0	299.0	301.5	275.6
Sewer System Improvements	16.0	16.0	38.0	29.0
Financial Services	67.5	65.5	64.0	58.3
Information Systems	62.0	61.0	61.0	58.0
Customer Service	217.0	220.0	220.0	244.7
Legal	36.5	38.5	41.5	37.6
Human Resources	51.5	52.0	52.0	42.9
Public Affairs	31.5	31.5	31.5	24.6
Total Budgeted Full-Time Equivalents	1,742.0	1,739.5	1,766.1	1,665.3

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CAPITAL IMPROVEMENT PROGRAM

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CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) is a planning and budgeting tool that provides information about SAWS' infrastructure needs. It identifies requirements for sustaining, restoring and modernizing the facilities and infrastructure that support water supply and delivery, wastewater collection and treatment, and heating and cooling requirements in the SAWS service area. It also prioritizes and schedules the projects for funding and implementation through a multi-year plan.

The CIP supports four core business areas: Heating and Cooling, Water Delivery, Wastewater and Water Resources. The proposed 2014 program totals \$391.2 million.

Core Business	Approximate Funding
Water Supply	\$ 160,690,984
Water Delivery	87,554,342
Wastewater	140,117,473
Heating and Cooling	2,837,500
Total	\$ 391,200,299

The 2014 program was developed using a refined prioritization process started in 2006. Projects generated by the SAWS CIP stakeholder groups were reviewed and scored by a CIP Planning Group consisting of vice presidents, directors and managers. The scoring process resulted in a risk assessment that prioritized necessary projects for each core business. In addition to the risk assessment scoring, the prioritization of projects also give consideration to other factors including:

- project coordination,
- savings to the annual Operations and Maintenance budget,
- improved customer service,
- regulatory mandates,
- criticality,
- priority in relation to other projects, and
- availability of funds

The proposed CIP projects were totaled by dollar amount, compared to the long term funding strategy, and final selections were made by SAWS' Executive Management Team and approved by SAWS' Board of Trustees.

A special emphasis in the 2014 CIP is an expanded Sanitary Sewer Improvements program. This program is designed to reduce sanitary sewer overflows through visual inspection, cleaning, and repairing or replacing aging and defective sewer mains. The program will increase capacity in certain outfalls and fix or eliminate lift stations that could contribute to sanitary sewer overflows. \$71.9 million of the 2014 wastewater program is budgeted specifically for the Sanitary Sewer Improvements Program. This program will adhere to the requirements of the Environmental Protection Agency's Consent Decree.

Another critical project for the 2014 program is Phase 1 of the Water Resources Integration Pipeline and Pump Stations project. This project that was identified in the 2012 Water Management Plan, and will have the capacity to transport 50 million gallons per day of new water supplies being developed at Twin Oaks (Brackish Groundwater Desalination Facility, Local Carrizo, Expanded Carrizo, and stored Edwards Aquifer water) to the SAWS distribution system.

The 2014 CIP includes SAWS highest priority capital projects.

SIGNIFICANT NON-ROUTINE CAPITAL EXPENDITURES

The majority of SAWS' CIP projects provide for routine, ongoing expenditures for major repair or replacement of infrastructure. Projects that are typically "one time" in nature and involve the construction or expansion of new facilities or infrastructure, extensive renovation of existing facilities, or the acquisition of new technology which will enhance service delivery could be considered significant non-routine capital expenditures. The 2014 CIP includes two projects, which are considered significant and non-routine, and account for \$ 157.1 million or 40.1% of the 2013 CIP. The projects are listed as follows:

- **Integration: Water Transmission Line and Pump Stations Phase 1** - This project, identified in the 2012 Water Management Plan, is required to transport new and existing supplies from southern Bexar County into San Antonio. This pipeline will be utilized to distribute water from the desalination plant, local Carrizo Aquifer Project, and Expanded Carrizo Project to high growth areas in western San Antonio. Construction of Phase 1 will allow delivery of 50 million gallons of water per day. Additional phases of the project are necessary to reach Anderson Pump Station in order to fully integrate the three phases of Brackish Groundwater Desalination and the Expanded Carrizo. The 2014 budget for this project is \$143.6 million.
- **Service Center Facility Plan Project** – SAWS will construct two new facilities which will facilitate an overall realignment of all SAWS' field crews to a level distribution throughout Bexar County. This project will address the addition of the former Bexar Metropolitan Water District (DSP) service area and improve response time to sanitary sewer overflows over the Edwards Aquifer Recharge Zone. The 2014 project cost of \$13.4 million will fund construction. Future construction phases are planned in 2016-2017 at an estimated cost of \$33.5 million

2014 CAPITAL IMPROVEMENT PROGRAM SUMMARY BY CORE BUSINESS

WASTEWATER

San Antonio Water System 2014 Capital Improvement Program		
Project Title	Cost Element	Programmed Amount
WASTEWATER CORE BUSINESS		
Collection Facilities		
Lift Station Elimination of LS 199 & LS 2000	Construction	\$ 1,701,450
McAllister Park Odor Control Station Relocation	Design	22,686
		<u>1,724,136</u>
Corporate		
ERSS Report Development	Acquisition	446,461
General Legal Expenses - Wastewater	Acquisition	353,334
Service Center Facility Project Plan - Wastewater	Construction	6,658,341
		<u>7,458,136</u>
Governmental Sewer		
Governmental Sewer Projects	Construction	15,138,813
		<u>15,138,813</u>
Main Replacements - Sewer		
Annual Survey Sewer 2014	Design	113,430
C-13 Broadway Corridor Phase 2: Josephine St. to S. Alamo St.	Construction	9,641,550
C-33 Olmos Basin Project Phase 3	Construction	13,611,600
Construction Management Services - Wastewater	Construction	794,010
Data Management for Sewer System Improvements	Acquisition	567,150
Main Replacements - Sewer - SAWS Crews	Construction	5,558,070
San Antonio River Outfall Pipeline Rehabilitation Phase 2	Construction	11,796,720
Sewer Laterals 2014	Construction	4,111,837
Small and Large Diameter Sewer Main Replacements	Construction	29,888,805
Unspecified Services Engineering Contract Sewer	Design	4,537,200
W-6: Western Watershed Sewer Relief Line - Project 3	Construction	6,465,510
		<u>87,085,882</u>
Mains - New		
Cibolo Creek Sewershed Flow Diversion Project	Construction	8,098,902
Sewer Main Oversizing	Construction	567,150
W-31 IH-10: Boerne Stage to Old Fredericksburg	Acquisition/Design	5,217,780
		<u>13,883,832</u>
Treatment		
Dos Rios Non-Potable Water System Upgrades	Construction	850,725
Dos Rios WRC Biosolids Minimization and Dewatering System Improvements	Design	2,835,750
Dos Rios WRC Electrical System Improvements - Phase 1	Design	1,247,730
Leon Creek WRC Rehabilitation and Process Improvements	Construction	6,352,080
Salado Creek Headworks Improvements	Construction	3,540,389
		<u>14,826,674</u>
TOTAL WASTEWATER		\$ 140,117,473

WATER DELIVERY

San Antonio Water System 2014 Capital Improvement Program		
<i>Project Title</i>	<i>Cost Element</i>	<i>Programmed Amount</i>
WATER DELIVERY CORE BUSINESS		
Corporate		
ERSS Report Development	Acquisition	\$ 454,529
General Legal Expenses - Water Delivery	Acquisition	240,776
Service Center Facility Project Plan - Water Delivery	Construction	<u>6,778,676</u>
		7,473,981
Governmental Water		
Governmental Water Projects	Construction	<u>27,892,911</u>
		27,892,911
Main Replacements Water		
Annual Survey Water 2014	Design	115,480
Construction Management Services - Water Delivery	Construction	346,440
Meter Replacements	Construction	3,996,763
Open Cut Water Contract	Construction	1,732,200
Replace 12" Water Main on Pleasanton Road at Medina River	Construction	288,700
Unspecified Services Engineering Contract Water	Design	1,154,800
Valves, Services and Meters	Construction	<u>5,265,888</u>
		12,900,271
Mains - New		
Micron 48-inch Water Main Extension to Anderson Tank	Acquisition	173,220
Port San Antonio and Lackland AFB Water Main Improvements	Construction	4,362,274
PortSA 16-inch Water Main	Construction	2,156,012
Water Main Oversizing 2014	Construction	<u>2,309,600</u>
		9,001,106
Production		
Artesia Wells Phase 1	Design	92,383
Borgfeld Storage Tank and Pump Station Improvements	Acquisition	238,178
Broadband Access Points & Programmable Logic Controllers Replacement - Phase 1	Construction	6,276,338
Evans Pump Station Improvements	Construction	2,771,520
Southeast Tank and Pump Station Improvements - SAWS Portion	Construction	4,480,624
University Pump Station Improvements	Construction	5,312,080
Water Production Facilities Disinfection System Upgrades Phase 1	Construction	10,393,200
WECO Disinfection System - SAWS Portion	Construction	<u>721,750</u>
		30,286,073
TOTAL WATER DELIVERY		\$ 87,554,342

WATER SUPPLY

San Antonio Water System 2014 Capital Improvement Program		
<i>Project Title</i>	<i>Cost Element</i>	<i>Programmed Amount</i>
WATER SUPPLY CORE BUSINESS		
Corporate		
General Legal Expenses - Water Supply	Acquisition	\$ 918,928
		<u>918,928</u>
Edwards Aquifer		
Edwards Aquifer Acquisitions Groundwater Rights Purchase	Acquisition	10,981,750
		<u>10,981,750</u>
Recycled Water		
36-inch Recycled Water Main Adjustment at Military Dr. and Loop 410	Construction	1,519,870
Brooks Recycled Water Pump Station Upgrade	Construction	759,935
Recycled Water Customer Lines	Construction	1,381,700
		<u>3,661,505</u>
Water Resources		
Expanded Carrizo Design Phase 1	Design	1,500,528
	Design/	
Integration: Water Transmission Line and Pump Stations Phase 1	Construction	143,628,273
		<u>145,128,801</u>
TOTAL WATER SUPPLY		\$ 160,690,984

HEATING AND COOLING

**San Antonio Water System
2014 Capital Improvement Program**

<i>Project Title</i>	<i>Cost Element</i>	<i>Programmed Amount</i>
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HEATING & COOLING CORE BUSINESS

Heating & Cooling

Commerce St. Chilled Water Radio Control System Improvements	Design	\$205,000
Heating & Cooling Chilled Water Meter Upgrades	Construction	\$687,500
Heating & Cooling Chiller 6 and 7 Replacement	Construction	\$1,632,500
Parking Lot Reconfiguration at the Market St. Heating & Cooling Plant	Construction	\$312,500
		\$2,837,500

TOTAL HEATING & COOLING **\$2,837,500**

CIP PROJECT DATA

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2014 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet

Wastewater

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2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Lift Station Elimination of LS 199 & LS 200

Programmed Amount: \$1,701,450

Core Business: Wastewater

Category: Collection Facilities

Phase: Construction

Council District OCL



Description and Scope:

This project will construct a gravity sewer main along Cagnon Rd., which will allow SAWS to eliminate two lift stations. The lift stations are a frequent source of sanitary sewer overflows, and are expensive to operate and maintain. SAWS is evaluating all of its lift stations to identify lift stations which can be eliminated or are in need of rehabilitation. The design for this project is funded with an unspecified design contract.

Justification:

Eliminating these lift stations will reduce operating and maintenance costs, and avoid potential environmental hazards from sewer overflows.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		SSO	Undersized Equipment	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	8	648	

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$150,000	\$1,500,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: McAllister Park Odor Control Station Relocation

Programmed Amount: \$22,686

Core Business: Wastewater

Category: Collection Facilities

Phase: Design

Council District 9



Description and Scope:

Design of a new odor control injection station to relocate the temporary station at McAllister Park. SAWS has been paying a high monthly rental fee for the trailer that the chemical tank and pumps are sitting on at this park. In addition, the City does not want to accommodate this site; the original agreement between SAWS and the City was that this site was to be temporary until a more suitable, permanent site was determined by SAWS. Ferrous sulfate will be injected to the sewer lines from these injection sites to prevent unwanted odors due to hydrogen sulfide. This minimizes gas in the sewer lines and reduces corrosion of the pipes. Construction is planned for 2015.

Justification:

SAWS is currently paying \$1500 a month for the temporary site at McAllister Park. The relocation to the new site near the park will cost less than \$200,000, so this project will pay for itself in a little over ten years.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Facilities		Customer Dissatisfaction	Conflict with City or State	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	9	729	

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2015
		\$20,000	\$175,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: ERSS Report Development

Programmed Amount: \$446,460

Core Business: Wastewater

Category: Corporate WW

Phase: Acquisition

Council District System Wide



Description and Scope:

SAWS must complete the required reports and the reporting self-service and business intelligence dashboards to complete the full suite of Customer Information System reporting requirements.

ERSS has implemented the mechanics for reporting via a data warehouse and related data marts. Current funding available for ERSS will provide for developing report cubes and the static reports needed for go-live of the initial implementation of the Customer Information System.

Justification:

This project is required to complete the development of reports and business intelligence dashboards from the ERSS system.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Acquisition Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014		
	\$393,600		



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: General Legal Expenses - WW

Programmed Amount: \$353,334

Core Business: Wastewater

Category: Corporate WW

Phase: Acquisition

Council District System Wide



Description and Scope:

SAWS must pay legal expenses for critical SAWS projects including the EPA Consent Decree, the Southwest Bexar Sewer Pipeline, and other necessary projects that require specialized external legal support. Success in implementing these projects is critical to SAWS mission.

Justification:

Specialized legal support is required for critical projects. External legal support is sought only when there is insufficient internal legal staff to support the effort, or specialized legal expertise is required.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Acquisition Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014		
	\$311,500		



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Service Center Facility Project Plan - WW Share

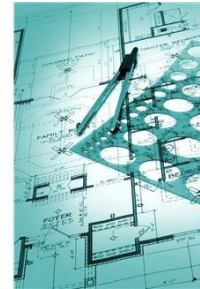
Programmed Amount: \$6,658,341

Core Business: Wastewater

Category: Corporate WW

Phase: Construction

Council District System Wide



Description and Scope:

SAWS will construct two new facilities which will allow a portion of the SAWS' field crews to relocate and will result in overall realignment of all SAWS' crews to a level distribution throughout Bexar County. The new facilities are at the West Side Operations Center and the North Side Operations Center.

The project will address the addition of the former Bexar Metropolitan Water District (DSP) service area and improve response time to SSOs over the EARZ. This will result in reducing the amount of drive time for crews across the city, resulting in more efficient response to emergency and customer calls.

Total remaining costs are \$33.5 million. Future construction phases are in 2016-17.

Justification:

This project is important to reduce driving time and fleet, fuel, and staff expenses. It will relocate maintenance crews and a fuel site away from a major water pumping facility, relieve overcrowding and wear and tear on current facilities, and improve safety conditions.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014		2014 \$5,870,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Governmental Sewer Projects

Programmed Amount: \$15,138,812

Core Business: Wastewater

Category: Governmental Sewer

Phase: Construction

Council District System Wide



Description and Scope:

The governmental program consists of projects implemented in conjunction with other government agencies infrastructure work. Through this program, SAWS will: Replace \$10,805,755 of sewer collection system infrastructure in poor condition; Adjust \$3,524,816 of sewer collection system whose existing alignment conflicts with proposed new street alignment; and Install \$453,720 of needed new sewer mains to provide additional capacity. SAWS will also reimburse the City for \$354,522 of environmental work related to the City Bond program.

The breakout by agency is:

CIMS/TxDOT: \$6,324,182

City Public Works: \$6,011,790

Bexar County: \$2,448,320

Reimbursement to COSA for environmental review City bond projects: \$354,522

SAWS participates in the Utility Coordination Council, and jointly plans and reviews infrastructure improvements with COSA, Bexar County, CPS, TXDOT, AT&T, and other agencies, to maximize effectiveness of public infrastructure.

Justification:

Replacing and/or adjusting aging infrastructure in conjunction with other agencies planned street work is the most cost effective approach to infrastructure management. It minimizes the cost of construction and minimizes the potential of utility failure under a new street.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:

Design Year:

Construction Year

2014

\$13,346,392



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Annual Survey Sewer 2014

Programmed Amount: \$113,430

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Design

Council District System Wide



Description and Scope:

Provide contract surveying services for projects that are designed "in house". Small scope projects and some emergency projects are designed by SAWS engineers. In house design of small scope projects is very cost effective, however SAWS does not have surveyors on staff. Projects designed in house include sewer and water rehabilitations and small main extensions to single customers who don't have service.

Justification:

Contract surveying supports in house design of small projects and emergencies, including sewer and water replacement projects.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014 \$100,000	



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: C-13 Broadway Corridor Phase 2: Josephine St. to South Alamo St.

Programmed Amount: \$9,641,550

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction Phase

Council District 1



Description and Scope:

Replace four miles of 18-inch to 60-inch sewer main in downtown San Antonio. Televising and visual inspection of this large diameter outfall indicated that it is in poor condition. The EPA consent decree requires that mains in poor condition be rehabilitated. Flow measurements and modeling indicate that portions of this main lack adequate capacity. The main, which extends from the Olmos Basin southward through Incarnate Word and Brackenridge Park to Josephine St., carries 16 million gallons of sewage daily with a wet weather peak flow of 55 million gallons, serving the Central Sewershed north of Olmos Basin.

The project will be constructed in 3 phases. Phase 1, scheduled for award in November 2013, involves rehabilitation of the North Alamo Line. Phase 2 (2014) involves the rehabilitation of the Broadway Line. Phase 3 (2015) will install a segment on North Alamo to provide additional capacity. The total estimated cost of the project, including design, is \$25.8 million.

Justification:

Replacement of this undersized and deteriorated sewer main is critical to maintain service and is required by the EPA Consent Decree. All phases of the project must be complete by July 23, 2019.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2011	2014
		\$2,600,000	\$8,500,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: C-33 Olmos Basin Project Phase 3

Programmed Amount: \$13,611,600

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction Phase

Council District 9



Description and Scope:

Phase 3 of a project that replaces and rehabilitates about nine miles of 10-inch to 60-inch sewer main north of downtown San Antonio from the Olmos Basin to Josephine St. Televising and visual inspection of these mains indicated that segments of the main are in poor condition. The EPA consent decree requires that the mains in poor condition be rehabilitated. Flow measurements and modeling indicate that portions of this main lack adequate capacity. The main, which extends from the Olmos Basin southward through Incarnate Word and Brackenridge Park to Josephine St., carries 16 million gallons of sewage daily with a wet weather peak flow of 55 millions of gallons, serving the Central Sewershed north of Olmos Basin.

The project will be constructed in 4 phases. Phase 1 involves the installation of a parallel 54-inch and 66-inch sewer main along Avenue B from the Witte Museum to Josephine St. Phase 1 started construction in 2012 and is expected to be complete by May 2014. Phase 2 will be awarded in 2013 and will rehabilitate an existing 48-inch sewer main within the Olmos Basin and install a parallel 54-inch sewer main for additional capacity. Phase 3 (2014) will rehabilitate an existing 54-inch main within the University of Incarnate Word and install a parallel line for additional capacity (pipe size to be determined). Phase 4 (2015 if needed) increases pipe capacity from University of Incarnate Word to the City of Alamo Heights. Recalibration of the SAWS Central Sewershed model will determine whether Phase 4 is needed or not. The total estimated cost of the project, including design and construction underway, is \$38 million.

Justification:

Replacement of this undersized and deteriorated sewer main is critical to maintain service and is required by the EPA Consent Decree. All phases of the project must be complete by July 23, 2019.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2009	2014
	\$1,200,000	\$12,000,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Construction Management Services - Wastewater

Programmed Amount: \$794,010

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction

Council District System Wide



Description and Scope:

SAWS requires construction management services to inspect and manage numerous ongoing construction projects to ensure that each project meets SAWS rigorous standards and specifications for health, safety, environmental and regulatory compliance. SAWS also requires inspection of projects to ensure the reliability of the project, testing to be performed in accordance with State requirements and regulations, and to ensure proper water quality requirements for all of our rate payers for a clean reliable water source. This program will provide the extra construction contractual services to meet the inspection demands.

Justification:

These services will ensure that each project is constructed to standard and does not risk public health, safety, or environmental violations.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Unsustainable Process	Public Health Impact	Conflict with City or State	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.			2014
			\$700,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Data Management for Sewer System Improvements

Programmed Amount: \$567,150

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Acquisition

Council District System Wide



Description and Scope:

Development of Data Management/Data Warehouse for SSO Reduction Program. This project will allow all data related to the SSO Reduction Program and the Consent Decree to be managed in one central location reducing the chance of errors being made. Without centralized Data Management the risk of noncompliance is increased significantly when producing reports and during audits by the Regulators because the data may not be repeatable if it is not held in one central location and managed holistically.

Justification:

Failure to submit timely and complete deliverables or failure to comply with Reporting Requirements in the CD can result in fines from \$350 to \$2,500 per day of violation.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Acquisition Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014		
	\$500,000		



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Main Replacements - Sewer - SAWS Crews

Programmed Amount: \$5,558,070

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction

Council District System Wide



Description and Scope:

Replacement of sewer mains by SAWS crews. When failures in the sewer system are encountered, SAWS crews determine the best method to restore service. When portions of the system must be replaced, the project is evaluated to determine if SAWS crews or contractors will be the most effective or efficient means to complete the replacement.

Justification:

The replacement work is necessary to restore service and is required by law.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:

Design Year:

Construction Year

2014

\$4,900,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: San Antonio River Outfall Pipeline Rehabilitation Phase 2

Programmed Amount: \$11,796,720

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction Phase

Council District 3, OCL



Description and Scope:

Replace or rehabilitate approximately 3 miles of old deteriorating sewer main from Engleman Oak subdivision to the intersection of Henderson Court and Old Corpus Christi Road. This segment of pipe has been televised and determined to be in poor condition. The design of this project is underway, and options to replace or rehab this section of the outfall are being evaluated.

Phase I, which consisted of replacement of 7,700 feet of pipe, is scheduled for construction in 2013 at a cost of \$7.4 million dollars. The entire project is estimated to cost \$22 million. An emergency replacement of 5,000 feet of pipe along this outfall was completed in 2012.

This project is required by the EPA Consent Decree, Appendix F, Early Action Program Phase 1. All phases of the project must be complete by July 23, 2018.

Justification:

This outfall is an important part of the sewage transportation network; approximately 3 million gallons of sewage flow thru this outfall daily. The deteriorating line must be replaced to prevent sanitary sewer overflows and to insure continued service.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

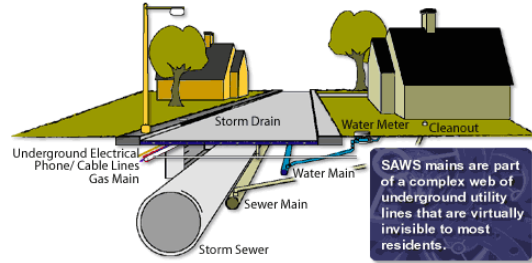
	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2011	2014
		\$1,000,000	\$10,400,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Sewer Laterals 2014
Programmed Amount: \$4,111,838
Core Business: Wastewater
Category: Main Replacement - Sewer
Phase: Construction
Council District: System Wide



Description and Scope:

Replace deteriorated customer sewer laterals. Each year SAWS crews replace customer laterals (the section of pipe from the main in the street to a customer's property line) when televising or reported problems indicate the lateral has become unserviceable.

In 1999 City Council directed SAWS to assume ownership and maintenance of sewer laterals, which had previously been the responsibility of property owners.

Justification:

Replacement of sewer laterals is necessary to restore service and reduces inflow and infiltration, which reduces sewer overflows.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.			2014
			\$3,625,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Small and Large Diameter Sewer Main Replacements

Programmed Amount: \$29,888,805

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction

Council District System Wide



Description and Scope:

Rehabilitate sewer mains that have been identified by televised inspection to be in very poor condition. This project will fund the rehabilitation of approximately 40 miles of small and 5 miles of large diameter sewer mains. Areas identified for rehabilitation are evaluated to determine the most cost effective method (conventional open trench replacement, cured in place pipe, or pipe bursting) of rehabilitation. This project is part of the EPA Consent Decree Early Action Program. The program requires SAWS to rehabilitate 75 miles of sewer main in poor condition and also includes manhole rehabilitation that will be performed under this project.

Each year, SAWS is required to inspect high risk pipes to evaluate condition and to take necessary action to prevent sewer overflows.

Justification:

Rehabilitation of the sewer system is required by the EPA Consent Decree, Appendix F, Phase 1 Early Action Program. All phases of the project must be complete by July 23, 2018.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:

Design Year:

Construction Year

2014

\$26,350,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Unspecified Services Engineering Contract Sewer

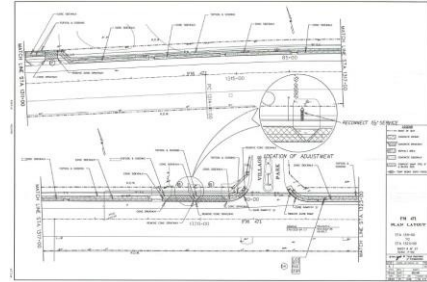
Programmed Amount: \$4,537,200

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Design

Council District System Wide



Description and Scope:

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

Justification:

Design of replacement/repair mains is necessary to restore and maintain wastewater service.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Facilities		Customer Dissatisfaction	Other/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014	
	\$4,000,000	



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: W-6: Western Watershed Sewer Relief Line – Project 3

Programmed Amount: \$6,465,510

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction Phase

Council District 4



Description and Scope:

This project will replace one-half mile of large sewer line between Quintana Road and SW Military Drive. The sewer line carries 55 million gallons per day and is undersized and in poor condition. The line will be increased in size from 54 inches to 90 inches to handle peak storm events and to accommodate growth in the upper watershed. Several collapses have already occurred on or upstream of this sewer line costing almost \$10 million. Two segments of this project are already under construction. Segments 4 and 5 will be awarded in 2015, and segment 6 will be awarded in 2016. These segments will pass through Lackland AFB.

The total remaining project cost is \$67.2 million. All segments of the project must be complete by July 23, 2018 to comply with the EPA Consent Decree.

Justification:

The outfalls within this project are in poor condition due to deterioration and lack sufficient capacity to handle future sewer flows due to growth and during peak storm events. Main breaks have already occurred on this sewer line.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	2010	2014
	\$3,500,000	\$2,000,000	\$5,700,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: W-6: Western Watershed Sewer Relief Line – Project 4

Programmed Amount: \$6,465,510

Core Business: Wastewater

Category: Main Replacement - Sewer

Phase: Construction Phase

Council District 4



Description and Scope:

Needs to be updated for Project 4.

This project will replace one-half mile of large sewer line between Quintana Road and SW Military Drive. The sewer line carries 55 million gallons per day and is undersized and in poor condition. The line will be increased in size from 54 inches to 90 inches to handle peak storm events and to accommodate growth in the upper watershed. Several collapses have already occurred on or upstream of this sewer line costing almost \$10 million. Two segments of this project are already under construction. Segments 4 and 5 will be awarded in 2015, and segment 6 will be awarded in 2016. These segments will pass through Lackland AFB.

The total remaining project cost is \$67.2 million. All segments of the project must be complete by July 23, 2018 to comply with the EPA Consent Decree.

Justification:

The outfalls within this project are in poor condition due to deterioration and lack sufficient capacity to handle future sewer flows due to growth and during peak storm events. Main breaks have already occurred on this sewer line.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	2010	2014
	\$3,500,000	\$2,000,000	\$5,700,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Cibolo Creek Sewershed Flow Diversion Project

Programmed Amount: \$8,098,902

Core Business: Wastewater

Category: Mains - New

Phase: Construction

Council District 10



Description and Scope:

Construct sewer infrastructure to transfer wastewater flows from CCMA treatment facility to SAWS. Wastewater generated in the northeast section of San Antonio is currently treated under a contract. The CCMA rate for treatment is higher than SAWS cost for treatment and they project a 44% increase by 2017 to fund their system expansion. The flow diversion process will redirect flow from CCMA to the SAWS collection system, and consists of lift stations, force mains, and gravity sewer mains. Economic analysis shows that this project will pay for itself within 14 years.

Justification:

It is cost effective to transfer flows back to SAWS treatment system, and discontinue the treatment contract with SAWS.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Failure of Corporate Initiative	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
7	9	9	567	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2011	2011	2014
	\$7,000	\$746,000	\$7,140,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Sewer Main Oversizing 2014

Programmed Amount: \$567,150

Core Business: Wastewater

Category: Mains - New

Phase: Construction

Council District: System Wide



Description and Scope:

Pay for SAWS proportionate share of the cost of mains which are necessary to serve anticipated growth but are larger than the size main required by a developer customer or single customer. Developers are required to build necessary offsite infrastructure to meet the needs of their development. When growth is projected in adjacent tracts, SAWS contributes money to increase the size of the mains to serve the additional growth. Sharing in the cost is beneficial to both SAWS and the developer and prevents the construction of parallel smaller sized mains.

Justification:

Participating in oversizing is a cost effective way to meet the needs of growth. It is funded by impact fees collected from new development.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.			2014
			\$500,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: W-31 IH-10: Boerne Stage to Old Fredericksburg

Programmed Amount: \$5,217,780

Core Business: Wastewater

Category: Mains - New

Phase: Acquisition/Design

Council District 8



Description and Scope:

Acquire land and design a 5 mile gravity sewer outfall along IH-10 from Boerne Stage Road to Old Fredericksburg Road to provide sewer service to customers along the IH-10 corridor.

Limited service is provided to this area through lift stations and force mains. The existing system has experienced multiple sewer overflows and appears to be undersized.

The lift station force main system will be replaced with a larger capacity gravity system which will have capacity for projected growth in the area.

Design and land acquisition will occur in 2014. The total cost of the project is expected to be \$19.9 million.

The growth capacity portion of this project will be funded with impact fees.

Justification:

Construction will replace undersized lift stations and force mains and provide additional capacity for growth along the IH-10 corridor. Impact fees will pay for the additional capacity included in this project.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Inadequate Capacity		SSO		Undersized Equipment	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure		
10	9	7	630		

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014	2014	2016
	\$3,000,000	\$1,600,000	\$13,000,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Dos Rios Non-Potable Water System Upgrades

Programmed Amount: \$850,725

Core Business: Wastewater

Category: Treatment

Phase: Construction

Council District 3



Description and Scope:

This project will upgrade the existing non-potable water system, which provides non-potable water for the various treatment processes and fire flow for the Dos Rios WRC. The pumps and elevated storage tank are more than 25 years old, and have deteriorated due to corrosion causing safety concerns. The system no longer provides sufficient flow or pressure for the treatment units that require non-potable water.

The project will replace pumps, install variable frequency drives, install a hydropneumatic tank, provide an interconnect between the plant non-potable system and the SAWS reuse system, and remove the existing elevated storage tank.

Justification:

Deterioration of the existing system is causing safety concerns, and the system does not provide sufficient flow or pressure for the treatment units that require non-potable water.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Flow/Pressure Problems		Low Flow/Pressure	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	10	9	810	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$150,000	\$750,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Dos Rios WRC Biosolids Minimization and Dewatering System Improvements

Programmed Amount: \$2,835,750

Core Business: Wastewater

Category: Treatment

Phase: Design

Council District 3



Description and Scope:

Design a thermal hydrolysis unit and a pre-dewatering facility and evaluate and design dewatering process equipment, associated electrical and instrumentation and control equipment and upgrade or replace belt filter press building as needed. Thermal hydrolysis reduces the total volume of sludge produced at a treatment plant.

This technology, developed and used in Europe, increases the efficiency at the sludge digestion process by applying heat and pressure to the sludge prior to digestion.

The project would also improve the post digestion process by replacing the existing old, failing belt filter presses with new dewatering equipment (either belt filter presses or centrifuges) depending on which is found to be a more cost effective application, and upgrading the electrical and instrumentation and control equipment, which has become obsolete and difficult to maintain.

If this technology is found to be cost effective, it will reduce the number of operational digesters needed at Dos Rios. SAWS will either move forward with the dewatering technology or rehabilitate additional digesters.

Justification:

The project will increase operational reliability and efficiency of the biosolids dewatering process by replacing unsustainable equipment. Implementation of this technology would reduce the number of operational digesters needed at Dos Rios.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Increased Maintenance	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2016
		\$2,500,000	\$42,000,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Dos Rios WRC Electrical System Improvements - Phase 1

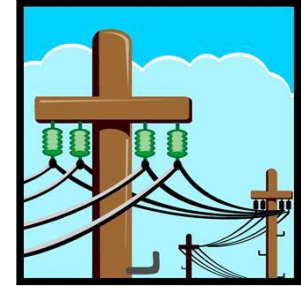
Programmed Amount: \$1,247,730

Core Business: Wastewater

Category: Treatment

Phase: Design Phase 1

Council District 3



Description and Scope:

Design the replacement of various plant electrical switchgear, motor control centers, transformers and generators that are aging, in poor condition and / or do not meet Federal, State and Local electrical codes. The proposed electrical equipment to be replaced in Phase 1 was deemed in very poor condition by the Dos Rios WRC Electrical System Assessment Project. All plant electrical equipment was assessed, evaluated and assigned a rating of 1 to 6, with 1 being in the poorest condition and 6 being in the best condition. Phase 1 will be constructed in 2015 at an estimated cost of \$12.5 million, and Phase 2 will be constructed in 2017. The total cost of the project is \$23.8 million.

Justification:

Plant electrical equipment is in poor condition. Failure of this equipment could interrupt the treatment process, require emergency generators, and cause a fire or other safety issue.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Increased Maintenance	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	9	10	900	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2015
		\$1,100,000	\$11,000,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Leon Creek WRC Rehabilitation and Process Improvements

Programmed Amount: \$6,352,080

Core Business: Wastewater

Category: Treatment

Phase: Construction

Council District 4



Description and Scope:

Automate the aeration tank and process air blower system and the chlorination/dechlorination system, upgrade and rehabilitate four of the final clarifiers, and repave older plant roads that are in poor condition due to previous construction projects. Install actuating valves, piping and associated electrical and instrumentation and control equipment linking it to monitoring equipment which can control blowers to maximize efficiency and save energy by up to 30%. Replace old diffusers and leaking aeration piping grid in aeration basins to prevent waste of air through leaks.

Chlorination automation will continuously measure flows and will adjust chemical dosage accordingly. This continuous monitoring will reduce the amount of chemicals used as it paces the amount of chemical with the flows that change in a day as opposed to feeding the same pre-set chemical dosage during both high and low flows in a day.

The four clarifiers are old and the equipment is corroding. Replacing old equipment will improve the solids removal efficiency and reduce maintenance requirements.

Justification:

Aerations and chlorination automation will increase efficiency at aeration and dechlorination processes, saving energy and reducing chemical and labor costs. Upgrading the clarifiers will improve efficiency of clarification processes. Road rehabilitation maintains facilities and extends life of the pavement.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Regulatory Non-compliance	System Optimization	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
8	7	8	448	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$420,000	\$5,600,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Salado Creek Headworks Improvements

Programmed Amount: \$3,540,389

Core Business: Wastewater

Category: Treatment

Phase: Construction

Council District 4



Photo 6 – Pre-aeration Tank Slide Gates

Description and Scope:

The headworks equipment at the Salado Creek WRC is not operating within acceptable design parameters and requires rehabilitation or replacement. The fine screens have been damaged by cloth material, including flushable wipes, and required several repairs. The scope includes rehabilitation of the existing grit chambers and associated, replacement of the fine screens, and rehabilitation of the motor operated slide gates, site electrical power and instrumentation and controls. The inefficiency of the trash removal and grit removal is potentially allowing its accumulation in the downstream 90-inch interconnect pipe and siphons crossing under the San Antonio River. This project could potentially eliminate the need of line-cleaning the 90-inch pipe as required by the EPA's consent decree.

Justification:

If the efficiency of grit removal at the Salado WRC is not restored, the capacity of the 90-inch interconnect lines and siphons under the San Antonio River may eventually be reduced, causing surcharging and backups at Salado WRC. Improved efficiency of grit removal will reduce the probability of this happening. Reducing grit accumulation in the digesters will reduce the digester rehabilitation required in the future.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Regulatory Non-compliance	System Optimization	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	10	810	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$312,000	\$3,121,210



2014 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet

Water Delivery

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2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: ERSS Report Development

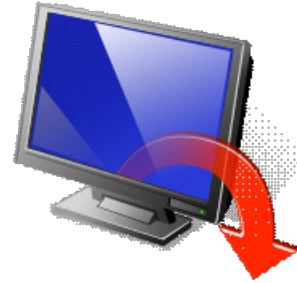
Programmed Amount: \$454,529

Core Business: Water Delivery

Category: Corporate WD

Phase: Acquisition

Council District System Wide



Description and Scope:

SAWS must complete the required reports and the reporting self-service and business intelligence dashboards to complete the full suite of Customer Information System reporting requirements after go-live.

ERSS has implemented the mechanics for reporting via a data warehouse and related data marts. Current funding available for ERSS will provide for developing report cubes and the static reports needed for go-live of the initial implementation of the Customer Information System. The 2014 funding will complete the project.

Justification:

This project is required to complete the development of reports and business intelligence dashboards from the ERSS system.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Acquisition Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014		
	\$393,600		



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: General Legal Expenses - WD

Programmed Amount: \$240,776

Core Business: Water Delivery

Category: Corporate WD

Phase: Acquisition

Council District System Wide



Description and Scope:

SAWS must pay legal expenses for critical SAWS projects including the Micron to Anderson water pipeline project and other necessary projects that require specialized external legal support. Success in implementing these projects is critical to SAWS mission.

Justification:

Specialized legal support is required for critical projects. External legal support is sought only when there is insufficient internal legal staff to support the effort, or specialized legal expertise is required.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

FUNDING INFORMATION

Acquisition Year:	Design Year:	Construction Year
2014		
\$208,500		

Amounts shown are estimated costs without SAWS overhead.



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Service Center Facility Project Plan - WD Share

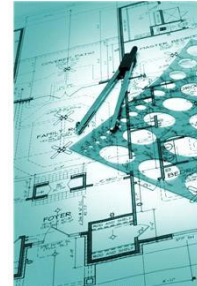
Programmed Amount: \$6,778,676

Core Business: Water Delivery

Category: Corporate WD

Phase: Construction

Council District System Wide



Description and Scope:

Construct two new service centers to relocate Operations crews. SAWS conducted geostatistical analysis to find the most efficient sites in the county to locate operations crews to reduce "windshield" time. Sites have been acquired on the Northwest and West sides to house 163 (NW) and 86 (W) employees. These new service centers will increase efficiency of employees and equipment and relieve overcrowding from the consolidation of BexarMet employees.

Funds provided in the 2013 CIP have not been spent. Planned construction was delayed to improve planning. This delay will allow the two service centers to be designed and built by a single contractor and may result in some economy of scale.

Justification:

Relocating operations crews to the new Northwest and Westside service centers will increase the efficiency of manpower and equipment and relieve overcrowding at existing service centers.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2012	2012	2014
	\$1,985,000	\$3,600,000	\$5,870,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Governmental Water Projects
Programmed Amount: \$27,892,911
Core Business: Water Delivery
Category: Governmental Water
Phase: Construction
Council District: System Wide



Description and Scope:

The governmental program consists of projects implemented in conjunction with other government agencies infrastructure work. Through this program, SAWS will: Replace \$14,538,628 of water system infrastructure in poor condition; and Adjust \$12,735,253 of water system whose existing alignment conflicts with proposed new street alignment. SAWS will also reimburse the City for \$619,029 of environmental work related to the City Bond program.

The breakout by agency is:

CIMS/TxDOT: \$16,701,874

City Public Works: \$2,713,780

Bexar County: \$7,858,228

Reimbursement to COSA for environmental review City bond projects: \$619,029

SAWS participates in the Utility Coordination Council, and jointly plans and reviews infrastructure improvements with COSA, Bexar County, CPS, TXDOT, AT&T, and other agencies, to maximize effectiveness of public infrastructure.

Justification:

Replacing and/or adjusting aging infrastructure in conjunction with other agencies planned street work is the most cost effective approach to infrastructure management. It minimizes the cost of construction and minimizes the potential of utility failure under a new street.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:

Design Year:

Construction Year

2014

\$24,153,889



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Annual Survey Water 2014

Programmed Amount: \$115,480

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Design

Council District System Wide



Description and Scope:

Provide contract surveying services for projects that are designed "in house". Small scope projects and some emergency projects are designed by SAWS engineers. In house design of small scope projects is very cost effective, however SAWS does not have surveyors on staff. Projects designed in house include sewer and water rehabilitations and small main extensions to single customers who don't have service.

Justification:

Contract surveying supports in house design of small projects and emergencies, including sewer and water replacement projects.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	
		\$100,000	



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Construction Management Services - Water Delivery

Programmed Amount: \$346,440

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System Wide



Description and Scope:

SAWS requires construction management services to inspect and manage numerous ongoing construction projects to ensure that each project meets SAWS rigorous standards and specifications for health, safety, environmental and regulatory compliance. SAWS also requires inspection of projects to ensure the reliability of the project, testing to be performed in accordance with State requirements and regulations, and to ensure proper water quality requirements for all of our rate payers for a clean reliable water source. This program will provide the extra construction contractual services to meet the inspection demands.

Justification:

These services will ensure that each project is constructed to standard and does not risk public health, safety, or environmental violations.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Unsustainable Process	Public Health Impact	Conflict with City or State	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:

Design Year:

Construction Year

2014

\$300,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Meter Replacements

Programmed Amount: \$3,996,763

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System Wide



Description and Scope:

Replace 38,000 water meters throughout the SAWS service area. Aging meters tend to under-register flow. Data collected from meters replaced indicated that the meters were under registering by an average of 3.68%. Replacement of meters is necessary to insure that flow is accurately calculated for billing purposes and to be able to accurately account for water usage. SAWS has over 400,000 meters in the system; replacement of meters is an annual requirement.

Justification:

Replacement of meters will increase billing accuracy, and enable SAWS to better account for water usage and increase revenue. This project has an expected return on investment of 4.2 years.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:

Design Year:

Construction Year

2014

\$3,461,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Open Cut Water Contract
Programmed Amount: \$1,732,200
Core Business: Water Delivery
Category: Main Replacement - Water
Phase: Construction
Council District System Wide



Description and Scope:

Replacement of water mains that cannot be repaired quickly and economically by SAWS crews.

Justification:

Replacement of mains is necessary to restore and maintain water service in areas of multiple failures.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:	Design Year:	Construction Year
		2014
		\$1,500,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Replace 12” Water Main on Pleasanton Road at Medina River

Programmed Amount: \$288,700

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District 3



Description and Scope:

Reconstruct an exposed 12-inch water main to prevent damage by high flows and debris. Approximately 1000 feet of the water main has become exposed due to scour of the river bottom and portions of the main have deteriorated such that temporary repairs have been required. This 12-inch main is a critical part of the water distribution system network in the south portion of our service area which includes service to the Toyota facilities.

Justification:

Deferring this project will leave the main at risk of getting damaged by high flows and debris in the river, which would result in loss of service in the area and possible contamination of the infrastructure in the area.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Line Collapse	Customer Dissatisfaction	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	7	10	700

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2012	2014
		\$0	\$250,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Unspecified Services Engineering Contract Water

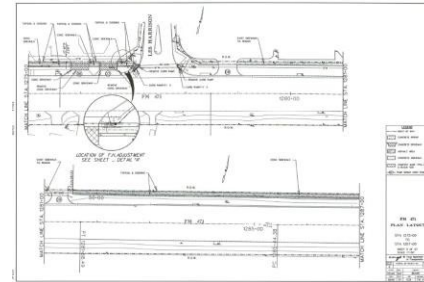
Programmed Amount: \$1,154,800

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Design

Council District System Wide



Description and Scope:

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

Justification:

Design of replacement/repair mains is necessary to restore and maintain wastewater service.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Service Interruption	Customer Dissatisfaction	Other/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	
		\$1,000,000	



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Valves, Services and Meters

Programmed Amount: \$5,265,888

Core Business: Water Delivery

Category: Main Replacement - Water

Phase: Construction

Council District System Wide



Description and Scope:

Replacement of water mains, valves, hydrants, and meters within the SAWS distribution system. When infrastructure fails, it is evaluated to determine the best repair method. When replacement is necessary, it is evaluated to determine whether replacement by SAWS crews or a contractor would be more effective and efficient.

Justification:

Replacement work is necessary to restore service and has been deemed to be more efficient than repair.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.			2014
			\$4,560,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Micron 48-inch Water Main Extension to Anderson Tank

Programmed Amount: \$173,220

Core Business: Water Delivery

Category: Mains - New

Phase: Acquisition

Council District 6



Description and Scope:

Construction was halted on the final section of connecting Micron Pump Station to Anderson Pump Station, because of the identification of a possible endangered species. A short segment (2000 feet) of pipe remains that must be installed to complete this interconnect.

Environmental studies were initiated in 2013 to assess the best method of completing this project and discussions are ongoing with the U.S. Fish and Wildlife Service. Funds are needed in 2014 for specialized consulting support to confer on endangered species issues.

Justification:

This project is important to provide needed interconnection between two critical pump stations that support the Northeastern sector of the county (Sea World to IH-10 area). As SAWS has invested over \$10 million in the entire project, this consulting support is needed to insure we can complete the project.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Capacity	Low Flow/Pressure	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	6	9	486

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014	2010	2011
	\$150,000	\$120,000	\$2,700,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Port San Antonio and Lackland AFB Water Main Improvements

Programmed Amount: \$4,362,274

Core Business: Water Delivery

Category: Mains - New

Phase: Construction

Council District 4



Description and Scope:

Construct ten sections of 12" water mains and additional metering and SCADA on the Port of San Antonio and segments of Lackland AFB to provide additional capacity to distribute water in these areas. The existing water distribution system on the former Kelly AFB does not meet the city fire codes for industrial and commercial areas.

SAWS has been constructing various improvements in this area to improve the substandard system, with a goal of abandoning the older inefficient infrastructure acquired by the Air Force. Abandoning the infrastructure will solve many problems by eliminating the need to rehabilitate the old infrastructure and reducing operational costs.

Justification:

This project will improve fire flow and service to the Port of San Antonio and Lackland AFB allowing increased development at the Port. Completing this (and other projects) will allow old inefficient infrastructure to be abandoned.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Flow/Pressure Problems	Low Flow/Pressure	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
10	10	10	1000

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2011	2014
		\$444,000	\$3,777,515



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: PortSA 16-inch Water Main

Programmed Amount: \$2,156,012

Core Business: Water Delivery

Category: Mains - New

Phase: Construction

Council District 4



Description and Scope:

Construct one-half mile of 16-inch diameter water main from Billy Mitchell Blvd. to Berman Rd. The existing water distribution system on the Port of San Antonio does not meet the city fire codes for industrial and commercial development.

This project is one of several improvements SAWS has built or plans to build with a goal of abandoning the older inefficient infrastructure acquired by the Air Force. Abandoning the infrastructure will save money by eliminating the need to rehabilitate the old infrastructure and by reducing the cost of operating the old, inefficient facilities.

Justification:

The project will improve fire flow and service to the Port of San Antonio allowing increased development at the port and save money by allowing older inefficient infrastructure to be abandoned.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Flow/Pressure Problems	Low Flow/Pressure	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
9	5	9	405

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2012	2014
		\$0	\$1,867,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Water Main Oversizing 2014

Programmed Amount: \$2,309,600

Core Business: Water Delivery

Category: Mains - New

Phase: Construction

Council District System Wide



Description and Scope:

Pay for SAWS proportionate share of the cost of mains which are necessary to serve anticipated growth but are larger than the size main required by a developer customer or single customer. Developers are required to build necessary offsite infrastructure to meet the needs of their development. When growth is projected in adjacent tracts, SAWS contributes money to increase the size of the mains to serve the additional growth. Sharing in the cost is beneficial to both SAWS and the developer and prevents the construction of parallel smaller sized mains.

Justification:

Participating in oversizing is a cost effective way to meet the needs of growth. It is funded by impact fees collected from new development.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.			2014
			\$2,000,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Artesia Wells Phase 1
Programmed Amount: \$92,384
Core Business: Water Delivery
Category: Production
Phase: Design Phase 1
Council District 2



Description and Scope:

Drill new wells to restore production capacity at Artesia Pump Station. The original 6 wells were drilled in the 1950s. Three of the six original wells have completely failed due to holes in the casing. Two of the remaining wells have been rehabilitated, but the rehabilitation process caused a significant loss in production capacity. The construction cost totals \$5.2 million, including another well in 2018.

Justification:

The Artesia Pump Station is a significant pump station serving the area around the AT&T Center, and providing water to be stored in the ASR. If they fail, we will not be able to bank as much water at ASR and this would be detrimental during a drought of record.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Service Interruption	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
8	8	8	512	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2016
		\$80,000	\$3,500,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Borgfeld Storage Tank and Pump Station Improvements

Programmed Amount: \$238,178

Core Business: Water Delivery

Category: Production

Phase: Acquisition

Council District OCL



Description and Scope:

Funds are needed in 2014 to purchase land for a tank and pump station. This master planned project is required to provide a 5 million gallon elevated storage tank and pump station for the upper Stone Oak area for future growth. Design and construction costs total \$4.7 million through 2017.

Justification:

Land is needed in 2014 to plan for 2017 construction. This project is needed to provide additional water storage to the Borgfeld Road area for future growth.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Low Flow/Pressure	Undersized Lines	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
6	10	8	480	

<u>FUNDING INFORMATION</u>	Acquisition Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014	2015	2017
	\$206,250	\$368,750	\$3,687,500



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Broadband Access Points & Programmable Logic Controllers Replacement – Phase 1

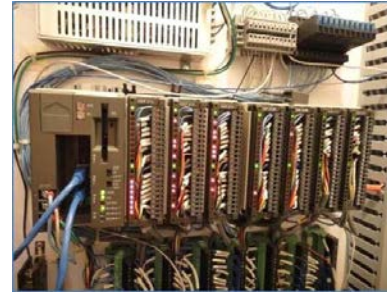
Programmed Amount: \$6,276,338

Core Business: Water Delivery

Category: Production **Phase:**

Construction Phase

Council District System Wide



Description and Scope:

Replace aging radio communication system used to receive data from the water production and pumping stations with new wireless communication infrastructure to upgrade communication capability and replace obsolete control equipment. More than 100 water production facilities are controlled and operated from a central control point. The existing equipment is old and some components are no longer supported by the manufacturer. The radio systems have an expected lifespan of 15 years.

The upgrades will increase efficiency by allowing development of standardized, automated control strategies for stopping and starting pumping equipment based on equipment efficiency, customer demand patterns and energy costs. Additionally, metering equipment can be calibrated from the control center thru the broadband system, reducing the labor time involved in driving to the pump station, and the time for a signal to be sent to the pump station will be greatly reduced.

The master plan for upgrade of the Supervisory Control and Data Acquisition (SCADA) system recommends this upgrade. Phase I will address the facilities that were deemed high criticality. A second phase will address the medium criticality facilities at a cost \$6.3 million.

Justification:

Replacing and upgrading the control and communication systems for the pump stations is necessary for continued service and for increased efficiency. Improving technology is needed to be able to manage the expanding system without adding additional staff.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Increased Maintenance	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2014
		\$543,500	\$4,891,500



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Evans Pump Station Improvements

Programmed Amount: \$2,771,520

Core Business: Water Delivery

Category: Production

Phase: Construction

Council District 9



Description and Scope:

Replace temporary skid mounted pump facilities with a more permanent facility. This pump station provides water to the Hwy 281 area north of FM 1604 and is currently serving over 12,000 homes. Demand has increased significantly with the growth in this area and the added demands of the former Bexar Met customers.

Water from the Carrizo Aquifer project in Gonzales County will be delivered through this pump station.

The project includes new, larger pumps, site work, electrical switch gear, improved yard piping, SCADA and controls. The design was funded with an unspecified design contract.

Justification:

This project is needed to meet increased water demand in the Hwy 281 area north of FM 1604 and to deliver some of the Gonzales-Carrizo aquifer water.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Low Flow/Pressure	Undersized Equipment	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
8	8	10	640	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$151,021	\$2,400,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Southeast Tank and Pump Station Improvements - SAWS portion

Programmed Amount: \$4,480,624

Core Business: Water Delivery

Category: Production

Phase: Construction

Council District OCL



Description and Scope:

Construct a new water pump station with a 5 million gallon ground storage tank and a dual set of high service pumps near the DSP Southeastern service area. Water will be initially supplied from the SAWS system, and later with water supplied from the Water Resources Integration Pipeline (WRIP). This station will serve as an integration point between DSP and SAWS, and provide a redundant water supply to the service area. One set of pumps will provide water to the SAWS service area, and the other set of pumps will provide water to the DSP service area. The new pump station will supply a reliable water service to customers, will support new growth in the surrounding pressure zones, and is required to provide redundant service to the DSP Southeast Area which currently is supplied by a single source through Somerset. The scope of work also includes piping, electrical switchgear in a building, chlorine facilities, control valves, fencing, and a driveway and support facilities. The project is being designed and land acquired in 2013.

Justification:

This project is necessary to provide a redundant water supply to the DSP Southeastern service area in case the single transmission main that ties in at Somerset Pump Station fails, and to provide a more reliable water service to the customers in the service area.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Facilities		Low Flow/Pressure	System Improvement	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2013	2013	2014
	\$63,775	\$431,332	\$3,880,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: University Pump Station Improvements

Programmed Amount: \$5,312,080

Core Business: Water Delivery

Category: Production

Phase: Construction

Council District 8



Description and Scope:

Replace obsolete and unserviceable equipment and install an additional 10 million gallon per day high service pump at University Pump Station.

This pump station delivers water to the area North of UTSA, serving more than 10,000 homes, in a rapidly growing area.

The project will provide a new building to house new electrical switchgear, replace all existing low and medium voltage wiring, add an additional 10 million gallon per day high service pump, and other improvements to bring the facility into current TCEQ, OSHA, and AWWA standards.

Justification:

Because of the location of University Pump Station, there is little redundancy to provide water in this area of the distribution system. Replacement of aging equipment is crucial to minimize the possibility of failure. The additional capacity provided with this project will be funded with impact fees.

FAILURE ANALYSIS AND RISK RATINGS

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

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2012	2014
		\$350,000	\$4,600,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Water Production Facilities Disinfection System Upgrades Phase 1

Programmed Amount: \$10,393,200

Core Business: Water Delivery

Category: Production

Phase: Construction Phase

Council District 4, 9, OCL



Description and Scope:

The existing disinfection equipment is old and does not meet current regulatory standards, and the current disinfection process uses liquid chlorine which poses a safety risk when being transported and stored in populated areas. New disinfection equipment will be installed which will allow for onsite generation of sodium hypochlorite (chlorine). The project includes installation of sodium hypochlorite generators, brine tanks, solution tanks, electrical equipment, piping, buildings for equipment, concrete pads, SCADA and site work. The three pump stations in Phase 1 are the Wurzbach, Marbach and Maltsberger pump stations. A second phase of this project will replace similar equipment at other pump stations.

This is Phase 1 of a two phase project. Phase 2 construction is scheduled for 2017 at a cost of \$6.9 million. The total cost of the project is \$14.6 million.

Justification:

Aging equipment could fail allowing release of chlorine gas which could pose a risk to the public. The pump stations produce large volumes of water each day for use by citizens. The water disinfection systems must function reliably or risk a public health emergency.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2012	2014
		\$600,000	\$9,000,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: WECO Disinfection System - SAWS Portion

Programmed Amount: \$721,750

Core Business: Water Delivery

Category: Production

Phase: Construction

Council District 9



Description and Scope:

Design and construct a permanent facility for a hypochlorite generation system for WECO water production. WECO is expected to increase production up to 15 million gallons per day in mid-2013. SAWS has made temporary provisions for an adequate chlorine feed, but a new system needs to be designed and constructed for a permanent facility that meets TCEQ rules. The existing facility is not adequate, and the chlorine demands at full production are too great to continue with the temporary facility. The new on-site hypochlorite generation facility will have a capacity of approximately 200 pounds per day. The facility will include a building for the hypochlorite generation equipment and metering pumps, a brine storage and solution tank, a hypochlorite tank, site work including grading and a driveway, and associated electrical and instrumentation work.

Justification:

The temporary chlorine feed facility does not have adequate redundancy or storage capacity to meet TCEQ rules. It requires chlorine cylinder changes every three days, which is excessive. The full production rate requires an engineered facility to improve reliability and maintainability.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Low Flow/Pressure	Undersized Equipment	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	8	10	800	

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2014
		\$62,500	\$562,500

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2014 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet

Water Supply

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2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: General Legal Expenses - WR

Programmed Amount: \$918,928

Core Business: Water Supply

Category: Corporate WR

Phase: Acquisition

Council District System Wide



Description and Scope:

SAWS must pay legal expenses for critical SAWS projects including Edwards Aquifer water rights acquisitions, Bracksih Groundwater Desalination, the Water Resources Integration Pipeline, and other necessary projects that require specialized external legal support. Success in implementing these projects is critical to SAWS mission.

Justification:

Specialized legal support is required for critical projects. External legal support is sought only when there is insufficient internal legal staff to support the effort, or specialized legal expertise is required.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014		
	\$790,000		



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Edwards Aquifer Acquisitions Groundwater Rights Purchase

Programmed Amount: \$10,981,750

Core Business: Water Supply

Category: Edwards Aquifer

Phase: Acquisition

Council District System Wide



Description and Scope:

Acquire approximately 2,180 acre-feet in 2014 of Edwards Aquifer groundwater rights through agricultural conservation and purchases of authorized withdrawal permits. Perform necessary legal and title work to support purchases and permit transfers. This project is identified in the 2012 Water Management Plan.

Justification:

Additional water supplies are needed to meet needs during drought and to support community growth.

FAILURE ANALYSIS AND RISK RATINGS

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

<u>FUNDING INFORMATION</u>	Land Year: 2014	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	\$10,900,000		



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: 36-inch Recycled Water Main Adjustment at Military Dr. and Loop 410

Programmed Amount: \$1,519,870

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District 3



Description and Scope:

This project will replace an existing 36-inch recycled water main that has become exposed and suspended across a drainage creek near the Military Drive and Loop 410 intersection. Approximately 800 feet of the 36-inch main will be adjusted from the creek bottom to a new alignment. The main is a critical part of the loop recycled water system for San Antonio. If a portion of this main fails, it will interrupt recycled water service to the northwest part of city.

Justification:

The recycled water main is suspended across the creek and was not designed for an aerial crossing, and can fail and interrupt recycled water service and result in a safety and environmental hazard.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Equipment Failure		Customer Dissatisfaction	System Improvement	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	9	9	810	

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$150,000	\$1,100,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Brooks Recycled Water Pump Station Upgrade

Programmed Amount: \$759,935

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District 3



Description and Scope:

This project will replace the undersized recycled water tank with a new one million gallon tank, four new pumps, and approximately one mile of new 16-inch recycled water main to provide sufficient flow and pressure to existing and proposed developments in the area. Brooks Pump Station currently provides recycled water to the Riverside Golf Course and will soon provide service to the developments near the course and within Brooks City Base. The existing facility is a pump station and ground storage tank that was sized based on Southside development from 10 years ago. Increased growth on the south side is increasing the demand for recycled water.

Justification:

The current size of the pump station does not meet the demands of its existing and future customer base. The Brooks Pump Station upgrade is required in order to insure adequate flow and pressure to the existing and proposed developments in the area, and to expand the customer base of the recycled water system on the south side.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:	Failure Impact:	Failure Root Cause:	
Inadequate Facilities	Low Flow/Pressure	System Improvement	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure
8	9	9	648

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2015
		\$550,000	\$3,100,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Recycled Water Customer Lines

Programmed Amount: \$1,381,700

Core Business: Water Supply

Category: Recycled Water

Phase: Construction

Council District: System Wide



Description and Scope:

Construct extensions of recycled water mains to new customers. The recycled water system delivers non-potable water, which offsets the use of more valuable potable water. Additional recycled water is available, however summer peak water (primarily for irrigation) is limited.

Justification:

Providing low cost recycled water extensions supports the growth of the recycled system to preferred type (non-summer peaking) customers.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Corporate Mandate		Failure of Corporate Initiative		System Optimization	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure		
9	9	9	729		

FUNDING INFORMATION

Amounts shown are estimated costs without SAWS overhead.

Land Year:

Design Year:

Construction Year

2014

\$1,000,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Expanded Carrizo Design Phase 1

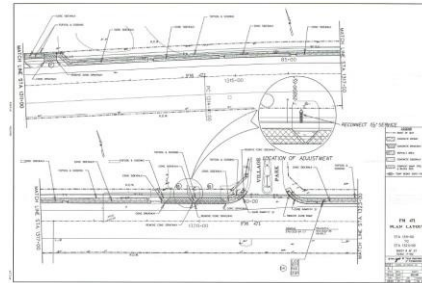
Programmed Amount: \$1,500,528

Core Business: Water Supply

Category: Water Resources

Phase: Design Phase 1 of 2

Council District OCL



Description and Scope:

Design Phase 1 of a water supply project planned to produce 21,000 acre feet of water from the Carrizo Aquifer in Bexar County and deliver it to the Twin Oaks Water Facility for further blending, treatment (if necessary) and delivery to the distribution system.

Phase 1 will include well pumps, water delivery pipelines, routing of pipelines and roadways, and electrical systems to produce 7,000 acre feet of water by 2017. The project will also include an analysis of water treatment operational requirements caused by blending water from different sources.

Phase 1 construction will start in 2015. The total cost of phase 1 is estimated at \$11.8 million. Phase 2 design will start in 2019. The total cost of phase 2 including land acquisition is \$24.1 million.

Justification:

Expanded use of the Carrizo Aquifer was identified in the 2012 Water Management Plan as a cost effective source of additional water supply. The water is needed to provide additional supplies for drought and to support growth.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2019	2014	2015
	\$5,285,214	\$1,290,000	\$8,846,787



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Integration: Water Transmission Line and Pump Stations Phase 1

Programmed Amount: \$143,628,273

Core Business: Water Supply

Category: Water Resources

Phase: Construction Phase

Council District 4, OCL



Description and Scope:

This project, identified in the 2012 Water Management Plan, is required to transport water supplies being developed at Twin Oaks (Brackish Groundwater Desalination Facility, Local Carrizo, Expanded Carrizo, ASR, and stored Edwards Water) to the SAWS distribution system. This project includes costs for tree mitigation and land acquisition. The Phase 1 project is 90% designed and consists of:

Segment 1, Phase 1: \$39.4M

Segment 2, Phase 1: \$39.9M

Old Pearsall Road Pump Station, Phase 1: \$34.8M

Twin Oaks West Pump Station, Phase 1: \$23.2M

Construction of Phase 1 will allow delivery of 50 million gallons of water per day. Additional phases of the project are necessary to reach Anderson Pump Station, to fully integrate the three planned phases of Brackish Groundwater Desalination and Expanded Carrizo.

Justification:

This pipeline is a critical element of the overall Water Resources Integration Program, and is necessary to deliver water from the source to the distribution system. If it is not built, the new water supplies will be stranded at Twin Oaks.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.	2014	2009	2014
	\$4,000,000	\$2,000,000	\$123,476,851

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2014 CAPITAL IMPROVEMENTS PROGRAM
Project Data Sheet

Heating & Cooling

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2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Commerce St. Chilled Water Radio Control System Improvements

Programmed Amount: \$205,000

Core Business: Heating & Cooling

Category: Heating & Cooling

Phase: Design

Council District 1



Description and Scope:

This project will conduct a radio path survey of the entire heating and cooling system radio network to determine radio system hardware requirements, design a replacement to merge the two top end chiller control systems into one common system, design a replacement for the programmable logic controllers at the chillers, and design a replacement for the aging chiller Energy Management System (EMS). The radio system is critical to operation of the system, and the data is used for customer billing, monitoring, reporting and trending at the EMS server. The total cost of the project is \$2.3 million.

Justification:

The Commerce St. Chilled Water Plant serves 24 customers in the downtown area. The radio control and Energy Management System is critical to plant operations and customer billing and is used to maintain accurate and reliable cash flow for SAWS. This project will provide for a unified control system for all chillers located at Commerce St.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Equipment Failure		Customer Dissatisfaction	Critical Equipment Failure	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

FUNDING INFORMATION

	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2014	2015
		\$164,000	\$1,642,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Heating & Cooling Chilled Water Meter Upgrades

Programmed Amount: \$687,500

Core Business: Heating & Cooling

Category: Heating & Cooling

Phase: Construction

Council District 1



Description and Scope:

This project will replace 24 chilled water flow meters at customer sites and two flow meters at the Commerce St. chilled water plant. The chilled water system was assessed and master planned and resulted in a finding that the flow meters were under-registering the amount of chilled water produced by approximately 6% due to wear and tear on the meters and less than ideal locations of some customer meters. Replacing these flow meters will insure accurate measurement of chilled water produced and billed to SAWS customers. Measurements from the flow meters are input to the plant's Energy Management System to calculate system efficiencies and for customer billing.

Justification:

The accuracy of these meters is essential to the proper operation of the SAWS cooling system and for customer billing.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Unsustainable Equipment		Customer Dissatisfaction	Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
10	10	10	1000	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$74,420	\$550,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Heating & Cooling Chiller 6 and 7 Replacement

Programmed Amount: \$1,632,500

Core Business: Heating & Cooling

Category: Heating & Cooling

Phase: Construction

Council District 1



Description and Scope:

This project will replace two chillers at the Cherry St. plant. These chillers are at the end of their service life and are costing about \$370,000 per year in O&M costs. New chillers will reduce O&M costs and save energy.

Justification:

The chillers are used to produce chiller water for the Alamodome. The increasing maintenance cost justifies replacing these chillers and will save maintenance and energy costs.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:		Failure Root Cause:	
Unsustainable Equipment		Customer Dissatisfaction		Age/Deterioration	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure		
10	10	10	1000		

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.			2014
			\$1,306,000



2014 CAPITAL IMPROVEMENTS PROGRAM Project Data Sheet

PROJECT OVERVIEW

Project: Parking Lot Reconfiguration at the Market St. Heating & Cooling Plant

Programmed Amount: \$312,500

Core Business: Heating & Cooling

Category: Heating & Cooling

Phase: Construction

Council District 1



Description and Scope:

Construct improvements to the Market St. plant parking lot to accommodate large service vehicles and prevent damage to the ice vault. Due to the Market St. Re-Alignment Project and subsequent land transfer between CoSA and SAWS, access to the south side of the Heating and Cooling Plant has been restricted to vehicles and equipment less than ¾ ton. The parking lot realignment project is necessary to expand the existing parking lot to permit access for maintenance and repair of components by larger vehicles and equipment which cannot traverse over the existing parking lot due to the location of an underground ice vault that cannot support the weight of large vehicles and equipment. Allowing heavy equipment traffic to traverse near this area can potentially put at risk the structural integrity of the slab over the ice vault which can lead to major impacts to the plant's operations. The scope of work includes a new electronic gate that will be installed at the southeast corner of the property, and minor pavement overlay work to the immediate parking area surrounding the ice vault's zone and to the area on top of the ice vault itself. The project will be designed in 2013, funded by an unspecified design contract.

Justification:

Reconfiguring the parking lot will prevent damage to the ice vault and expensive repairs, as well as interruption of service to downtown customers. The revised parking lot design would also permit access to the chilled water vault should emergencies within the plant occur.

FAILURE ANALYSIS AND RISK RATINGS

Failure Mode:		Failure Impact:	Failure Root Cause:	
Inadequate Capacity		Customer Dissatisfaction	Conflict with City or State	
Impact Severity	Likelihood of Occurrence	Risk Mitigation	Risk Exposure	
9	9	9	729	

<u>FUNDING INFORMATION</u>	Land Year:	Design Year:	Construction Year
Amounts shown are estimated costs without SAWS overhead.		2013	2014
		\$75,000	\$250,000

SUPPLEMENTAL INFORMATION

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SUPPLEMENTAL INFORMATION

STATISTICAL SECTION

Revenue Capacity - Water Production, Water Usage and Wastewater Treated

Fiscal Year	Gallons of Water Production (b)	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated (c)	Total Direct Rate			
						Water		Sewer	
						Base Rate (d)	Usage Rate (e)	Base Rate (f)	Usage Rate (g)
2013	66,391	55,108	11,283	16.99%	50,076	\$ 7.31	\$ 20.09	\$ 11.54	\$ 14.27
2012	66,596	55,320	11,276	16.93%	49,055	7.31	20.24	9.92	12.24
2011	70,699	59,133	11,566	16.36%	49,918	7.10	18.10	8.73	10.78
2010 (a)	61,272	52,578	8,694	14.19%	48,152	7.10	18.10	8.73	10.78
2009	62,649	55,295	7,354	11.74%	51,987	6.77	20.04	7.76	9.63
2008	67,523	58,828	8,695	12.88%	50,347	6.56	19.92	7.37	9.14
2007	55,043	49,511	5,532	10.05%	49,217	6.56	19.59	7.37	9.14
2006	63,388	57,724	5,664	8.94%	53,270	6.56	19.69	7.37	9.14
2005	58,990	55,005	3,985	6.76%	49,287	6.11	18.42	7.33	9.10
2004	51,231	49,367	1,864	3.64%	49,592	5.61	15.47	6.60	8.19

- (a) Reflects rate increase and rate restructuring for water usage beginning in November 2010. Prior to November, Water Base Rate (including TCEQ fees) was \$6.96, Water Usage Rate was \$20.52, Sewer Base Rate (including TCEQ fees) was \$7.81 and Sewer Usage Rate was \$9.63.
- (b) Pumpage is total potable water production less Aquifer Storage and Recovery recharge
- (c) Represents amounts billed to customers. Residential Class customers are billed based on water usage during a consecutive three month billing period from November through March. All other customer classes are billed for wastewater treatment based on actual water usage during each monthly billing period.
- (d) Rate shown is for 5/8" meters. See Schedule 8 for the rates of other meter sizes.
- (e) Represents standard (non-seasonal) usage charge for monthly residential water usage of 7,788 gallons per month. Includes water supply and EAA fees.
- (f) Minimum service availability charge (includes charge for first 1,496 gallons)
- (g) Represents usage charge for a residential customer based on winter average water consumption of 6,178 gallons per month.

Number of Customers (Average number billed)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water Sales (a):										
Residential Class	343,667	339,204	335,280	331,853	327,610	323,754	318,270	308,807	298,271	289,458
General Class	23,713	23,582	23,369	23,225	23,242	23,104	22,943	22,662	22,384	22,092
Wholesale Class	8	8	7	7	7	7	7	7	6	6
Total Water	367,388	362,794	358,656	355,085	350,859	346,865	341,220	331,476	320,661	311,556
Irrigation Class (b)	8,821	8,633	8,479	8,350	8,202	7,940	7,602	7,232	6,883	6,522
Wastewater Sales:										
Residential Class	390,256	383,553	378,380	373,755	368,948	361,966	352,038	338,693	326,516	316,498
General Class	25,021	24,824	24,550	24,407	24,285	23,999	23,604	23,408	23,016	22,590
Wholesale Class	12	12	12	7	12	13	11	12	12	12
Total Wastewater	415,289	408,389	402,942	398,169	393,245	385,978	375,653	362,113	349,544	339,100
Conservation - Residential Class (c)	20,867	23,804	33,708	21,791	26,665	29,973	15,548	31,716	27,963	18,754
Recycled Water Sales	97	92	80	81	86	76	71	69	56	51

- (a) Water Supply and EAA fees are billed to a water customers with water usage.
- (b) Represents the number of customers included in Residential, General and Wholesale Classes which also have irrigation meters.
- (c) The residential class rate applied to monthly residential usage in excess of 17,205 gallons is designated as Conservation Fees. These customers are included in the residential class for water sales.

STATISTICAL SECTION (CONTINUED)

Sales by Source (\$ in thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water Sales:										
Residential Class	\$71,536	\$72,620	\$79,332	\$66,410	\$65,333	\$68,516	\$56,096	\$65,927	\$58,351	\$44,829
General Class	35,099	35,504	33,571	32,326	32,943	32,330	29,313	31,606	28,613	24,006
Wholesale Class	1,640	1,255	234	136	204	179	120	145	182	114
Irrigation Class (a)	10,893	11,164	11,722	12,909	12,176	16,124	10,659	12,541	11,723	8,210
Total Water	119,168	120,543	124,859	111,781	110,656	117,149	96,188	110,219	98,869	77,159
Water Supply Fees (b)										
Residential Class	43,121	44,163	51,696	45,312	45,909	49,042	39,081	48,403	42,283	28,623
General Class	32,393	32,537	31,586	29,764	30,403	30,140	28,105	29,531	27,036	19,945
Wholesale Class	3,227	2,294	202	158	178	160	132	166	165	104
Irrigation Class	12,057	12,058	13,029	7,154	6,288	8,016	5,285	6,154	5,741	3,559
Total Water Supply Fees	90,798	91,052	96,513	82,388	82,778	87,358	72,603	84,254	75,225	52,231
EAA Pass-through fees (c)										
Residential Class	9,905	10,841	4,767	5,423	3,605	5,893	3,561	4,925	4,818	3,304
General Class	6,991	7,352	2,930	3,648	2,387	3,622	2,560	3,005	3,080	2,303
Wholesale Class	659	509	18	19	14	19	12	17	19	12
Irrigation Class	1,134	1,242	540	765	494	963	481	626	654	411
Total Pass-through fees	18,689	19,944	8,255	9,855	6,500	10,497	6,614	8,573	8,571	6,030
Conservation Fees:										
Residential Class	2,454	2,986	3,682	2,814	2,962	3,663	1,986	4,112	3,291	2,411
General Class	6,606	7,040	6,702	4,461	4,008	3,938	3,957	3,637	3,968	3,558
Total Conservation	9,060	10,026	10,384	7,275	6,970	7,601	5,943	7,749	7,259	5,969
Wastewater Sales:										
Residential Class	116,775	98,674	88,702	79,118	81,202	75,752	72,212	72,901	63,605	55,763
General Class	62,300	54,175	48,271	41,768	41,343	40,034	38,554	38,325	37,342	31,622
Wholesale Class	7,599	6,761	6,105	5,044	5,225	5,281	6,469	6,704	6,435	5,695
Surcharge	5,438	5,134	4,815	4,861	4,648	4,614	4,409	4,271	4,081	4,019
Total Wastewater	192,112	164,744	147,893	130,791	132,418	125,681	121,644	122,201	111,463	97,099
TCEQ Pass-through fees (d)										
Water customers	1,086	1,064	1,178	964	-	-	-	-	-	-
Wastewater customers	347	411	464	280	-	-	-	-	-	-
	1,433	1,475	1,642	1,244	-	-	-	-	-	-
Recycled Water Sales	5,161	5,074	5,068	3,955	4,393	4,287	3,244	3,795	3,100	2,669
Stormwater Fees	5,058	4,558	4,158	3,745	3,358	3,037	3,056	3,056	2,938	2,746
Chilled Water & Steam	12,719	12,485	11,715	12,337	12,714	12,758	13,101	13,243	13,371	12,028
Miscellaneous Fees and Charges	12,787	12,427	10,193	8,872	9,266	9,541	7,944	8,204	7,374	6,756
Provision for Uncollectible Accounts	(4,646)	(3,800)	(2,811)	(3,463)	(3,711)	(3,288)	(2,619)	(2,638)	(1,637)	(1,415)
Total Operating Revenue	\$462,339	\$438,528	\$417,869	\$368,780	\$365,342	\$374,621	\$327,718	\$358,656	\$326,533	\$261,272

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

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

(c) EAA pass-through fees are designed to recoup fees charged by Edwards Aquifer Authority (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.

(d) TCEQ pass-through fees are designed to recoup fees charged by the Texas Commission on Environmental Quality (TCEQ). Fee is a per customer charge.

STATISTICAL SECTION (CONTINUED)**Sales in Gallons****(Gallons billed, in millions)**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water Sales (a):										
Residential Class	29,206	30,070	34,153	28,932	30,667	33,025	26,651	33,162	30,917	27,054
General Class	20,614	20,393	20,986	19,465	20,309	20,297	19,166	20,232	19,769	18,851
Wholesale Class	1,943	1,412	128	101	119	108	90	114	121	98
Irrigation Class	3,345	3,445	3,866	4,080	4,200	5,398	3,604	4,216	4,198	3,364
Total Water	55,108	55,320	59,133	52,578	55,295	58,828	49,511	57,724	55,005	49,367
Wastewater Sales:										
Residential Class	27,617	26,572	27,371	26,746	29,825	28,148	27,383	28,859	25,293	25,421
General Class	20,100	20,066	20,134	20,002	20,338	20,352	19,634	21,967	22,262	21,800
Wholesale Class	2,359	2,417	2,413	1,404	1,824	1,847	2,200	2,444	1,732	2,371
Total Wastewater	50,076	49,055	49,918	48,152	51,987	50,347	49,217	53,270	49,287	49,592
Conservation - Residential Class (b)	3,196	3,026	4,106	2,935	3,469	3,948	2,432	4,276	3,613	2,634
Recycled Water Sales	18,359	18,129	18,990	14,968	16,321	16,559	14,148	14,836	14,048	13,626

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

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

STATISTICAL SECTION (CONTINUED)

Ten Largest Customers - Water

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (a) (in thousands)	%
Fiscal Year Ended December 31, 2013:					
SAN ANTONIO WATER SYSTEM DISTRICT SPECIAL PROJECT	Public Water Utility	1,808	3.28	\$ 5,062	2.12
CITY OF SAN ANTONIO	Municipal Entity	510	0.93	2,646	1.11
HEB GROCERY	Grocery	436	0.79	1,743	0.73
SAN ANTONIO HOUSING AUTHORITY	Public Housing	434	0.79	1,723	0.72
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	281	0.51	1,325	0.55
BEXAR COUNTY	County Government	321	0.58	1,222	0.51
CPS ENERGY	Public Power Utility	258	0.47	937	0.39
MAXIM INTEGRATED PRODUCT INC.	Electronics	246	0.45	837	0.35
NORTHEAST INDEPENDENT SCHOOL DISTRICT	School System	156	0.28	739	0.31
SAN ANTONIO INDEPDENDENT SCHOOL DISTRICT	School System	139	0.25	727	0.30
Subtotal (10 largest)		4,589	8.33	16,961	7.10
Balance from Other Customers		50,519	91.67	221,840	92.90
Total		55,108	100.00	\$ 238,801	100.00

Ten Largest Customers - Wastewater

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (in thousands)	%
Fiscal Year Ended December 31, 2013:					
HEB GROCERY	Grocery	384	0.80	\$ 2,026	1.10
SAN ANTONIO HOUSING AUTHORITY	Public Housing	422	0.88	1,414	0.76
BEXAR COUNTY	County Government	254	0.53	923	0.50
L & H PACKING COMPANY	Beef Processor	118	0.25	723	0.39
MAXIM INTEGRATED PRODUCT, INC.	Electronics	217	0.45	713	0.39
TOYOTA	Automobile Manufacturer	187	0.39	619	0.33
OAK FARMS DAIRY	Dairy Producer	43	0.09	611	0.33
CITY OF SAN ANTONIO	Municipal Entity	161	0.34	569	0.31
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	153	0.32	543	0.29
FRITO LAY, INC.	Food Manufacturer	54	0.11	446	0.24
Subtotal (10 largest)		1,993	4.18	8,587	4.65
Balance from Other Customers		45,724	95.82	176,273	95.35
Total		47,717	100.00	\$ 184,860	100.00

WATER AND SEWER RATE SCHEDULES

**RESIDENTIAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

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

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$7.31
3/4"	10.26
1"	16.14
1-1/2"	30.83
2"	48.44
3"	89.58
4"	148.33
6"	295.23
8"	471.50
10"	677.14
12"	1,264.71

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
<u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
First 5,985	\$0.0971	\$0.0971
Next 6,732	0.1406	0.1529
Next 4,488	0.1982	0.2273
Over 17,205	0.3471	0.4710

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

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

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$9.52
3/4"	13.34
1"	20.97
1-1/2"	40.08
2"	62.99
3"	116.47
4"	192.84
6"	383.80
8"	612.96
10"	880.29
12"	1,644.14

MONTHLY VOLUME CHARGE

<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
<u>Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
First 5,985	\$0.1264	\$0.1264
Next 6,732	0.1828	0.1988
Next 4,488	0.2578	0.2956
Over 17,205	0.4513	0.6121

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

SEWER

Sewer service charges for all metered residential connections are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

INSIDE CITY LIMITS (ICL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$11.93
Over 1,496 gallons - \$0.3163 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$33.22 per month.

OUTSIDE CITY LIMITS (OCL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$14.33
Over 1,496 gallons - \$0.3795 per 100 gallons.

Customers who do not have a record of winter water usage or an interim average will be billed an Unaveraged or Unmetered Residential Charge of \$39.87 per month.

**GENERAL CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$10.16	Base*	\$0.1176
3/4"	14.53	>100-125% of Base	0.1406
1"	23.24	>125-175% of Base	0.1971
1-1/2"	45.03	>175% of Base	0.2887
2"	71.18		
3"	132.20		
4"	219.38		
6"	437.32		
8"	698.83		
10"	1,003.94		
12"	1,875.69		

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$13.21	Base*	\$0.1529
3/4"	18.88	>100-125% of Base	0.1827
1"	30.20	>125-175% of Base	0.2562
1-1/2"	58.54	>175% of Base	0.3752
2"	92.54		
3"	171.87		
4"	285.19		
6"	568.51		
8"	908.49		
10"	1,305.13		
12"	2,438.39		

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

SEWER

Sewer service charges are computed from the water usage schedules below for all metered connections.

INSIDE CITY LIMITS (ICL)	OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) - <u>\$11.93</u>	Monthly Service Availability Charge (includes first 1,496 gallons) - <u>\$14.33</u>
Over 1,496 gallons - <u>\$0.3163</u> per 100 gallons.	Over 1,496 gallons - <u>\$0.3795</u> per 100 gallons.

**WHOLESALE CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$295.23	Base*	\$0.0816
8"	471.50	>100-125% of Base	0.1225
10"	677.14	>125-175% of Base	0.1769
12"	1,264.71	>175% of Base	0.2502

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

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size†</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
6"	\$383.80	Base*	\$0.1060
8"	612.96	>100-125% of Base	0.1593
10"	880.29	>125-175% of Base	0.2300
12"	1,644.14	>175% of Base	0.3252

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

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

SEWER

INSIDE CITY LIMITS (ICL)

\$0.2850 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.14 per 100 cubic feet)

OUTSIDE CITY LIMITS (OCL)

\$140.06 Monthly Service Availability Charge plus \$0.3422 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$2.56 per 100 cubic feet)

**IRRIGATION CLASS WATER AND SEWER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$10.16	0 Gallons	\$0.0000	\$0.0000
3/4"	14.53	Next 6,732	0.1653	0.1653
1"	23.24	Next 10,473	0.1982	0.2301
1-1/2"	45.03	Over 17,205	0.3471	0.4764
2"	71.18			
3"	132.20			
4"	219.38			
6"	437.32			
8"	698.83			
10"	1,003.94			
12"	1,875.69			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

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

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$13.21	0 Gallons	\$0.0000	\$0.0000
3/4"	18.88	Next 6,732	0.2148	0.2148
1"	30.20	Next 10,473	0.2577	0.2992
1-1/2"	58.54	Over 17,205	0.4513	0.6193
2"	92.54			
3"	171.87			
4"	285.19			
6"	568.51			
8"	908.49			
10"	1,305.13			
12"	2,438.39			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

**WATER SUPPLY FEE SCHEDULE
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective for Consumption on or about January 1, 2014

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

<u>Rate Class</u>	<u>Usage Blocks, Gallons</u>	<u>Fee to be Assessed (per 100 gallons)</u>
<u>Residential</u>	<u>First 5,985</u>	\$0.1223
	<u>Next 6,732</u>	\$0.1768
	<u>Next 4,488</u>	\$0.2495
	<u>Over 17,205</u>	\$0.4366
<u>General</u>	<u>Base*</u>	\$0.1880
	<u>>100-125% of Base</u>	\$0.1880
	<u>>125-175% of Base</u>	\$0.1880
	<u>>175% of Base</u>	\$0.1880
<u>Wholesale</u>	<u>Base*</u>	\$0.1880
	<u>>100-125% of Base</u>	\$0.1880
	<u>>125-175% of Base</u>	\$0.1880
	<u>>175% of Base</u>	\$0.1880
<u>Irrigation</u>	<u>0 Gallons</u>	\$0.0000
	<u>Next 6,732</u>	\$0.1880
	<u>Next 10,473</u>	\$0.2495
	<u>Over 17,205</u>	\$0.4735

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

**RECYCLED WATER RATES SCHEDULES
SAN ANTONIO WATER SYSTEM
San Antonio, Texas**

Effective for Consumption on or about January 1, 2014

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each mo

EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE A VAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
Meter Size	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	Rate Per 100 Gallons	
		Transferred Amount	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$9.26		\$0.0244	\$0.0244
3/4"	12.05			
1"	15.69	All in excess of		
1-1/2"	24.95	transferred ammount	0.0914	0.0971
2"	36.48			
3"	97.03			
4"	144.22			
6"	275.12			
8"	414.70			
10"	568.64			
12"	701.61			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

NON EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE A VAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
Meter Size	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	Rate Per 100 Gallons	
		First 748,000	<u>Standard</u>	<u>Seasonal</u>
5/8"	\$9.26		\$0.0978	\$0.1051
3/4"	12.05			
1"	15.69	Over 748,000	0.0999	0.1061
1-1/2"	24.95			
2"	36.48			
3"	97.03			
4"	144.22			
6"	275.12			
8"	414.70			
10"	568.64			
12"	701.61			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

GLOSSARY

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

City Council	The current elected officials of the City of San Antonio, as set forth in the City's Charter. Unless otherwise stated, the Mayor is considered part of the City Council.
Commercial Paper	See "Tax Exempt Commercial Paper"
CPS Energy	Municipally owned utility providing electric and gas to the San Antonio and Bexar County area - formerly City Public Service (CPS).
CPS Contract Or CPS Energy Contract	The Wastewater Contract executed on September 15, 1990 between the Alamo Conservation and Reuse District and the City Public Service Board of San Antonio.
Cured-in-place pipe (CIPP)	A cured-in-place pipe (CIPP) is one of several trenchless rehabilitation methods used to repair existing pipelines. CIPP is a jointless, seamless, pipe-within-a-pipe with the capability to rehabilitate pipes ranging in diameter from 0.15 - 2.8 meter (6"-110"). As one of the most widely used rehabilitation methods CIPP has application in water, sewer, gas, and chemical pipelines
Debt	All indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money and all other SAWS financing obligations payable from Pledged Revenues and/or net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet.
Debt Service Requirements	As of any particular date of computation, with respect to any obligation and with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations.
District Special Project (DSP)	Former Bexar Metropolitan Water District
Encumbrance	Amount for which there is a legal obligation to spend in the future. A purchase order is a typical encumbrance transaction
Edwards Aquifer HCP	Edwards Aquifer Habitat Conservation Plan
Failure Impact	The impact on the customer
Failure Mode	The manner by which a failure is observed; it generally describes the way the failure occurs.
Failure Root Cause	Defects in design, process, quality, or part application, which are the underlying cause of the failure or which initiate a process which leads to failure.

Fiscal Year	The twelve month accounting period used by SAWS in connection with the operation of the System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Board, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.
Gross Revenues	All revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, grants in aid of construction, any amounts payable to the united Stats as rebate, any impact fees charged by the System, payments received pursuant to the CPS Contract together with earnings and interest thereon, and earnings and income derived from the investment or deposit of money in the Construction Fund.
Junior Lien Obligations	Bonds, Previously Issued Junior Lien Obligations, and any Additional Junior Lien Obligations hereafter issued by the City, or bonds issued to refund any of the foregoing (as determined within the sole discretion of the City Council in accordance with applicable law) if issued in a manner so as to be payable from and equally and ratably secured by a junior lien on and pledge of SAWS' Net Revenues
Net Revenues	Gross Revenues of the System, with respect to any period, after deducting the System's Operating and Maintenance Expenses during such period.
Operating and Maintenance Expense	<p>All current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including:</p> <p>(1) The cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, that are, in the judgment of the Board, necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof and other customers of the System, or are necessary to meet some physical accident or condition which would otherwise impair the payment of Debt,</p> <p>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,</p> <p>(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,</p> <p>(4) Payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City or the Board,</p> <p>(5) The payments made on or in respect of obtaining and maintaining any Credit Facility, and</p> <p>(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</p>
Ordinance	Ordinance No. 75686 adopted by the City Council on April 30, 1992.

Pledged Revenues	The Net Revenues, plus any additional revenues, income, receipts, or other resources, including, without limitation any grants, donations, or income received or to be received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Senior Lien Obligations, and excluding those revenues excluded from Gross Revenues.
Potable Water	Water fit to drink.
Senior Lien Obligations	The outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Pledged Revenues of the System.
Sanitary Sewer Overflow (SSO)	A condition whereby untreated sewage discharged into the environment prior to reaching sewage treatment facilities
Strategic Plan	Strategic plan is a process of identifying corporate goals and priorities. The Strategic Plan becomes a management tool used to help an organization ensure that members of the organization are working toward the same goals, and to assess and adjust the organization's direction in response to a changing environment. Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future.
Subordinate Lien Obligations	The currently outstanding and unpaid obligations of the City that are payable wholly or in part from a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations and the Junior Lien Obligations.
Swap	An exchange of streams of payments over time according to specified terms. The most common type is an interest rate swap, in which one party agrees to pay a fixed interest rate in return for receiving an adjustable rate from another party.
Tax Exempt Commercial Paper	An unsecured, short-term debt instrument maturing between 1 and 270 days, that provides the debt holders (bondholders) exemption from at least some taxes on the earnings at a local, state or federal level, or a combination thereof. The debt is usually issued at a discount, reflecting prevailing market interest rates. Tax-Exempt commercial paper is typically backed only by the issuer's promise to pay the face amount on the maturity date specified on the note.
Water Supply Fee	A consumption based fee that funds the acquisition of new water sources to reduce San Antonio's dependence on the Edwards Aquifer.

GLOSSARY OF ABBREVIATIONS

ASR	Aquifer Storage and Recovery
AWC	Average Winter Consumption
BGD	Brackish Groundwater Desalination
BMA	Bexar Medina-Atascosa Water Control and Improvement District
BMWD	Bexar Metropolitan Water District
CCN	Certificate of Convenience and Necessity
CIP	Capital Improvement Program
CIPP	Cured in place pipe
COSA or CSA	City of San Antonio
CPS	City Public Service Energy
CRWA	Canyon Regional Water Regional Authority
DFC	Desired Future Conditions
DSP	District Special Project (Formerly Bexar Metropolitan Water District)
EAA	Edwards Aquifer Authority
EAHCP	Edwards Aquifer Habitat Conservation Plan
EARIP	Edwards Aquifer Recovery Implementation Program
EMT	SAWS Executive Management Team
EPA	Environmental Protection Agency
ERSS	Enterprise Resource Software System
FMEA	Failure Methods and Effects Analysis
GASB	Government Accounting Standards Board
GBRA	Guadalupe-Blanco River Authority
GFOA	Government Finance Officers Association
GIS	Geographic Information System
GMA-13	Groundwater Management Area 13

GPCD	Gallons per capita per day
HCP (EAHCP)	Edwards Aquifer Habitat Conservation Plan
LCRA	Lower Colorado River Authority
MSA	Metropolitan Statistical Area
MYFP	Multi-year financial plan
O&M	Operations and Maintenance
OPEB	Other post-employment benefits
RFCSP	Request for Competitive Sealed Proposal
R&R	Renewal and Replacement
SAWS	San Antonio Water System
SMWB	Small, Minority and Women-Owned Business
SSLGC	Schertz-Seguin Local Governmental Corporation
SSO	Sanitary sewer overflow
TCEQ	Texas Commission on Environmental Quality
TECP	Tax exempt commercial paper
TWDB	Texas Water Development Board
WRC	Water Recycling Center
WSC	Water Supply Corporation



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www.saws.org/financials

Comprehensive Annual Financial Report



For the Years Ended December 31, 2009 and 2008
San Antonio Water System
A Component Unit of the City of San Antonio, Texas

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***COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
SAN ANTONIO WATER SYSTEM
A COMPONENT UNIT OF THE
CITY OF SAN ANTONIO, TEXAS
For the Years Ended December 31, 2009 and 2008***

*Prepared by:
Financial Services Department*

*Douglas P. Evanson
Sr. Vice President/Chief Financial Officer*

*Mary E. Bailey
Controller*

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INTRODUCTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SAN ANTONIO WATER SYSTEM

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

SAN ANTONIO WATER SYSTEM

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March 23, 2010

Mr. Alexander E. Briseño, Chairman
Mr. Willie Mitchell, Vice-Chairman
Mr. Roberto Anguiano, Secretary
Mr. Samuel E. Luna, Assistant Secretary
Ms. Elizabeth M. Provencio, Trustee
Mr. Louis E. Rowe, Trustee
Hon. Julián Castro, Mayor

Trustees:

In accordance with the requirements of City Ordinance No. 75686, we are pleased to submit herewith the Comprehensive Annual Financial Report (CAFR) of the San Antonio Water System (SAWS) for the year ended December 31, 2009. We believe that the financial and statistical information presented in the report is accurate in all material respects and that all disclosures necessary to enable the reader to gain an understanding of SAWS' financial status have been included.

The information contained in this report is the responsibility of management. Management assumes this responsibility based upon a comprehensive framework of internal control that it has established for this purpose. This internal control structure has been designed to ensure that the assets of SAWS are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

City Ordinance No. 75686 also requires that the annual financial report be submitted for audit by an independent accountant. The report of our independent auditors, Padgett, Stratemann & CO., L.L.P. is included in the financial section of the 2009 CAFR. Their report expresses an unqualified opinion as to the fairness of the presentation of our financial statements. As a part of SAWS' audit, tests are made to determine the adequacy of the internal control structure, as well as to determine that SAWS has complied with applicable laws, regulations, and ordinances. The results of the audit of SAWS for the year ended December 31, 2009, provided no instances of material weaknesses in the internal control structure.

The Management Discussion and Analysis (MD&A) beginning on page 3 provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter complements the MD&A and should be read in conjunction with it.

PROFILE OF SAN ANTONIO WATER SYSTEM

On February 13, 1992, the City Council determined that it was in the best interest of the citizens of San Antonio (the City) and the customers served by the water and wastewater systems to consolidate all water systems, agencies and activities into one institution. This action was taken due to the myriad of issues confronting the City related to the development and protection of its water resources. Such consolidation

provided the City a singular voice of representation when promoting or defending the City's goals and objectives related to water resource planning and development with local, regional, state and federal water authorities and officials.

Final City Council approval for such consolidation was given on April 30, 1992 with the approval of Ordinance No. 75686 which effectuated the consolidation of all city owned utilities related to water including the water, wastewater, and water reuse systems as SAWS. Simultaneously with the creation of SAWS, the City defeased all outstanding debt related to the consolidated entities through the issuance of Water System Revenue Refunding Bonds, Series 1992.

The City, which is the county seat of Bexar County, is located in south central Texas, approximately 75 miles south of the state capital of Austin and 145 miles from the Mexican border. The City's Department of Planning and Development Services estimated the City's population to be 1,340,549 and Bexar County's population at 1,676,847 as of the end of December 2009. The U.S. Census Bureau ranks San Antonio as the second largest city in Texas and the seventh largest city in the United States. The climate in San Antonio is characterized by warm summers with mild winters. The average high temperature in July and August is 95 degrees Fahrenheit with the average low temperature in January of 39 degrees. Annual precipitation for the City averages 32.92 inches.

SAWS includes all water resources, properties, facilities, and plants owned, operated and maintained by the City relating to supply, storage, treatment, transmission, and distribution of treated potable water; collection and treatment of wastewater; and treatment and recycling of wastewater. Additionally, SAWS owns and operates eight thermal energy facilities providing chilled water and steam services to governmental and private entities. SAWS currently provides potable water service to more than 352,000 customer connections which represents about 80% of the water utility customers in Bexar County, while providing wastewater services to more than 395,000 customer connections representing approximately 92% of the wastewater customers in Bexar County. As of December 31, 2009 SAWS employs 1,696 personnel and provides maintenance of over 9,950 miles of water and sewer mains.

The complete management and control of SAWS has been vested in a board of trustees known as the "San Antonio Water System Board of Trustees." The Board of Trustees consists of the Mayor and six Trustees who are residents of the City of San Antonio or reside within the area serviced by SAWS. With the exception of the Mayor, all other trustees 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.

The general operations of SAWS are under the supervision of the President/Chief Executive Officer who is employed by the Board of Trustees.

The financial statements of SAWS are included with other enterprise funds in the CAFR of the City of San Antonio. The 2009 CAFR for SAWS includes all activities and functions for which the Board of Trustees exercises management and control. As the City Council has placed absolute and complete authority and power in the Board of Trustees with respect to the control, management, and operation of SAWS, except for fixing rates and charges for service rendered by SAWS and approval of debt issuances, it is the practice of SAWS to prepare its CAFR on a comprehensive basis.

The mission, vision and values of the San Antonio Water System are as follows:

Mission
Sustainable, Affordable, Water Services

Vision
To be leaders in delivering responsible water services for life

Values
Excellence, Integrity and Respect.

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

Short-term planning is mainly focused in two areas, cash management and expense tracking. The Treasury function at SAWS balances the need for adequate cash resources and the desire to maximize returns on assets. The Budgeting function at SAWS analyzes the monthly spending requirements in view of other corporate obligations, such as ordinance requirements and obligations to bond holders.

Mid-range planning mainly focuses on the next year's activities. A comprehensive financial plan is developed using updated revenue forecasts, operating and maintenance estimates, capital requirements, and interest rate forecasts.

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

The Annual Budget is prepared on a comprehensive basis and as such includes an Operating Budget that includes all water, wastewater, chilled water and steam, and reuse operations as well as a Capital Budget. The Annual Budget is prepared in such a manner that expenses may be controlled on a line-item basis. Encumbrances are not formally recorded in the accounting system, however, SAWS monitors and controls spending by utilizing variance reports for each of its cost centers. Variance justifications are prepared monthly by executive management and formally reviewed by the President/CEO. SAWS' Board of Trustees approved the Annual Budget for 2010 in November 2009.

ECONOMIC CONDITIONS AND OUTLOOK

LOCAL ECONOMY

The San Antonio economy has experienced robust, sustained growth since the mid-1990's. This economic growth coupled with the net in-migration trends experienced in many areas of Texas has resulted in population growth that has exceeded national averages. The rate of this growth peaked during 2006 when SAWS experienced customer growth in excess of 3.5%. Since the latter half of 2007, the effects of the downturn in the national economy have begun to be felt in the San Antonio area with the level of customer

growth slowing to 2.7% in 2007, to 2.0% in 2008, and 1.1% in 2009. While not immune to the challenges being faced within the global economy, the diversity of the San Antonio economy does provide some stability through economic cycles. Specifically, San Antonio's strategic positions in key growth sectors including government and military, biomedical sciences, medical services, information services, tourism and hospitality contribute to this stability.

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

as of December of each year	San Antonio MSA Non-Farm Employment by Industry									
	2009 *	2008	2007	2006	2005	2004	2003	2002	2001	2000
Natural Resources, Mining and Construction	55,300	57,100	55,800	50,600	49,300	46,100	44,600	44,500	46,700	44,200
Manufacturing	42,000	46,200	49,000	49,800	47,400	45,700	46,000	48,400	51,300	56,100
Trade, Transportation and Utilities	150,800	153,000	155,600	152,700	145,500	141,200	139,900	141,200	142,100	145,600
Information	19,800	20,800	21,500	21,900	21,100	21,000	22,500	22,400	24,900	25,300
Financial Activities	66,900	66,800	65,800	64,900	63,700	61,800	61,100	61,200	59,300	57,600
Professional and Business Services	102,400	107,000	107,300	104,000	101,100	89,400	88,400	87,800	85,500	90,300
Educational and Health Services	121,800	122,400	116,900	112,100	110,200	105,600	101,800	99,500	95,700	90,900
Leisure and Hospitality	98,300	97,100	95,700	91,300	87,200	84,200	81,400	80,000	77,200	76,600
Other Services	32,100	31,700	30,200	28,500	26,900	26,900	27,700	28,600	27,700	27,900
Government	158,300	154,600	154,100	150,000	146,900	144,300	144,000	144,600	141,900	140,000
Total Non-Farm Employment	847,700	856,700	851,900	825,800	799,300	766,200	757,400	758,200	752,300	754,500

Source: U.S. Bureau of Labor Statistics

* Preliminary

Other indicators of the local economy include residential building permits as well as the average value of each new residential housing unit as indicated in the table below.

	2009 *	2008	2007	2006	2005	2004	2003	2002	2001	2000
MSA New Residential Housing Units Authorized (Single & Multi-Family)	5,950	10,574	13,295	19,761	22,305	17,539	13,375	12,772	12,703	10,594
MSA Average Value of Each New Residential Housing Unit (Single & Multi-Family)	\$ 178,244	\$ 136,740	\$ 154,958	\$ 137,100	\$ 125,942	\$ 120,246	\$ 123,778	\$ 83,428	\$ 78,788	\$ 81,953

Source: U.S. Census Bureau

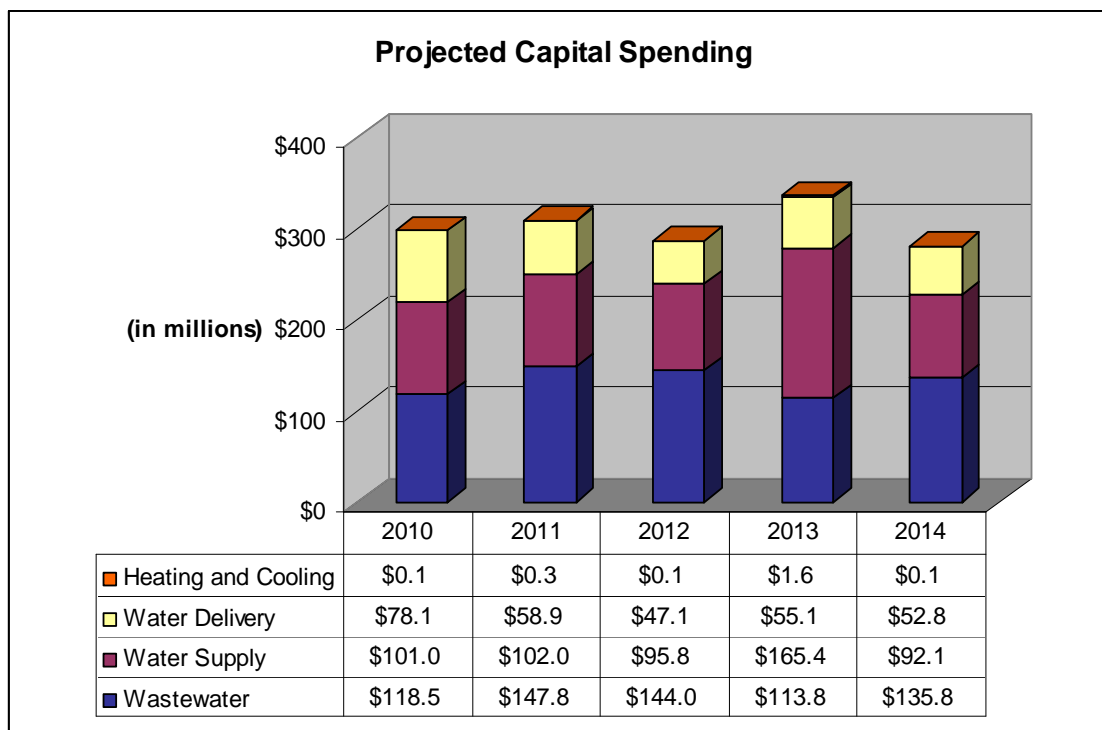
* Preliminary

Additional information regarding demographic and economic conditions for San Antonio can be found in the Statistical Section of this report on pages 93 and 94.

LONG-TERM FINANCIAL PLANNING

Capital Improvement Program

Capital spending associated with the acquisition and integration of additional water supplies as well as capital requirements associated with maintaining and replacing existing infrastructure will necessitate future rate adjustments. Over the next five years it is currently projected that SAWS will expend more than \$500 million in procuring and developing additional water resources, while over this same time period it is projected that an additional \$950 million will be spent on maintaining, replacing, expanding and upgrading our water and wastewater infrastructure. A graphic depiction of SAWS' projected capital spending requirements by core business follows:



The projected capital spending requirements over this five year time horizon include:

Medina Outfall (\$140.2M) – The Medina River Outfall is a proposed major wastewater outfall comprised of six trunk segments which together make up approximately 33 miles of wastewater outfall running from the Far West area in the Medina River Watershed to the south and east along the north side of the Medina River and ultimately flowing into the Dos Rios Water Treatment Center.

Dos Rios Re-rating (\$53.7M) – This project is the first of eight phases to re-rate the Dos Rios water recycling center from its currently permitted rated capacity of 125 mgd (million gallons per day) to 217 mgd. The re-rating is necessary to address future increased flows to the plant due to growth in the San Antonio metropolitan area. The first phase will not only provide capacity for growth, but will also improve the Dos Rios treatment process by focusing on the preliminary treatment part of the plant. Specifically, the project will add a new and improve the existing influent pipe/meter; provide additional by-pass step screens; retrofit/replace the aerated grit chamber; and make improvements to the pre-aerated chambers.

Western Relief Main Hwy 90 to Loop 410 (\$64.8M) – This project is a wastewater infrastructure improvement identified in the SAWS Wastewater Master Plan. Approximately 47,520 linear feet of 54” to 66” main will be rehabilitated and or replaced with larger mains to replace aging infrastructure and provide additional capacity for growth.

Integration Pipeline & Pump Station (\$160.8M) – Design services and construction for pump station facilities and pipelines necessary to integrate water supplies originating south and east of San Antonio, including water treated at the Aquifer Storage and Recovery facility, into the western portion of SAWS’ service area.

Brackish Water Desalination (\$142.2M) – Development of a brackish water desalination plant is being planned for installation in southern Bexar County. Brackish groundwater could provide SAWS with a potential new source of water that can be developed close to San Antonio. The initial phase of the project is projected to treat 11, 800 acre-feet per year. The treatment plant will be designed to accommodate additional upgrades

and technologies. Future phases could develop brackish resources in neighboring counties and bring the total yield of the project up to 22,000 acre-feet annually.

Consistent with SAWS' capital financing policy, it is currently SAWS' intention to finance approximately one-third of these future capital expenditures with cash as opposed to debt financing. Despite this fact, it is still projected that SAWS overall debt burden will continue to grow over the next five years. Going forward, increasing debt service costs are anticipated to have the most significant impact on SAWS' overall financial position. In response to these higher levels of debt service, SAWS is actively attempting to identify further operational efficiencies while at the same time evaluating the existing rate structure and absolute level of rates charged.

Rate Adjustments and Rate Structure Review

While successful in developing a budget that did not require any general rate increase, the 2010 Adopted Budget does reflect a line item that will appear on monthly bills to cover the cost of increased fees assessed from the state's environmental regulatory agency, the Texas Commission on Environmental Quality (TCEQ). As a result of fewer appropriated dollars from the state legislature, TCEQ has increased its fees to water and wastewater utilities. It is currently estimated that SAWS will pay an additional \$1.2 million to TCEQ in 2010, an increase of 335% from 2009. A direct pass through of these fees to customers on their monthly bills was recommended by the Board of Trustees in November 2009 and approved by the City Council in December 2009. Specifically, the approved pass-through fees amount to 19 cents per SAWS water connection and 5 cents per SAWS sewer connection and are effective beginning in January 2010.

Also in 2009, the Rates Advisory Committee, a panel of citizens appointed by the SAWS Board of Trustees, completed work on a Comprehensive Cost of Service and Rate Design Study. The purpose of the study was to provide SAWS with information concerning the rate structures for the core businesses of Water Delivery, water resource development (Water Supply), Recycled Water, and Wastewater. SAWS conducts such studies with the oversight and involvement of a Rates Advisory Committee about once every five years.

The Rate Study was conducted over a 16-month period through a public process with involvement from many sectors of the community. As the study proceeded, the RAC aligned its rate structure recommendations with the conservation objectives of the Water Management Plan - namely, rates which reward lower consumption and discourage discretionary water usage. Over 90% of residential water customers using less than 17,000 gallons per month would see decreases in their current monthly charges under the study's proposals, while significant irrigation usage will become more expensive. The final report's proposed rates would continue to maintain the financial stability of SAWS while remaining revenue neutral. At the same time, the proposals will retain SAWS' position among the other top ten Texas cities as being among the lowest in combined monthly water and sewer charges for the average residential customer (7,788 gallons of monthly water consumption/6,178 gallons of sewer discharge). Action with respect to the Rate Study's recommendations is anticipated by the SAWS Board and the City Council in 2010.

Beyond 2010, SAWS' current projections show the need for future rate adjustments ranging from 6.3% to 7.5% over the time period 2011 – 2014. While SAWS' existing rate structure, which is more than 20% lower than the average of the other six largest Texas cities for SAWS average residential customer, is well placed to absorb these additional rate increases, SAWS is aggressively trying to identify additional opportunities to mitigate at least a portion of these increases.

Post-Retirement Medical Benefits

As discussed more fully in Note J, "Other Post Employment Benefits (OPEB)", SAWS provides health care and life insurance benefits to eligible retirees, their spouses, and their dependents through a single-employer

defined benefit plan. The most recent actuarial valuation of SAWS OPEB plan estimated the liability for this plan to total approximately \$297.3 million as of January 1, 2009. As of December 31, 2009 no portion of this liability has yet been funded, although approximately \$46 million of this actuarially determined liability has been recorded on SAWS' balance sheet in accordance with the provisions of GASB 45. With the significant escalation in health care costs experienced over the last 20-plus years, proper management of this liability is critical to ensuring the strong financial position of SAWS going forward.

FINANCIAL POLICIES

Rates and Charges

During the development of the Annual Budget, SAWS develops revenue budgets and related rates and charges sufficient to:

- a. Pay operating and maintenance expenses;
- b. Produce pledged revenues sufficient to pay:
 - i. 1.25 times the annual debt service requirements and
 - ii. The amounts required to be deposited in any reserve fund created for the payment and security of senior lien obligations;
- c. pay outstanding debt service obligations;
- d. fund transfers to the City of San Antonio; and
- e. pay any other debt payable from the net revenues.

SAWS' revenue budgets are based on projected customer growth as well as water and wastewater usage patterns during periods of normal precipitation. During years where rainfall is lower than normal, water usage increases and SAWS' operating revenues generally exceed forecasted amounts. SAWS uses these excess revenues to minimize future debt financing of its capital projects and to buffer the impact of wetter than normal years on revenues. As a result of drought restrictions during 2009, operating revenues fell below budget by \$2 million.

Capital Financing

SAWS' capital financing consists of two types of funding: pay as you go financing and debt financing. Pay as you go financing is an integral part of SAWS' overall financing plan. Pay as you go financing is defined as all sources of funding other than debt issuance and includes unrestricted fund balances, developer contributions, investment earnings and grants. Debt financing consists of commercial paper issuances as well as revenue bond funding. The use of commercial paper serves as just-in-time debt financing and helps to reduce interest costs during the construction phase of capital projects. Eventually, revenue bonds are issued to term out the commercial paper borrowings. SAWS' goal is to fund approximately 30%-35% of annual capital expenditures with pay as you go financing. This level will vary based on the availability of funds. During 2009, SAWS' capital expenditures totaled \$250.2 million with 27% or \$68.1 million of those expenditures having been funded with pay as you go sources. While the percentage of 2009 cash funding fell slightly below our stated goal, in 2008 the percentage of cash funded CIP totaled 52%.

MAJOR INITIATIVES

Conservation

As evidenced by our five year capital spending projections, the cost of developing and acquiring additional water supplies to meet the increased water demands of San Antonio's projected future population is extremely high. SAWS recognizes that efforts to improve conservation are a cost efficient approach to minimizing the increase in demand for water caused by population growth. Beginning in 1994, SAWS implemented progressive water conservation programs aimed at reducing the number of gallons of water

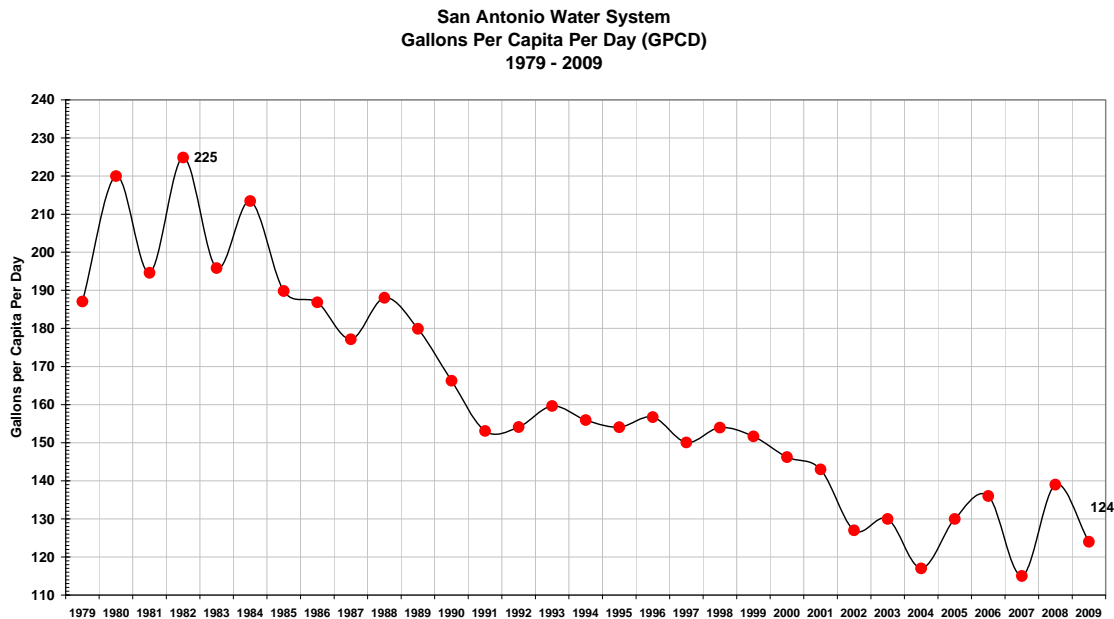
used per person per day (gpcd). These programs target both indoor and outdoor residential use, commercial and industrial use, and agriculture irrigation.

Residential programs include the distribution of high-efficiency toilets, providing leak repairs and retrofits to qualified low-income customers and providing free irrigation system reviews to ratepayers to determine maintenance needs and make suggestions for improving efficiency. Commercial programs include providing rebates for the installation of high-efficiency toilets and other water conserving equipment as well as providing free cooling tower audits to customers to identify opportunities for water and energy savings. SAWS has also partnered with the USDA and farmers to acquire efficient irrigation systems in exchange for Edwards Aquifer water rights.

Some highlights of SAWS' conservation initiatives during 2009 included:

- total annual water savings of approximately 2,918 acre feet
- retrofit of 9,860 residential high efficiency toilets
- retrofit of 9,043 commercial high-efficiency toilets
- hosted 53 conservation workshops and reached over 96,000 people at workshops and events throughout the community
- conducted 1659 indoor and outdoor audits for customers
- publication of a weekly WaterSaver e-newsletter currently reaching 8,000 people each week
- management of drought restrictions for the community that resulted in SAWS meeting all its regulatory obligations under its water permits

SAWS' conservation efforts over the last three decades have had a dramatic impact on water usage per customer. While years with dry weather result in spikes in the gpcd, the chart below shows the trend in gpcd has been steadily declining. This decline translates into a significant reduction in the amount of water supplies SAWS will need to obtain to meet future demands for water.



Water Management Plan

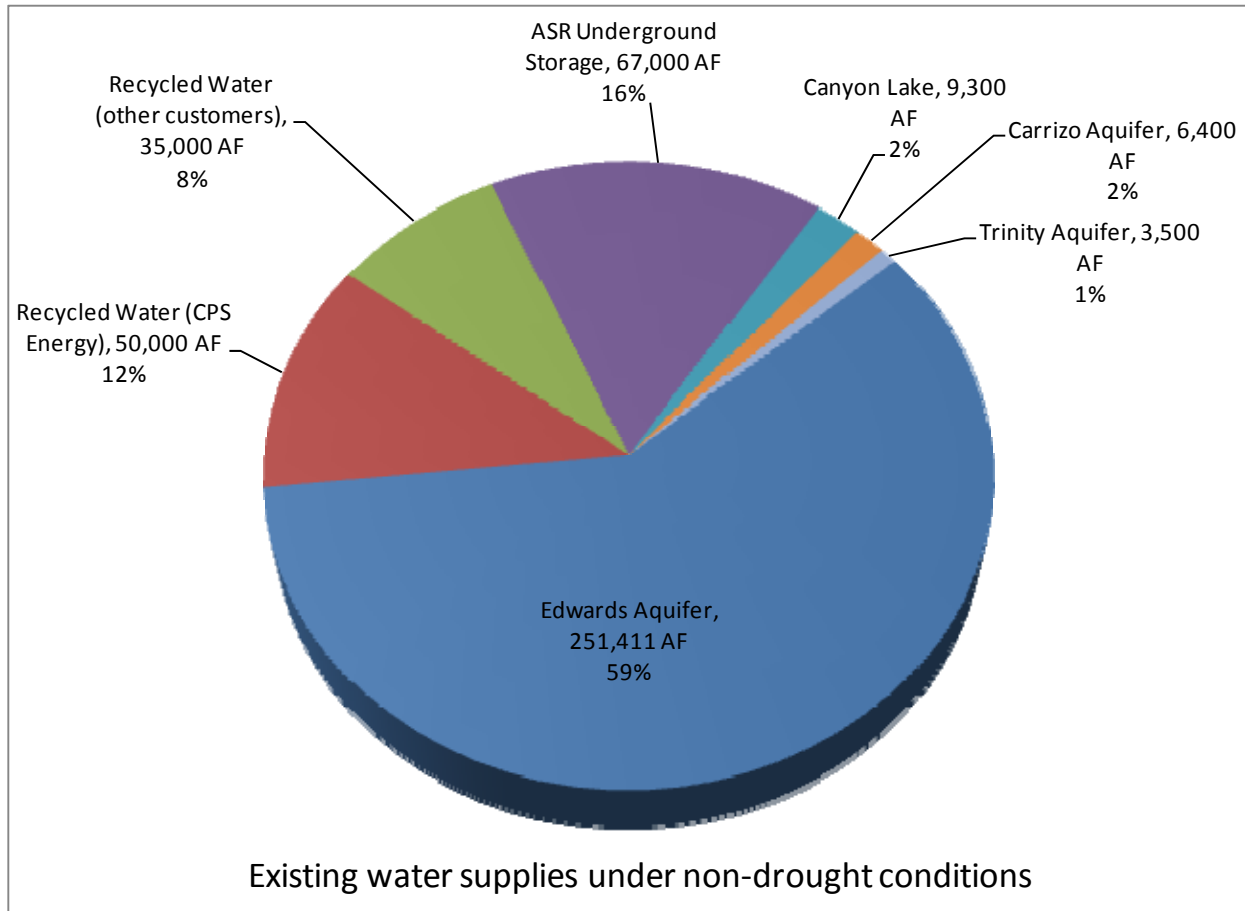
In May 2009, the Board of Trustees approved, and the City Council endorsed, a Water Management Plan. This plan reflects the continuing efforts of the organization to update and revise its water resources planning efforts as conditions warrant. Specifically, SAWS evaluated its existing water supply projects and refined a series of conservation and water resource strategies that will enable it to provide adequate water supplies, even during critical drought periods. The objectives of the planning efforts are to postpone dependence on more costly resources, when possible; to promote greater use of non-Edwards Aquifer supplies in the long-term; and to recognize the reality that future water supplies must be affordable.

The strategies outlined in the 2009 Water Management Plan build on the last major plan revision approved in August 2005. The plan is a continuation of the process that began in 1996 to maintain a fifty-year plan with the feedback of various stakeholder groups in both the community and region at large. In 1996, the City Council appointed a 34-member citizens committee to develop strategic policies and goals for water resource management. The Citizens Committee on Water Policy report, entitled “A Framework for Progress: Recommended Water Policy Strategy for the San Antonio Area,” was unanimously accepted by City Council, becoming the foundation for SAWS’ “Water Resources Plan.” On November 5, 1998, the City Council accepted the Water Resources Plan “Securing Our Water Future Together” as the first comprehensive widely supported water resource plan for San Antonio. The 1998 Plan established programs for immediate implementation, as well as a process for developing long-term water resources. In October 2000, 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 2009 Water Management Plan outlines a diversified portfolio of San Antonio’s current and future water supplies. While the Edwards Aquifer will always be the cornerstone of San Antonio’s water supply, SAWS has already successfully developed several alternative water sources, such as Canyon Lake, the Trinity Aquifer, and the Carrizo Aquifer. SAWS’ recycled water program provides highly treated wastewater to CPS Energy and other industrial customers who would otherwise use potable water. Additionally, SAWS’ underground Aquifer Storage and Recovery reservoir allows for the collection and storage of Edwards Aquifer water during above average rainfall periods to be provided to our customers during times of drought. Funded by SAWS customers through the Water Supply Fee, these successful projects represent an investment of more than \$600 million over the last 9 years.

Throughout 2009, SAWS was very active in acquiring additional Edwards Aquifer water rights through either lease or purchase with a total of more than 26,000 acre-feet of Edwards Aquifer permits being added to SAWS’ inventory over the course of the year. As of December 31, 2009 SAWS’ total inventory of Edwards permitted rights stands at 251,411, with more than 220,000 acre-feet of this inventory owned and the remainder leased. SAWS has also leased an additional 7,325 in Edwards rights that will be available in 2010. As a result of the increased amount of Edwards permits, SAWS was also able to add more than 15,500 acre-feet of water to its ASR bringing the total amassed storage to more than 67,000 acre-feet as of December 31, 2009.

The following pie chart illustrates SAWS' water supply sources as of December 31, 2009 under non-drought conditions:



Integrated Software System

The organization continues to implement its integrated software system, called ERSS (Enterprise Resource Software System), delivering current information systems to replace numerous SAWS legacy systems. The project began in 2006 with an initial budget of \$13.7 million. In 2007, the Finance, Procurement, Human Resources and Payroll applications were implemented. During 2008, SAWS went live with additional applications including Budget and Planning, Work Order/Service Order and Asset Management, and phase one of Permitting. The original budget increased in 2007 and 2008 by \$4.2 million and \$3.4 million respectively. To complete the remaining two applications (Customer Information System and phase two Permitting) an additional \$10.6 million has been included in the approved 2010 Budget. Once complete, the new applications portfolio will allow for improved functionality, organizational effectiveness, and sustainability.

Expanded Sewer Line Cleaning Activities

As discussed more fully in Note H, "Contingencies and Commitments", SAWS expanded its sewer line cleaning activities during 2009, with this initiative continuing into 2010 and beyond. Depending on the findings from cleaning a line, SAWS may make a decision to televise the sewer line in order to further assess the condition of the pipe and available capacity within the line. It is possible that these increased cleaning and inspection efforts may result in additional requirements for sewer repairs or main replacement activities.

Debt Management

SAWS took advantage of several federal and state programs to fund capital improvement projects at subsidized interest rates which will lower SAWS' overall cost of funds going forward. As outlined in Note G, "Long Term Debt", SAWS issued \$102,750,000 in Build America Bonds and \$35,000,000 in bonds under the Texas Water Development Board's Water Infrastructure Fund Deferred Program. These two bond issues, along with the \$54,300,000 issued to the Texas Water Development Board under the State Revolving Fund Program, received a direct subsidy in the form of reduced interest rates at the time of issuance or will receive an interest rate subsidy at each semi-annual interest payment. By taking advantage of these programs, a savings of approximately \$32 million in interest payments will be realized over the next 30 years.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SAWS for its Comprehensive Annual Financial Report for the year ended December 31, 2008. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. SAWS has received this recognition for its comprehensive annual financial report for sixteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to GFOA.

SAWS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2009. This is the third time that SAWS has received this award. In order to receive this award, SAWS must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. The budget document for the fiscal year beginning January 1, 2010 has also been submitted to the GFOA.

The timely preparation of the CAFR for the year ended December 31, 2009 could not have been accomplished without the cooperation and dedicated services of the Accounting Division under the direction of Mrs. Mary Bailey. We also wish to express sincere appreciation to each member of the Board of Trustees for the interest and support provided in conducting the financial affairs of SAWS in a sound and progressive manner.

Respectfully submitted,



Robert R. Puente
President/Chief Executive Officer



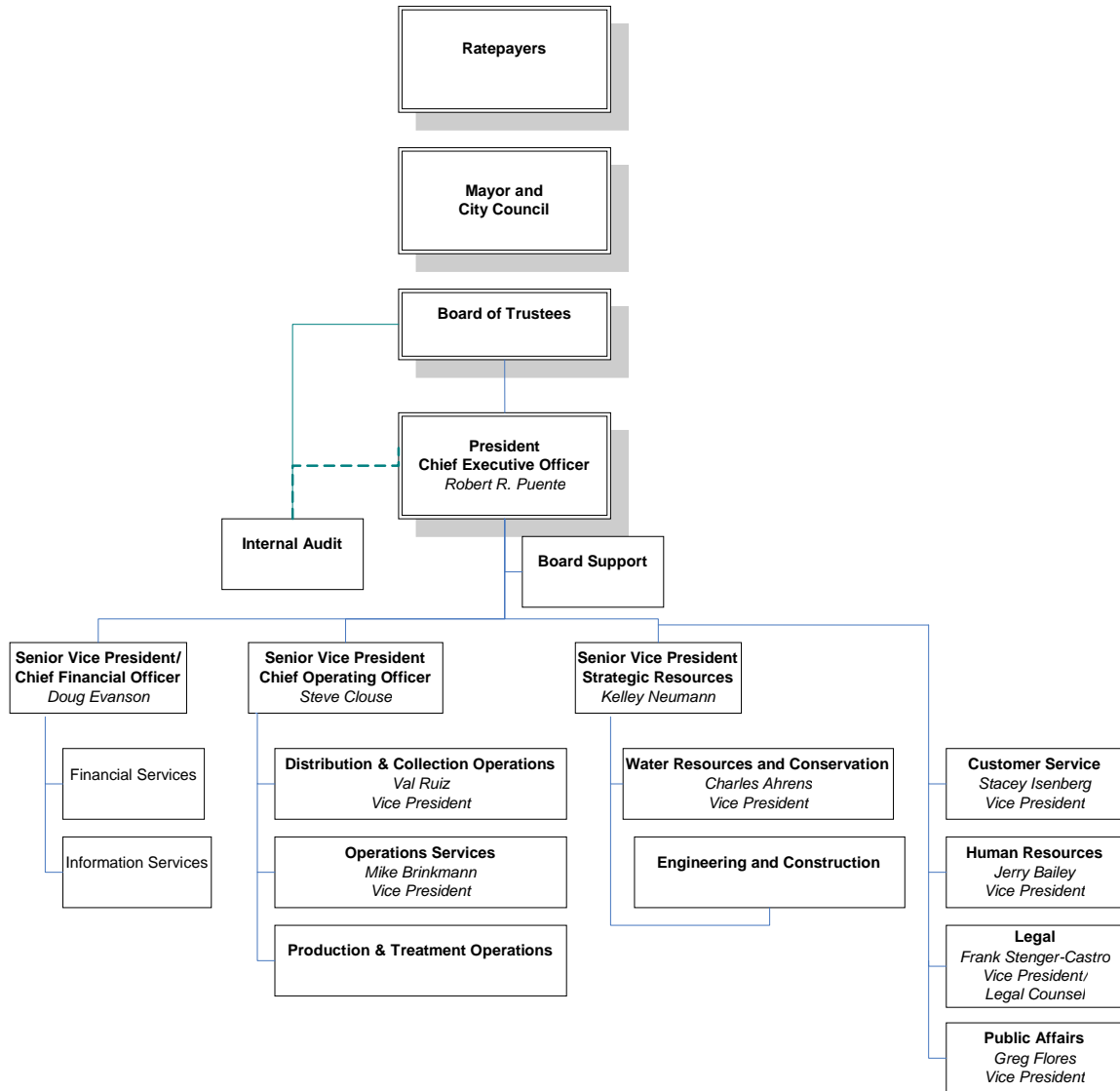
Douglas P. Evanson
Sr. Vice President/Chief Financial Officer

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**MEMBERS OF THE
SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES**

	<u>Term Expires</u>	<u>Occupation</u>
<i>Alexander E. Briseño – Chairman</i>	<i>May 31, 2010</i>	<i>Professor of Public Service – St. Mary’s University, Retired City Manager</i>
<i>Willie A. Mitchell – Vice Chairman</i>	<i>May 31, 2010</i>	<i>Educational Consultant</i>
<i>Roberto Anguiano – Secretary</i>	<i>May 31, 2012</i>	<i>Retired SAWS Plant Superintendent</i>
<i>Samuel E. Luna – Assistant Secretary</i>	<i>May 31, 2013</i>	<i>Professor – San Antonio College</i>
<i>Elizabeth M. Provencio – Trustee</i>	<i>May 31, 2013</i>	<i>Attorney – Denton, Navarro, Rocha Bernal PC</i>
<i>Louis E. Rowe – Trustee</i>	<i>May 31, 2013</i>	<i>President and CEO – Goetting & Associates</i>
<i>Julián Castro, Mayor – Ex Officio</i>	<i>May 31, 2011</i>	<i>Attorney – Sole Practitioner</i>

SAN ANTONIO WATER SYSTEM ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Antonio Water System
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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



A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

President

A handwritten signature in black ink that reads "Jeffrey R. Emmer".

Executive Director

FINANCIAL SECTION



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report

To the Board of Trustees
San Antonio Water System
San Antonio, Texas

We have audited the accompanying balance sheets of San Antonio Water System ("SAWS"), a component unit of the City of San Antonio, Texas, as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of SAWS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAWS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAWS as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2010 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

The Management's Discussion and Analysis and the Post Employment Benefit Plans – Schedules of Funding Progress (Unaudited) are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise SAWS' financial statements. The Description of Funds and Combining Schedules, and Supplemental Schedules, as listed in the table of contents, and the accompanying Schedule of Expenditures of Federal Awards, required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Introductory Section, Statistical Section, and Bonded Debt Schedules and Analyses, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
March 23, 2010

Management's Discussion and Analysis

This Management 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2009. Please read it in conjunction with the transmittal letter at the front of this report and SAWS' financial statements including the notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$304.1 million as compared to 2008 largely reflecting the more than \$250 million in spending on capital assets during 2009.
- Taking advantage of the historically low interest rate environment and its strong credit ratings, SAWS issued \$368.1 million of long-term bonds during 2009 with a weighted average true interest cost of 3.99%.
- Total cash and investments increased from \$478.9 million at the end of 2008 to \$576.7 million at the end of 2009.
- Total revenues were impacted by restrictions on outdoor water usage as well as historically low interest rates and totaled \$373.6 million compared to \$392.3 million in 2008.
- Operating income declined 26.4% to \$63 million as a result of the reduced revenues and higher operating costs.
- SAWS' year end 2009 equity ratio of 46.5% remains strong, although lower than the 49.1 % ratio at the end of 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

MD&A is intended to serve as an introduction to the basic financial statements, which are comprised of four components:

- *Balance sheets* - present information on all of SAWS' assets and liabilities as of the end of each calendar year, with the difference between the two reported as equity. Over time, increases or decreases in equity may serve as a useful indicator of whether the financial position of SAWS is improving or deteriorating.
- *Statements of revenues, expenses and changes in equity* - present information showing how equity 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* - reflect cash receipts and payments for operating, non-capital financing, capital and related financing, and investing activities for the years presented.
- *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.

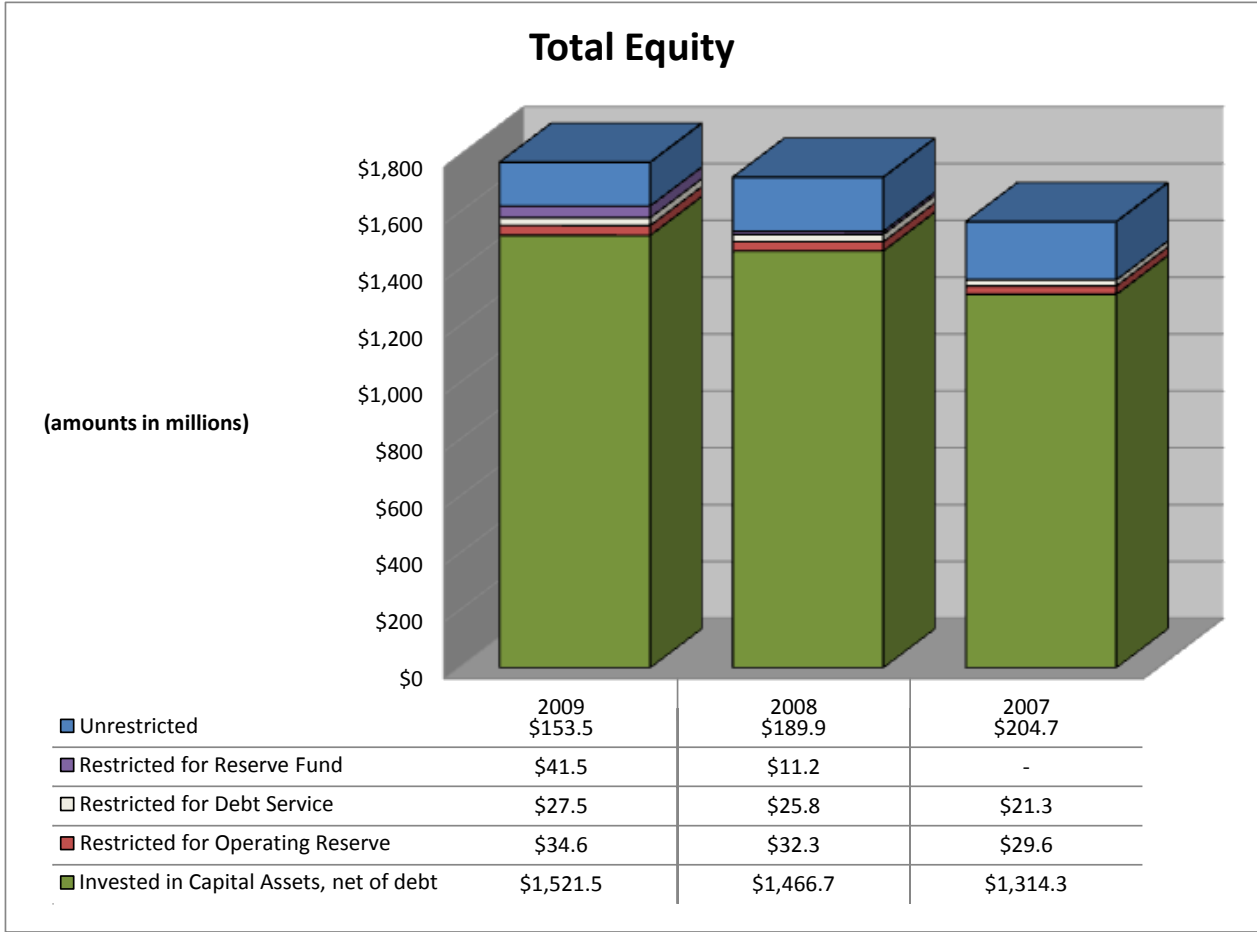
Supplementary information is presented for additional analysis and is not a required part of the basic financial statements.

- *Required Supplemental Information* – Information is presented concerning SAWS’ progress in funding its obligations to provide pension and other post employment benefits to its employees.
- *Description of Funds and Combining Schedules* – SAWS has established certain self-balancing funds to comply with state law and bond covenants for purposes of internal control and reporting. The fund financial schedules keep track of specific sources of funding and spending for particular purposes and provide more detailed information about SAWS’ most significant funds.
- *Supplemental Schedules* – Includes schedules that provide information relative to the sources and uses of funds in accordance with SAWS’ founding ordinance, budgetary information, and more detailed information on SAWS’ capital assets and allowance for depreciation.
- *Statistical Section* – Presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about SAWS’ overall financial health.
- *Bonded Debt Schedules and Analyses* – Includes detailed schedules that provide information relative to SAWS’ various bond obligations.
- *Federal Award Section* – Information is presented related to the single audit act in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations”.

FINANCIAL ANALYSIS – FINANCIAL POSITION

CONDENSED BALANCE SHEETS				2009-2008		2008-2007	
(amounts in thousands)	As of December 31,			Increase	%	Increase	%
	2009	2008	2007	(Decrease)	Change	(Decrease)	Change
Current assets	\$ 321,640	\$ 352,112	\$ 323,374	\$ (30,472)	(9%)	\$ 28,738	9%
Capital assets, net	3,174,264	2,967,190	2,697,592	207,074	7%	269,598	10%
Other non-current assets	325,427	197,917	229,662	127,510	64%	(31,745)	(14%)
Total Assets	<u>\$ 3,821,331</u>	<u>\$ 3,517,219</u>	<u>\$ 3,250,628</u>	<u>\$ 304,112</u>	9%	<u>\$ 266,591</u>	8%
Current liabilities	\$ 117,064	\$ 126,963	\$ 100,470	\$ (9,899)	(8%)	\$ 26,493	26%
Non-current liabilities	1,925,659	1,664,407	1,580,229	261,252	16%	84,178	5%
Total Liabilities	2,042,723	1,791,370	1,680,699	251,353	14%	110,671	7%
Equity:							
Invested in capital assets, net							
of related debt	1,521,466	1,466,651	1,314,343	54,815	4%	152,308	12%
Restricted equity	103,639	69,269	50,891	34,370	50%	18,378	36%
Unrestricted equity	153,503	189,929	204,695	(36,426)	(19%)	(14,766)	(7%)
Total Equity	<u>1,778,608</u>	<u>1,725,849</u>	<u>1,569,929</u>	<u>52,759</u>	3%	<u>155,920</u>	10%
Total Liabilities and Equity	<u>\$ 3,821,331</u>	<u>\$ 3,517,219</u>	<u>\$ 3,250,628</u>	<u>\$ 304,112</u>	9%	<u>\$ 266,591</u>	8%

Equity: Over time, increases or decreases in equity may serve as a useful indicator of whether the financial position of SAWS is improving or deteriorating. As can be seen, SAWS’ equity increased \$52.8 million or 3% from 2008 to 2009 and increased \$155.9 million or 10% from 2007 to 2008.



The largest portion of SAWS' equity reflects its investment in capital assets, less the related debt to acquire those assets. The capital assets reflected on this line represent the utility plant assets that SAWS utilizes to generate revenues to service the debt obligations and pay the operating costs of the organization. Any cash and investment amounts restricted for construction purposes are also reflected in these totals. The \$54.8 million increase from 2008 to 2009 reflects \$66.9 million of capital contributions from developers as well as the funding of 2009 capital expenditures with renewal and replacement funds offset by the depreciation expense for the period. The \$152.4 million increase in SAWS' equity invested in capital assets that took place between 2007 and 2008 reflects \$128.9 million of capital contributions from developers and funding of capital expenditures with non-debt sources partially offset by 2008 depreciation expense.

Funds that have been restricted for a specific purpose by legally enforceable legislation and bond covenants are classified as restricted equity. The components of restricted equity include funds Restricted for Operating Reserve, Restricted for Debt Service and Restricted for Reserve Fund.

As of December 31, 2009, \$34.6 million of cash and investments was classified as Restricted for Operating Reserve. This amount is restricted in accordance with the requirements of City of San Antonio Ordinance 75686 that calls for the establishment and maintenance of an operating reserve of two months of the annual maintenance and operations budget. The amount of cash and investments restricted for this purpose will vary with any changes in the budgeted level of maintenance and operations expense for the next ensuing year.

Additionally, \$27.5 million of cash and investments was restricted for debt service purposes at December 31, 2009. The cash and investments, net of restricted liabilities that was restricted for debt purposes increased over 2008 and 2007 levels of \$25.8 million and \$21.3 million, respectively, as a result of increases in the annual debt service requirements occurring during the years 2008-2010.

The requirements of Ordinance 75686 stipulate that SAWS must accumulate and maintain a reserve equal to 100% of the maximum annual debt service requirements for senior lien debt obligations. Increases in the required reserve amount may be deposited into the Reserve Fund over a five year period. Ordinance 75686 allows for SAWS to provide surety policies equal to all or part of the required reserve. Prior to 2008, SAWS acquired surety policies on debt issuances in lieu of depositing cash in its Reserve Fund. During 2008, due to a downgrade in the credit ratings of the surety policy provider on its 2005 revenue bonds, SAWS was required to make deposits in a Reserve Fund. The \$11.2 million transferred to the Reserve Fund in 2008 represented 100% of the maximum annual debt service on the 2005 bonds. In 2009, SAWS was required to make additional deposits to the Reserve Fund related to the downgrade in credit ratings of the surety policy provider on its 2002 and 2002A Series Bonds. Additional deposits to the Reserve Fund were also required as a result of debt issued during 2008 and 2009 as no additional surety policies were purchased. Deposits to the Reserve Fund during 2009 included additional transfers of \$30.3 million as well as \$5.9 million in proceeds from certain of the 2009 debt issuances. Reserve fund 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 meets the requirements of the bond ordinance. As of December 31, 2009 additional deposits to the Reserve Fund of \$38.7 million will be required over the next five years related to debt currently outstanding. SAWS does not believe that funding these reserve deposits will have a material adverse impact on its operations or financial condition.

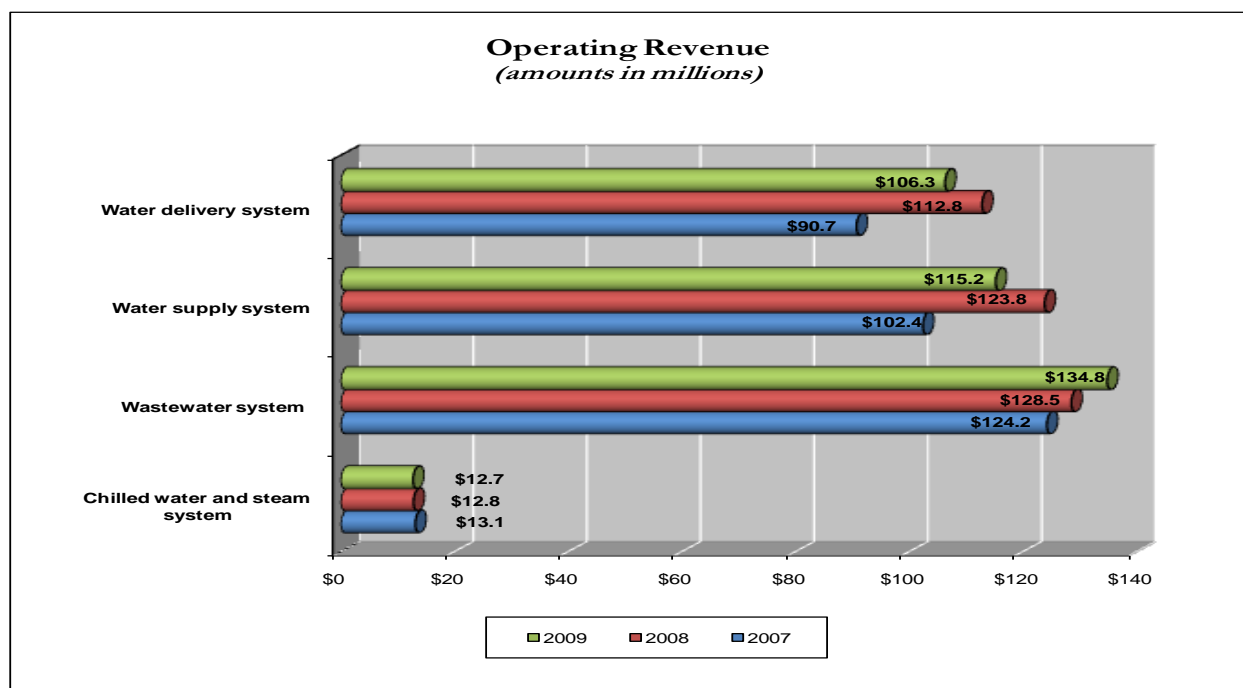
The remaining balance of SAWS' equity represents unrestricted equity and may be used for any allowable purpose as outlined in Ordinance 75686. The \$36.4 million decrease in unrestricted equity from 2008 to 2009 was the result of transfers to the Reserve Fund and funding capital expenditures with renewal and replacement funds, partially offset by funds provided by operations. The \$14.8 million decrease in unrestricted equity from 2007 to 2008 was the result of funds provided by operations being offset by funding capital additions with renewal and replacement funds as well as transfers to the Reserve Fund.

FINANCIAL ANALYSIS – REVENUES, EXPENSES AND CHANGES IN EQUITY

During 2009, SAWS' equity increased by \$52.8 million as compared to the increase in 2008 of \$155.9 million. Capital contributions of \$66.9 million in 2009 were partially offset by a \$14.1 million loss before capital contributions. The 2008 increase in equity consisted of income before capital contributions of \$27 million and \$128.9 million of capital contributions.

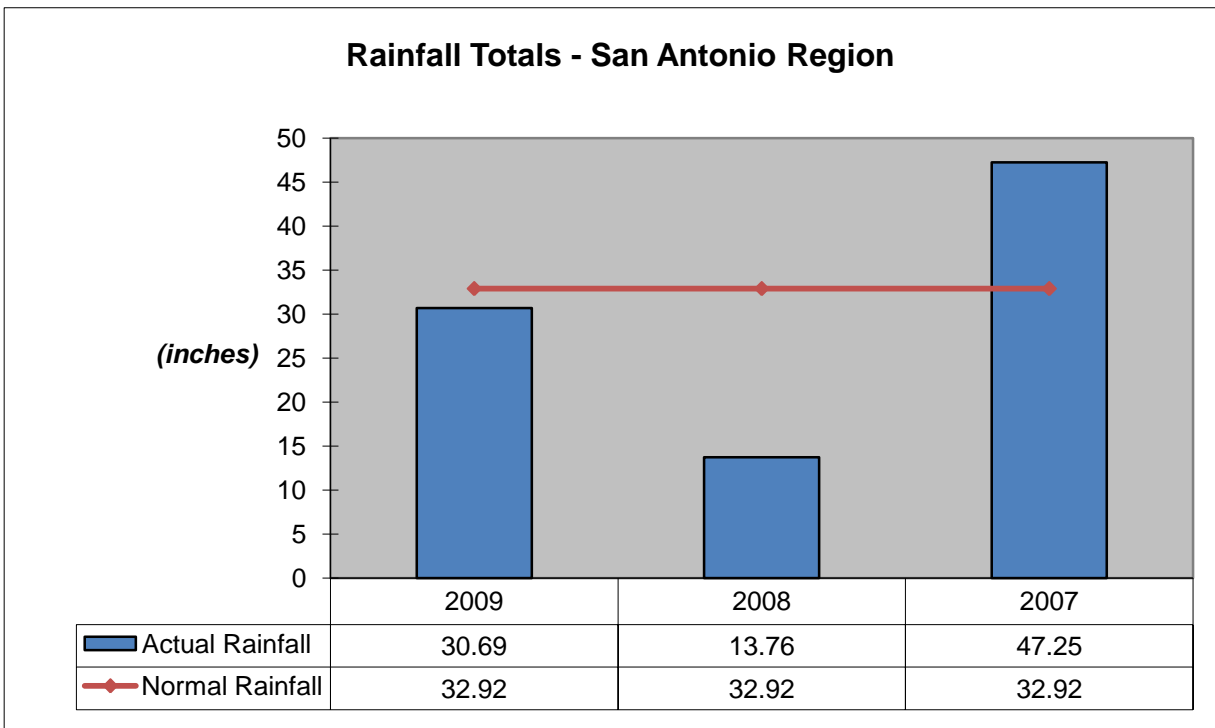
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY							
<i>(amounts in thousands)</i>	Year-ended December 31,			2009-2008		2008-2007	
	2009	2008	2007	Increase (Decrease)	% Change	Increase (Decrease)	% Change
Operating revenues	\$ 369,053	\$ 377,909	\$ 330,337	\$ (8,856)	(2%)	\$ 47,572	14%
Non-operating revenues	4,511	14,382	24,442	(9,871)	(69%)	(10,060)	(41%)
Total Revenues	373,564	392,291	354,779	(18,727)	(5%)	37,512	11%
Operating expenses	306,058	292,268	266,487	13,790	5%	25,781	10%
Non-operating expenses	81,622	73,048	75,139	8,574	12%	(2,091)	(3%)
Total Expenses	387,680	365,316	341,626	22,364	6%	23,690	7%
Income before special items and capital contributions	(14,116)	26,975	13,153	(41,091)	(152%)	13,822	105%
Capital Contributions	66,875	128,945	139,764	(62,070)	(48%)	(10,819)	(8%)
Change in Equity	52,759	155,920	152,917	(103,161)	(66%)	3,003	2%
Equity, beginning of year	1,725,849	1,569,929	1,417,012	155,920	10%	152,917	11%
Equity, end of year	\$ 1,778,608	\$ 1,725,849	\$ 1,569,929	\$ 52,759	3%	\$ 155,920	10%

Operating Revenues: SAWS' operating revenues are provided by its four core businesses: Water Delivery, Water Supply, Wastewater, and Chilled Water and Steam. Changes in operating revenues from year to year are largely the result of weather conditions, customer growth and changes in rates for service. SAWS' operating revenues decreased from \$377.9 million in 2008 to \$369.1 million in 2009. The drought that began in late 2007 and continued throughout all of 2008, persisted during the first eight months of 2009. To minimize the impact of the drought on San Antonio's primary water supply, the Edwards Aquifer, water restrictions on outdoor water use were in effect from April through September. These restrictions contributed to a 5.8% reduction in metered water usage from 2008 to 2009. Reduced water usage more than offset the impact of a 3.9% increase in rates during 2009 resulting in a 2% decrease in operating revenues. The extremely dry weather conditions during 2008 contrasted to very wet weather conditions in 2007, resulting in a 14% increase in operating revenue between 2007 and 2008.

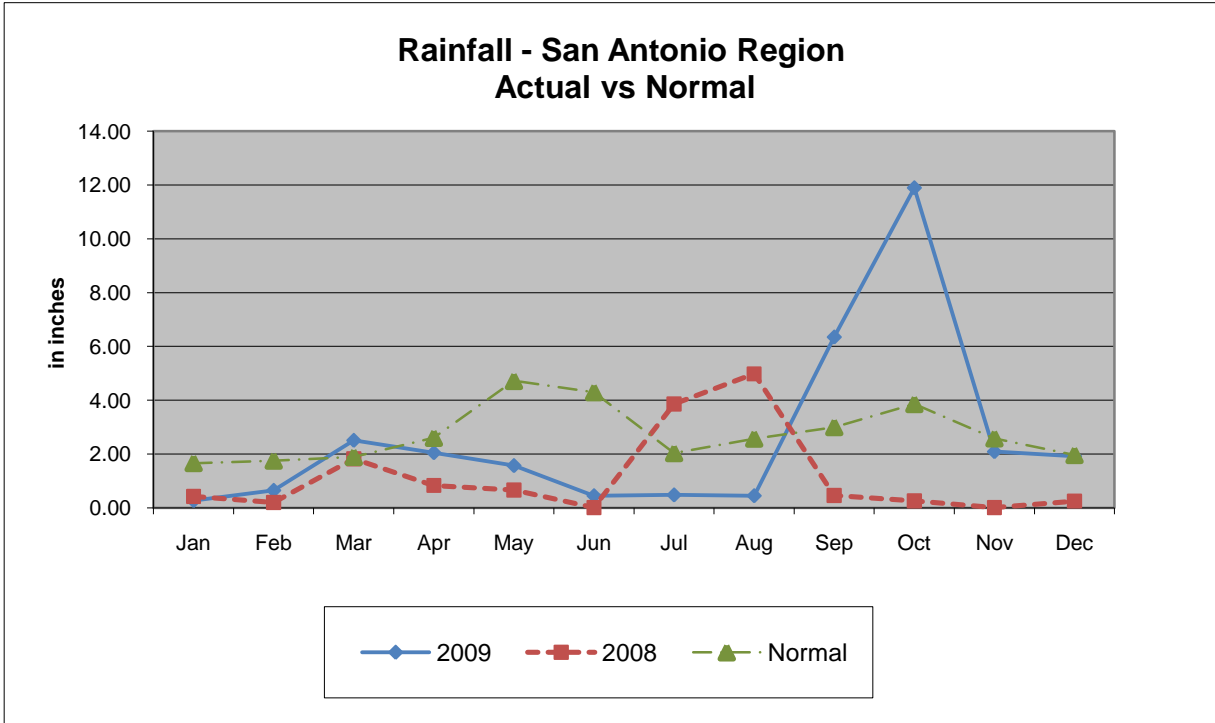


The Water Delivery core business is responsible for the actual distribution of water from its source to the customer's premises. Revenues for this business are derived through a combination of a monthly service charge that is dependent upon the size of the customer's water meter and a volume charge that relates to the customer's actual water usage. In 2009, Water Delivery revenues decreased \$6.5 million or 5.8% to \$106.3 million. The impact from a decrease in metered water usage during 2009 more than offset the impact of a 3.2% increase in rates and a 1.2% increase in the average number of water customers.

In 2008, Water Delivery revenues increased \$22.1 million or 24.4% to \$112.8 million as result of a 16.9% increase in the average gallons of water used per customer per day as well as a 1.7% growth in the average number of water customers.



For both 2009 and 2008, rainfall received in the San Antonio region fell below normal amounts for the region. While the 30.69 inches received during 2009 was only slightly below normal for the year, only 8.4 inches were received during the first eight months of the year with the remaining 22.3 inches falling during the last four months of the year. The 24 month period ending in August 2009 was the driest 24 months for the region since recording began in 1885. In contrast, the 47.25 inches of rainfall received during 2007 was more than was received by the region during any previous fiscal year since the inception of SAWS in 1992. As noted in the following chart, rainfall during 2009 fell below normal levels for all but three months in 2009 and all but two months during 2008.

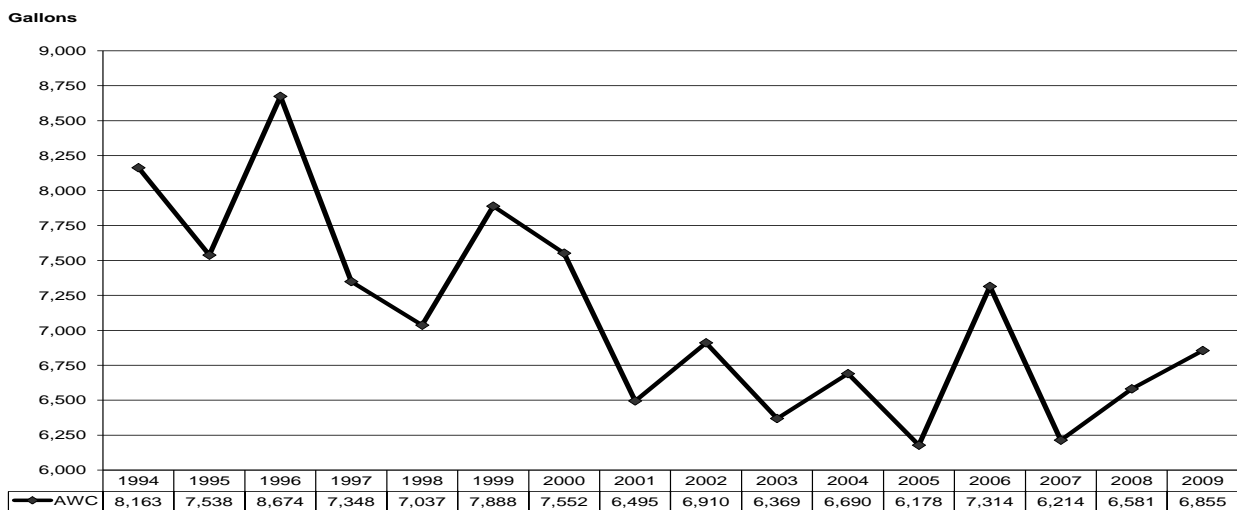


The Water Supply core business is responsible for all functions related to the development and provision of additional water resources. In order to support the costs associated with these initiatives, in October 2000, SAWS implemented a separate funding mechanism, known as the Water Supply Fee, for water supply development and water quality protection. In 2009, Water Supply revenues were \$115.2 million, or 7% lower than 2008. The impact of a decrease in water usage during 2009 more than offset the impact of a 2.8% rate increase. In 2008, Water Supply revenues were \$123.8 million, or 21% higher than the prior year. This increase was driven by an increase in water usage.

The collection and treatment of wastewater is the primary function of the Wastewater core business. Approximately 60% of Wastewater revenues are generated by residential customers. The residential portion of Wastewater revenue is calculated based upon the average water usage of each residential wastewater customer during a three consecutive month billing period from November through March. This average, referred to as the average winter consumption (AWC) goes into effect with the April billing during the year in which calculated and continues for a period of twelve months.

The following chart depicts SAWS AWC since 1994. While periods of extremely dry weather lead to spikes in the AWC, water conservation efforts have resulted in an overall downward trend in the AWC over the past 15 years.

Average Winter Consumption



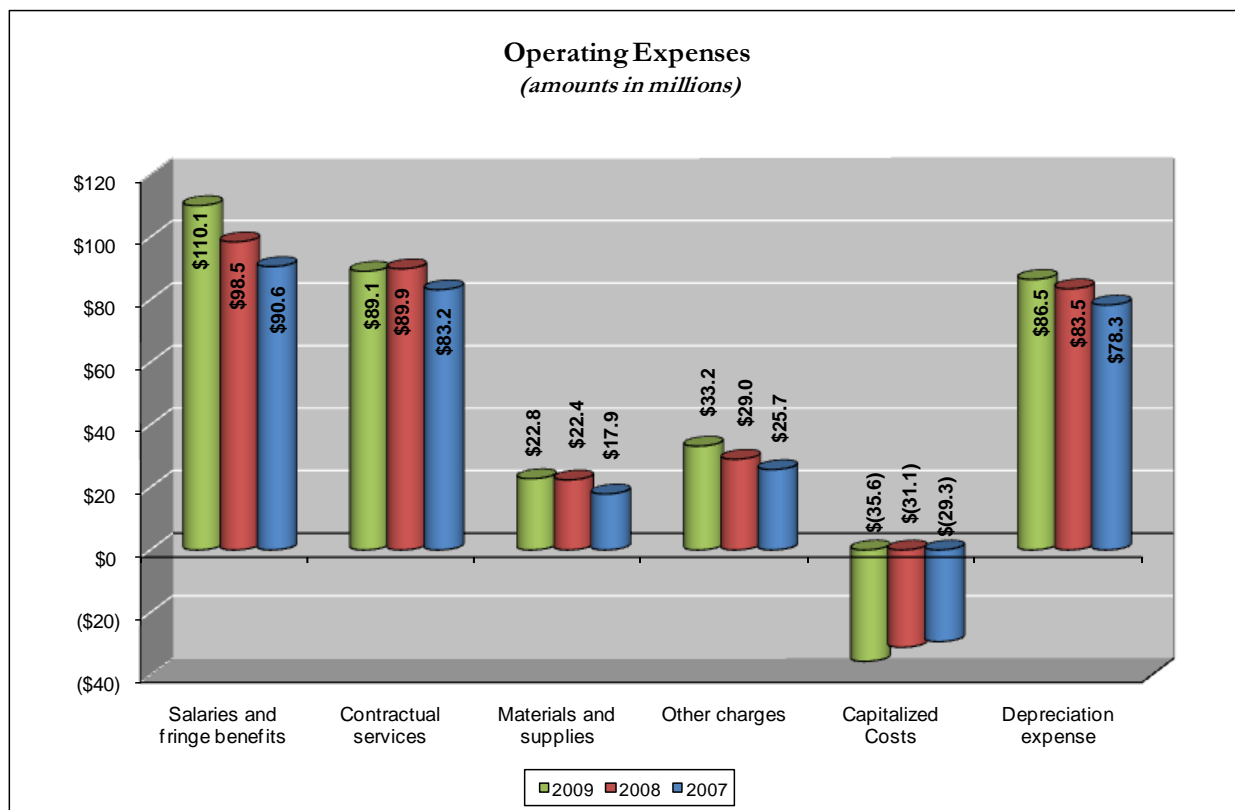
During 2009, Wastewater revenues were \$134.8 million and 4.9% higher than 2008. The impacts of a 5.3% increase in wastewater rates, 4.2% increase in AWC and 1.9% increase in average customers were partially offset by a reduction in miscellaneous wastewater related fees.

During 2008, Wastewater revenues were \$128.5 million and 3.5% higher than the previous year primarily as a result of a 2.7% growth in the average number of wastewater customers. In April 2008, the AWC increased 5.9% to 6,581 gallons for all of SAWS' residential customers; however, the AWC billed for all twelve months of 2008 was comparable to the AWC billed during 2007 as a result of the comparatively high level of AWC for the first three months of 2007.

The Chilled Water and Steam core business is responsible for providing heating and 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. Revenues for this segment declined .1% from 2008 levels due to a slight decrease in revenues associated with the pass-through of lower energy costs in 2009. Revenues in 2008 were 2.6% lower than 2007 levels as the impact of the loss of a steam customer was partially offset by the pass-through of higher energy costs in 2008.

Non-operating revenues: Non-operating revenues, which primarily represent interest income earned on investments, decreased \$9.9 million during 2009 due to lower average yields on investments. While the average investment balance increased from \$448.5 million in 2008 to \$452.2 million in 2009, the average yield on SAWS's portfolio decreased from 3.02% in 2008 to .82% in 2009. During 2008, non-operating revenues decreased \$10.1 million from 2007 as the average investment balance decreased from \$462.6 million in 2007 to \$448.5 million in 2008 and the average yield decreased from 5.05% in 2007 to 3.02% in 2008.

Operating Expenses: Total 2009 operating expenses of \$306.1 million increased by \$13.8 million or 4.7% over 2008 levels. This increase primarily reflects an increase in salary and benefit related costs and depreciation expense.



During 2009, SAWS' salary and benefit related costs increased \$11.5 million or 11.7% over the prior year. This increase reflects an average merit based wage increase of 3% as well as the impact of wage adjustments granted to over 85% of SAWS employees in an effort to bring wages closer to average market wages. These market wage adjustments were phased in over a two year period beginning in July 2008 and accounted for approximately \$4.5 million of the increase in salaries and benefit related costs from 2008 to 2009. The average number of employees also increased 2.2% during 2009 due to a decrease in employee turnover during the year. Additionally, SAWS' benefit expenses related to its pension and other postemployment benefit plans increased \$5 million in 2009 due to increases in salaries, changes in actuarial assumptions and the impact of significant declines in the market value of plan assets during 2008.

During 2009 SAWS experienced decreases in certain operating costs such as utilities, fuel and chemicals as a result of decreasing energy costs. These savings served to offset the impact of higher maintenance costs associated with a 26% increase in main breaks resulting from the extreme drought conditions experienced during 2009. Combined, contractual services and material and supplies decreased \$.5 million or .4% from the previous year largely as a result of these factors.

Other charges increased \$4.2 million or 14.5% from the previous year primarily due to an increase in the cost associated with medical benefits provided to retired employees. Costs capitalized related to construction in progress increased from \$31.1 million in 2008 to \$35.6 million or 14.5% in 2009, reflecting the increase in salary and benefit costs related to work performed in-house on construction projects.

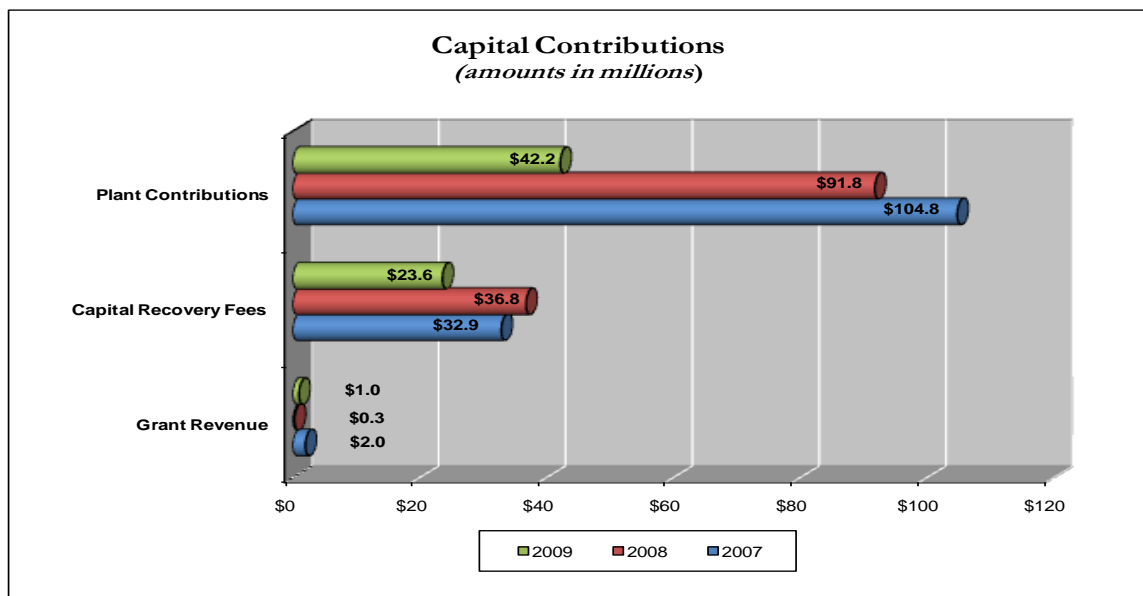
Depreciation expense for 2009 increased by \$3 million or 3.6% to \$86.5 million. This increase reflects the \$186 million in depreciable assets added to utility plant in service over the course of 2009.

Total operating expenses were \$292.3 million in 2008, an increase of \$25.8 million or 9.7% as compared to 2007. This increase reflects an increase in salary and benefit related costs, the impact of inflationary pressures and drought on operating costs, and an increase in depreciation expense. SAWS' salary and benefit related costs increased \$7.9 million or 8.7% from 2007. This increase primarily reflects merit pay increases as well as the first phase of the market wage adjustments. Rising energy costs and other inflationary pressures as well as maintenance costs associated with the drought resulted in an \$11.1 million or 11% increase in contractual services and materials and supplies from 2007. Other charges increased \$3.3 million or 12.9% from 2007 due to an increase in uncollectible accounts, workers compensation claims and capital project costs expensed in 2008. The increase in depreciation expense of \$5.2 million reflects the more than \$283 million in depreciable assets added to utility plant in service over the course of 2008.

Non-operating Expenses: 2009 non-operating expenses increased \$8.6 million or 12% from 2008 in part due to \$4 million in gains realized from the sale of assets in 2008. Additionally, interest expense increased \$4.1 million or 6.5% due to a 6.8% increase in average debt outstanding and other finance charges increased \$1.1 million due to the increasing cost of the revolving credit agreement which supports SAWS commercial paper program. Decreases in revenues during 2009 resulted in a decrease in payments to the City of San Antonio.

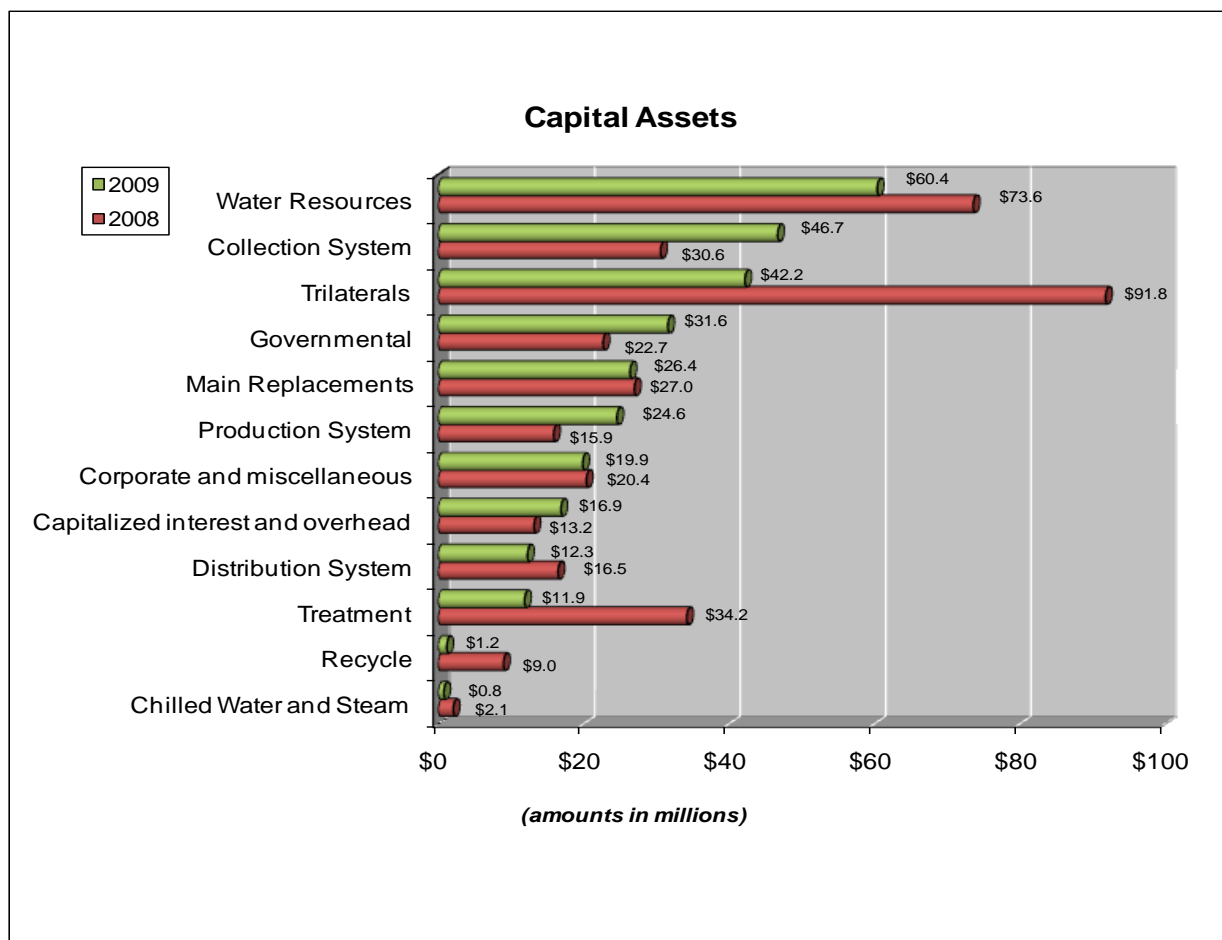
During 2008, non-operating expenses decreased \$2.1 million from 2007 as gains realized from the sale of assets offset increases in debt related costs and payments to the City of San Antonio. Although outstanding debt increased \$76.4 million or 4.8% during 2008, interest expense decreased slightly due to lower rates on commercial paper. Other debt related expenses increased primarily as a result of the increase in the cost of the revolving credit agreement. Increases in revenues during 2008 resulted in an increase in payments to the City of San Antonio.

Capital Contributions: Capital contributions for 2009 totaled \$66.9 million and represent a decline of \$62 million from 2008. Due to the weakened economy and tight credit markets, development activity in the San Antonio region declined significantly during 2009. As a result, plant contributions dropped \$49.6 million or 54% from 2008 while capital recovery fees were down \$13.2 million or 36%.



CAPITAL ASSET ACTIVITY

During 2009, SAWS' total capital assets (net of accumulated depreciation) grew from \$3 billion to \$3.2 billion, while during 2008, net capital assets increased from \$2.7 billion to \$3 billion. Capital asset additions were \$294.9 million in 2009 and \$357 million in 2008. The graph below shows the additions for each year by general category.



SAWS is committed under various contracts for completion of construction or acquisition of capital assets totaling \$288 million as of December 31, 2009. For further detail information on capital assets, refer to Note E.

LONG-TERM DEBT ACTIVITY

In February 2009, SAWS issued \$163.8 million of senior lien revenue bonds. The proceeds of these bonds were used to refund \$143 million in outstanding commercial paper notes, pay the cost of issuance and finance capital improvements. In December 2009, SAWS issued another \$204.3 million in bonds consisting of two issues of senior lien revenue bonds totaling \$115 million and two issues of junior lien revenue bonds totaling \$89.3 million under the Texas Water Development Board program. The proceeds of these bonds were used to refund \$12 million in outstanding commercial paper notes, deposit \$5.9 million in the Reserve Fund, pay the cost of issuance and finance capital improvements. SAWS also issued \$70 million in new commercial

paper notes, of which \$980,000 was used to redeem the remaining outstanding Series 2003 Subordinate Lien Bonds. The remaining proceeds of the notes were used to finance capital improvements. SAWS intends to reissue maturing commercial paper and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, SAWS classifies outstanding commercial paper notes as long-term debt.

In 2008, SAWS issued \$53.3 million of junior lien revenue bonds in two separate issues under the Texas Water Development Board program. The proceeds of these bonds were used to refund \$3 million in outstanding commercial paper notes, pay the cost of issuance and finance capital improvements. Additionally, during 2008 SAWS issued \$164.1 million in new commercial paper notes, of which \$110.6 million was used to redeem all but \$1 million of the outstanding Series 2003 Subordinate Lien Bonds. The remaining proceeds of the notes were used to finance capital improvements. Additional information about SAWS' long-term debt can be found in Note G and Note K.

In December 2009, the three major rating agencies, Fitch Ratings, Moody's Investor Services, Inc., and Standard & Poor's Ratings Services (S&P) reaffirmed SAWS' debt ratings on its senior and junior lien debt. These high quality ratings are based on SAWS' large, diverse, and growing service area; sound financial performance, as evident by SAWS' financial ratios; long term planning in water supply, infrastructure needs, and financial management; and competitive water and sewer rates. SAWS' commercial paper ratings also remained unchanged during 2009.

BOND AND COMMERCIAL PAPER RATINGS			
	Senior Lien Debt	Junior Lien Debt	Tax-Exempt Commercial Paper
Fitch Ratings	AA	AA-	F1+
Moody's Investors Service, Inc	Aa2	Aa3	P-1
Standard & Poor's Ratings Service	AA	AA-	A-1+

SAWS' bond ordinance requires the maintenance of a debt coverage ratio of at least 1.25x the maximum annual debt service on outstanding senior lien debt. As of December 31, 2009 and 2008, SAWS was in compliance with the terms and provisions of the ordinances and documents related to its outstanding bonds and commercial paper.

FINANCIAL RATIOS			
	2009	2008	2007
Maximum Annual Debt Coverage:			
Senior Lien Debt	1.46x	2.08x	1.85x
All Debt	1.23x	1.81x	1.55x
Equity (<i>equity</i> / <i>total liabilities + equity</i>)	46.5%	49.1%	48.3%

ECONOMIC OUTLOOK FOR THE FUTURE

The global economic downturn that began in 2008 and continued throughout 2009 has had an impact on development in the San Antonio region. During 2009 customer connections grew only 1.1% compared to 2.0% during 2008 and 2.7% during 2007. The San Antonio region is positioned to continue to grow at least moderately during the next few years despite the weakened national economy. While continued customer growth can help offset increasing operating costs, the development of additional water supplies to service the growth in customers as well as the continuing costs to address infrastructure issues will require future rate adjustments.

CONTACTING SAWS' FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is provided to our citizens, taxpayers, 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, contact:

Douglas P. Evanson
Sr. Vice President/Chief Financial Officer
San Antonio Water System
PO Box 2449
San Antonio, Texas 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
BALANCE SHEETS
(amounts in thousands)

	December 31,	
	2009	2008
CURRENT ASSETS		
Unrestricted Current Assets		
Cash and cash equivalents	\$ 32,138	\$ 37,819
Investments	137,879	160,615
Accounts receivable, net of allowances for uncollectible accounts of \$2,388 and \$1,783, respectively	41,580	44,142
Other current assets	9,428	9,031
Total unrestricted current assets	221,025	251,607
Restricted Current Assets:		
Cash and cash equivalents	-	4
Investments	100,615	100,501
Total restricted current assets	100,615	100,505
Total current assets	321,640	352,112
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Unamortized debt issuance costs	19,407	17,937
Restricted Noncurrent Assets:		
Cash and cash equivalents	96,334	17,563
Investments	209,686	162,417
Capital Assets:		
Utility plant in service	3,650,619	3,482,308
Less allowance for depreciation	1,140,232	1,070,718
	2,510,387	2,411,590
Land, water rights and other intangible assets	235,906	182,993
Construction in progress	427,971	372,607
Total capital assets (net of accumulated depreciation)	3,174,264	2,967,190
Total Noncurrent Assets	3,499,691	3,165,107
TOTAL ASSETS	\$ 3,821,331	\$ 3,517,219

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

San Antonio Water System
BALANCE SHEETS (continued)
(amounts in thousands)

	December 31,	
	2009	2008
LIABILITIES		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	\$ 21,390	\$ 30,597
Accrued vacation payable	4,785	4,264
Accrued payroll and benefits	1,040	5,150
Accrued claims payable	5,504	5,401
Sundry payables and accruals	4,700	5,593
Total unrestricted current liabilities	37,419	51,005
Current Liabilities To Be Paid From Restricted Assets		
Accrued interest payable	9,499	8,453
Payables under construction contracts	20,762	25,964
Customers' deposits	8,194	8,041
Commercial paper notes	2,600	2,465
Revenue bonds payable within one year	38,590	31,035
Total restricted current liabilities	79,645	75,958
Total Current Liabilities	117,064	126,963
Noncurrent Liabilities		
Accrued vacation payable	2,417	2,064
Unfunded postemployment benefits	47,093	26,546
Commercial paper notes	171,050	258,650
Revenue bonds payable after one year	1,721,110	1,396,490
Unamortized premium	17,990	16,302
Less unamortized loss	(22,884)	(24,697)
Less unamortized discount	(11,117)	(10,948)
Total Noncurrent Liabilities	1,925,659	1,664,407
TOTAL LIABILITIES	2,042,723	1,791,370
EQUITY		
Restricted for operating reserve	34,649	32,257
Restricted for debt service fund	27,511	25,790
Restricted for reserve fund	41,479	11,222
Invested in capital assets, net of related debt	1,521,466	1,466,651
Unrestricted	153,503	189,929
TOTAL EQUITY	1,778,608	1,725,849
TOTAL LIABILITIES AND EQUITY	\$ 3,821,331	\$ 3,517,219

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

San Antonio Water System
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN EQUITY
For the Years Ended December 31,
(amounts in thousands)

OPERATING REVENUES	<u>2009</u>	<u>2008</u>
Water delivery system	\$ 106,305	\$ 112,813
Water supply system	115,208	123,821
Wastewater system	134,826	128,517
Chilled water and steam system	12,714	12,758
Total operating revenues	<u>369,053</u>	<u>377,909</u>
OPERATING EXPENSES		
Salaries and fringe benefits	110,075	98,539
Contractual services	89,112	89,894
Material and supplies	22,768	22,438
Other charges	33,211	29,040
Less costs capitalized to construction in progress	<u>(35,643)</u>	<u>(31,137)</u>
Total operating expenses before depreciation	219,523	208,774
Depreciation expense	<u>86,535</u>	<u>83,494</u>
Total operating expenses	<u>306,058</u>	<u>292,268</u>
Operating income	62,995	85,641
NONOPERATING REVENUES		
Interest earned and miscellaneous	4,511	14,382
NONOPERATING EXPENSES		
Amortization of debt issuance costs	1,465	1,521
Other finance charges	2,508	1,418
Interest expense:		
Revenue bonds and commercial paper	67,685	63,213
Amortized discount/premium/loss/expense	(13)	302
Other	14	41
(Gain)/Loss on sale of capital assets	104	(4,014)
Payments to the City of San Antonio	9,740	10,448
Payments to other entities	119	119
Total nonoperating expenses	<u>81,622</u>	<u>73,048</u>
Increase in equity, before capital contributions	(14,116)	26,975
Capital contributions	<u>66,875</u>	<u>128,945</u>
CHANGE IN EQUITY	52,759	155,920
EQUITY, BEGINNING OF YEAR	<u>1,725,849</u>	<u>1,569,929</u>
EQUITY, END OF YEAR	<u>\$ 1,778,608</u>	<u>\$ 1,725,849</u>

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

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San Antonio Water System
STATEMENTS OF CASH FLOWS
For the years ended December 31,
(amounts in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 367,109	\$ 370,001
Cash paid to vendors for operations	(121,366)	(110,690)
Cash paid to employees for services	(85,719)	(75,502)
Net cash provided by operating activities	160,024	183,809
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to the City of San Antonio	(7,149)	(6,673)
Payments to other entities	(118)	(125)
Net cash used for noncapital financing activities	(7,267)	(6,798)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	545	9,294
Proceeds from developers for plant construction	23,636	36,842
Proceeds from grants	-	300
Payment to employees for construction of plant	(20,286)	(16,749)
Payment to vendors for construction of plant	(15,358)	(14,388)
Payments for acquisition of equipment and furniture	(17,871)	(17,733)
Payments for acquisition of property and plant	(196,700)	(191,847)
Proceeds from commercial paper	70,000	164,115
Payment for retirement of commercial paper	(157,465)	(3,000)
Proceeds from revenue bonds	371,998	53,260
Payment for retirement of revenue bonds	(35,880)	(138,245)
Payment on note payable	(120)	(480)
Payment of interest on commercial paper	(1,194)	(2,923)
Payment of interest on revenue bonds	(75,996)	(69,860)
Payment for bond related expenses	(3,491)	(1,097)
Payment for bank charges	(1,806)	(1,418)
Net cash used for capital and related financing activities	(59,988)	(193,929)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(766,425)	(757,415)
Maturity of investments	741,938	786,089
Interest income and other	4,804	15,473
Net cash used for investing activities	(19,683)	44,147
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,086	27,229
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	55,386	28,157
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 128,472	\$ 55,386

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)

	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE BALANCE SHEETS		
Cash and Cash Equivalents		
Unrestricted	\$ 32,138	\$ 37,819
Restricted		
Current	-	4
Noncurrent	96,334	17,563
	\$ 128,472	\$ 55,386
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 62,995	\$ 85,641
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash revenues from City of San Antonio	(2,591)	(3,774)
Provision for uncollectible accounts	3,711	3,288
Charge-off of prior year construction expenditures to operating expense	689	1,345
Depreciation expense	86,535	83,494
Change in assets and liabilities:		
Increase in accounts receivable	(100)	(4,417)
Increase in other current assets	(851)	(533)
Increase/(Decrease) in accounts payable	(7,156)	3,555
Increase in accrued vacation payable	874	617
Increase/(Decrease) in accrued payroll and benefits	(4,110)	1,985
Increase in claims payables	103	89
Decrease in sundry payables and accruals	(775)	(994)
Increase in unfunded postemployment benefits	20,547	13,329
Increase in customers' deposits	153	184
Total adjustments	97,029	98,168
Net cash provided by operating activities	\$ 160,024	\$ 183,809

NONCASH CAPITAL AND FINANCING ACTIVITIES

The system received plant contributions from developers of \$42,190 in 2009 and \$91,827 in 2008. These amounts are recorded as capital contributions.

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NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: On April 30, 1992, the San Antonio City Council approved Ordinance No. 75686 which effectuated the consolidation of all city owned utilities related to water including the water, wastewater, and water reuse systems as the San Antonio Water System (SAWS).

SAWS has been defined in City Ordinance No. 75686 as all properties, facilities, and plants currently owned, operated and maintained by the City and/or the Board of Trustees, for the supply, treatment, transmission and distribution of treated potable water, chilled water and steam, for the collection and treatment of wastewater and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, and any other projects and programs of SAWS provided. The City of San Antonio 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 accounts and certain technical services, for a fee.

This Comprehensive Annual Financial Report includes no component units. However, the operations of SAWS as reported herewith are included as a discretely component unit of the City of San Antonio.

Basis of Accounting: The financial statements of SAWS are prepared and presented in accordance with accounting principles generally accepted in the United States of America for proprietary funds of governmental entities. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, SAWS applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions and Accounting Research Bulletin's issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements are prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method, all assets and liabilities of SAWS are reported in the balance sheet, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Recognition of Revenues: Revenues are recorded when earned. Customers' 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. The amounts of unbilled revenue receivable are \$16,987,000 and \$18,878,000 at December 31, 2009 and December 31, 2008, respectively.

Revenue and Expense Classification: Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SAWS are charges to customers for water supply, water delivery, wastewater, and chilled water and steam services. Operating expenses

NOTES TO FINANCIAL STATEMENTS

include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Annual Budget: Sixty days prior to the beginning of each fiscal year, SAWS presents an annual budget prepared on an accrual basis to serve 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 Ordinance No. 75686 (See Note B). The annual budget is submitted to City Council for review and consultation.

Fund Accounting: Within SAWS' enterprise fund accounts, separate self-balancing sub-funds are maintained to account for resources for various purposes, thereby distinguishing balances restricted by City Ordinance or other enabling legislation from unrestricted resources. Interfund receivable and payable accounts have been eliminated in the financial statements.

Core Businesses: SAWS' operations are segregated into four core businesses as follows:

- Water Delivery – the functions of distributing water to the customer
- Water Supply – the functions related to the development and provision of additional water resources
- Wastewater – the functions of collecting and treating wastewater from the user customer
- Chilled Water and Steam – the functions related to providing chilled water and steam to specific customers of SAWS

Restricted Resources: It is SAWS' policy to use restricted resources first when an expenditure is made for purposes for which both restricted and unrestricted resources are available.

Cash Equivalents: SAWS considers investments with an original maturity of three months or less and all time deposits 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; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk which may affect the value at which these investments are recorded. Investments other than money market investments are reported at fair value. Under the provisions of GASB Statement No. 31, money market investments, including US Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at cost.

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable: Accounts receivable are recorded at the invoiced amounts plus an estimate of unbilled revenue receivable. The allowance for doubtful accounts is management’s best estimate of the amount of probable credit losses and is determined based on historical write-off experience. Account balances are written off against the allowance when it is probable the receivable will not be recovered.

Inventory: Inventories are valued at the lower of weighted average cost or market.

Unamortized Debt Issuance Costs: Expenses relating to the sale of revenue bonds are amortized over the life of the issue using the interest method.

Restricted Noncurrent Assets: Assets restricted for the acquisition of capital assets or to pay noncurrent liabilities are reported as noncurrent assets in the balance sheet regardless of their relative liquidity.

Capital Assets: Assets in service are capitalized when the unit cost is greater than or equal to \$5,000. Utility plant additions are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through capital leases are recorded on the cost basis and included in utility plant in service. Assets acquired through contributions, such as those from developers, are recorded at estimated fair market value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized. Capital assets are depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains. Groups of mains are depreciated on the straight-line method using rates estimated to fully depreciate the costs of the asset group over their estimated average useful lives. Intangible assets, including water rights, which are considered to have indefinite useful lives, are not amortized but are periodically reviewed for potential impairment. The following table shows an estimated average 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	25 - 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

NOTES TO FINANCIAL STATEMENTS

Capitalized Interest: Interest on debt proceeds used to finance utility plant additions is capitalized as part of the cost of capital assets. For the years ended December 31, 2009 and 2008, interest capitalized was \$9,953,000 and \$9,030,000, respectively.

Capital Contributions: Capital Contributions consist of plant contributions from developers, capital recovery fees, and grant proceeds received from governmental agencies for facility expansion. Capital Contributions are recognized in the statement of revenues, expenses, and changes in equity, after non-operating revenues (expenses), when eligibility requirements are met. Assets funded by capital recovery fees and grant proceeds are included in capital assets.

Capital recovery fees are charged to customers to connect to the water or wastewater system and may be used only for additional 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 grants credits to the developer equal to the estimated fair market value of the infrastructure contributed. These credits may only be used to offset future capital recovery fees owed by the developer. At December 31, 2009, SAWS had granted \$27.6 million in unused capital recovery fee credits to developers.

Compensated Absences: It is SAWS' policy to accrue employee vacation pay as earned as well as the employer portion of Social Security taxes and required pension contributions related to the accrued vacation pay. Sick leave is not accrued as a terminating employee is not paid for accumulated sick leave.

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.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE B - CITY ORDINANCE NO. 75686

Funds Flow: City Ordinance No. 75686 requires that SAWS' gross revenues be applied in sequence to: (1) System Fund for payment of current maintenance and operating expenses including a two-month reserve amount based upon the budgeted amount of maintenance and operating expenses for the current fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations;

NOTES TO FINANCIAL STATEMENTS

(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.

Transfers to the City's General Fund: City Ordinance No. 75686 requires SAWS to make transfers to the City each month after making all other payments required by the Ordinance. The amount of the transfer is determined by City Council from time to time and cannot exceed 5%. Currently SAWS transfers 2.7% of Gross Revenues to the City. Transfers to the City are reported as nonoperating expense in the Statement of Revenues, Expenses and Changes in Equity.

Reuse Contract: SAWS has a contract with CPS Energy, the city owned electricity and gas utility, for the provision of reuse water. According to City Ordinance No. 75686, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any transfers to the City's General Fund.

Pledged Revenues: Net Revenues of SAWS have been pledged to the payment and security of its senior lien debt obligations. Net Revenues are defined by City Ordinance No. 75686 as SAWS' Gross Revenues after deducting operating expenses before depreciation. SAWS' 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 and earnings on funds deposited in the Project Fund and Reserve Fund until the Reserve Fund contains the required reserve amount.

No Free Service: City Ordinance No. 75686 also provides for no free services except for municipal fire-fighting purposes.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: As of December 31, 2009, all funds of the organization are deposited in demand and savings accounts or certificates of deposit at Frost National Bank, SAWS' general depository bank. The general depository agreement with the bank does not require SAWS to maintain an average monthly balance. As required by state law, all SAWS' deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2009, the collateral pledged is being held by the Federal Reserve Bank of Boston under SAWS' name so SAWS incurs no custodial credit risk. As of December 31, 2009, the bank balance of SAWS' demand and savings accounts was \$16,770,000 and the reported amount was \$12,914,000, which included \$30,000 of cash on hand, and certificates of deposits totaled \$44,000,000. As of December 31, 2008, the bank balance of SAWS' demand and savings accounts was \$26,318,000 and the reported amount was \$23,841,000, which included \$30,000 of cash on hand.

NOTES TO FINANCIAL STATEMENTS

Investments: As of December 31, 2009, investments include securities issued by Agencies of the United States and funds held in escrow. Securities issued by U. S. Agencies are held in safekeeping by SAWS' depository bank, Frost National Bank and registered as accounts of SAWS. Funds held in escrow are Money Market Funds managed by Frost National Bank or Wells Fargo Bank and are invested in securities issued by the U. S. government or by U. S. Agencies.

SAWS had the following investments and remaining maturities at December 31, 2009 and 2008:

December 31, 2009 (amounts in thousands)						
Investment Type	Investment Maturities (in Days)				Fair Value	Reported Amount
	90 days or less	91 to 180	181 to 365	Greater Than 365		
U.S. Agency Discount Notes	\$ 89,993	\$ 145,423	\$ 31,022	\$ -	\$ 266,438	\$ 266,428
U.S. Agency Coupon Notes	45,677	53,134	49,707	33,221	181,739	181,751
Money Market Funds held in Escrow:						
Frost National Bank	17,021	-	-	-	17,021	17,021
Wells Fargo Bank	54,538	-	-	-	54,538	54,538
	<u>\$ 207,229</u>	<u>\$ 198,557</u>	<u>\$ 80,729</u>	<u>\$ 33,221</u>	<u>\$ 519,736</u>	<u>\$ 519,738</u>

December 31, 2008 (amounts in thousands)						
Investment Type	Investment Maturities (in Days)				Fair Value	Reported Amount
	90 days or less	91 to 180	181 to 365	Greater Than 365		
U.S. Agency Discount Notes	\$ 124,339	\$ 134,092	\$ -	\$ -	\$ 258,431	\$ 257,565
U.S. Agency Coupon Notes	47,165	93,813	31,442	9,666	182,086	181,483
Money Market Funds held in Escrow:						
U.S. Bank	5,980	-	-	-	5,980	5,980
Wells Fargo Bank	10,050	-	-	-	10,050	10,050
	<u>\$ 187,534</u>	<u>\$ 227,905</u>	<u>\$ 31,442</u>	<u>\$ 9,666</u>	<u>\$ 456,547</u>	<u>\$ 455,078</u>

Interest Rate Risk: 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. As of December 31, 2008, 94% of SAWS investment portfolio was invested in maturities less than one year. Investment maturities as of December 31, 2009 were as follows:

<u>Maturity</u>	<u>Percent of Portfolio</u>
Zero to 90 days	40%
91 to 180 days	38%
181 to 365 days	16%
More than one year	6%

NOTES TO FINANCIAL STATEMENTS

Credit Risk: In accordance with its investment policies, SAWS manages exposure to credit risk by limiting its investments in obligations of other states and cities to those with a credit rating of “A” or better. Additionally, any investments in commercial paper require a rating of at least “A-1” or “P-1”. As of December 31, 2009 and 2008, SAWS held no direct investments with a credit rating below “AAA”.

Credit Rating	<i>(amount in thousands)</i>			Investment Policy Limit
	Carrying Value	Market Value	Allocation	
December 31, 2009				
AAA	\$ 519,738	\$ 519,736	100.0%	Max. = 100%
Total Portfolio	<u>\$ 519,738</u>	<u>\$ 519,736</u>	<u>100.0%</u>	
December 31, 2008				
AAA	\$ 455,078	\$ 456,547	100.0%	Max. = 100%
Total Portfolio	<u>\$ 455,078</u>	<u>\$ 456,547</u>	<u>100.0%</u>	

Concentration of Credit Risk: SAWS’ investment policy does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to 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 5% of the total investment portfolio on any non-government issuer unless it is fully collateralized. As of December 31, 2009, SAWS has invested more than five percent of its investments in the following government-sponsored entities in the form of discount or coupon notes:

Federal Home Loan Bank	25 %
Federal National Mortgage Association	26 %
Federal Home Loan Mortgage Corporation	26 %

NOTES TO FINANCIAL STATEMENTS

The following is a reconciliation of deposits and investments disclosed in the note to the amounts presented for cash and investments in the balance sheets for 2009 and 2008:

<i>(amounts in thousands)</i>	December 31,	
	2009	2008
Reported amounts in note for:		
Deposits, including certificates of deposit	\$ 56,914	\$ 23,841
Investments	519,738	455,078
Total Deposits & Investments	<u>\$ 576,652</u>	<u>\$ 478,919</u>
Totals from Balance Sheets:		
Cash and Cash Equivalents:		
Unrestricted cash and cash equivalents	\$ 32,138	\$ 37,819
Restricted cash and cash equivalents:		
Current:		
Debt Service Fund	-	4
Noncurrent:		
Reserve Fund	3	1,532
Construction funds	96,331	16,031
	<u>96,334</u>	<u>17,563</u>
Total cash and cash equivalents	<u>128,472</u>	<u>55,386</u>
Investments:		
Unrestricted current investments	137,879	160,615
Restricted current investments:		
Customer deposits	8,194	8,041
Operating reserve	34,649	32,257
Debt Service Fund	37,010	34,239
Construction funds	20,762	25,964
	<u>100,615</u>	<u>100,501</u>
Restricted noncurrent investments:		
Reserve Fund	47,365	9,690
Construction funds	162,321	152,727
	<u>209,686</u>	<u>162,417</u>
Total investments	<u>448,180</u>	<u>423,533</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 576,652</u>	<u>\$ 478,919</u>

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for uncollectible accounts are broken down by core business as follows:

<i>(amounts in thousands)</i>	December 31,	
	2009	2008
Water Delivery	\$ 12,043	\$ 13,300
Water Supply	12,843	13,011
Wastewater	15,387	15,787
Chilled Water & Steam	1,307	2,044
	<u>\$ 41,580</u>	<u>\$ 44,142</u>

NOTES TO FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2009 is as follows:

<i>(amounts in thousands)</i>	December 31, 2008	Increases	Transfers	Decreases	December 31, 2009
Capital Assets, not being depreciated:					
Land	\$ 78,572	\$ -	\$ 242	\$ -	\$ 78,814
Acquisition of water rights	104,056	-	52,648	-	156,704
Other intangible assets	365	23	-	-	388
Construction in progress	372,607	281,532	(225,479)	689	427,971
Total capital assets, not being depreciated/amortized	555,600	281,555	(172,589)	689	663,877
Capital assets, being depreciated					
Structures and improvements	415,477	117	28,407	1	444,000
Pumping and purification equipment	122,793	155	3,286	-	126,234
Distribution and transmission system	1,434,989	737	75,406	2,585	1,508,547
Treatment facilities	1,365,247	-	63,668	3,935	1,424,980
Equipment and machinery	102,758	10,241	(99)	10,276	102,624
Furniture and fixtures	5,048	-	-	-	5,048
Computer equipment	18,409	2,000	1,915	873	21,451
Software	17,587	142	6	-	17,735
Total capital assets being depreciated/amortized	3,482,308	13,392	172,589	17,670	3,650,619
Less accumulated depreciation					
Structures and improvements	(90,901)	(9,058)	-	(1)	(99,958)
Pumping and purification equipment	(24,137)	(3,046)	-	-	(27,183)
Distribution and transmission system	(381,333)	(32,988)	-	(1,987)	(412,334)
Treatment facilities	(492,819)	(30,615)	-	(3,935)	(519,499)
Equipment and machinery	(53,668)	(6,933)	-	(10,271)	(50,330)
Furniture and fixtures	(3,624)	(264)	-	-	(3,888)
Computer equipment	(13,910)	(2,039)	-	(827)	(15,122)
Software	(10,326)	(1,592)	-	-	(11,918)
Total accumulated depreciation	(1,070,718)	(86,535)	-	(17,021)	(1,140,232)
Total capital assets, being depreciated/amortized	2,411,590	(73,143)	172,589	649	2,510,387
Capital assets, net	\$ 2,967,190	\$ 208,412	\$ -	\$ 1,338	\$ 3,174,264

NOTES TO FINANCIAL STATEMENTS

A summary of capital asset activity for the year ended December 31, 2008 is as follows:

<i>(amounts in thousands)</i>	December 31, 2007	Increases	Transfers	Decreases	December 31, 2008
Capital Assets, not being depreciated:					
Land	\$ 78,543	\$ -	\$ 1,785	\$ 1,756	\$ 78,572
Acquisition of water rights	44,794	-	59,262	-	104,056
Other intangible assets	296	69			365
Construction in progress	361,192	341,507	(328,747)	1,345	372,607
Total capital assets, not being depreciated/amortized	484,825	341,576	(267,700)	3,101	555,600
Capital assets, being depreciated					
Structures and improvements	377,979	740	36,758	-	415,477
Pumping and purification equipment	114,249	618	7,926	-	122,793
Distribution and transmission system	1,316,131	936	118,756	834	1,434,989
Treatment facilities	1,273,780	52	95,997	4,582	1,365,247
Equipment and machinery	100,721	10,508	1,073	9,544	102,758
Furniture and fixtures	4,932	60	56	-	5,048
Computer equipment	16,847	1,676	730	844	18,409
Software	10,392	791	6,404	-	17,587
Total capital assets being depreciated/amortized	3,215,031	15,381	267,700	15,804	3,482,308
Less accumulated depreciation					
Structures and improvements	(82,548)	(8,353)	-	-	(90,901)
Pumping and purification equipment	(21,308)	(2,829)	-	-	(24,137)
Distribution and transmission system	(350,938)	(31,153)	-	(758)	(381,333)
Treatment facilities	(466,173)	(31,228)	-	(4,582)	(492,819)
Equipment and machinery	(56,369)	(6,199)	-	(8,900)	(53,668)
Furniture and fixtures	(3,342)	(282)	-	-	(3,624)
Computer equipment	(13,008)	(1,702)	-	(800)	(13,910)
Software	(8,578)	(1,748)	-	-	(10,326)
Total accumulated depreciation	(1,002,264)	(83,494)	-	(15,040)	(1,070,718)
Total capital assets, being depreciated/amortized	2,212,767	(68,113)	267,700	764	2,411,590
Capital assets, net	\$ 2,697,592	\$ 273,463	\$ -	\$ 3,865	\$ 2,967,190

NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER LIABILITIES

Accrued Vacation Payable: SAWS records an accrual for vacation payable for all full time employees and pays unused vacation hours available at the end of employment with the final paycheck.

<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, 2009	\$ 6,328	\$ 5,659	\$ (4,785)	\$ 7,202	\$ 4,785	
Year Ended						
December 31, 2008	\$ 5,711	\$ 4,881	\$ (4,264)	\$ 6,328	\$ 4,264	

Risk Management: SAWS is exposed to various risks of financial loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAWS is self administered and self-insured for the first \$500,000 of each worker's compensation, general liability, automobile liability and public official's liability claim and for the first \$250,000 for each pollution remediation, legal liability and commercial property claim. Claims that exceed the self-insured retention limit are covered through SAWS' comprehensive commercial insurance program. For the year ended December 31, 2009, there were no reductions in insurance coverage from the previous year and there were no new claims incurred during the period that exceeded the self-insured retention limit. Settled claims have never exceeded the insurance coverage in any year. SAWS has recorded accrued claims liability in the amount of \$5,504,000 as of December 31, 2009, which is reported as a current liability. The claims liability, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. Changes in the liability amount for the last two fiscal years were as follows:

<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, 2009	\$ 5,401	\$ 2,050	\$ (1,947)	\$ 5,504	\$ 5,504	
Year Ended						
December 31, 2008	\$ 5,312	\$ 2,276	\$ (2,187)	\$ 5,401	\$ 5,401	

NOTES TO FINANCIAL STATEMENTS

NOTE G – LONG TERM DEBT

REVENUE BONDS

On February 12, 2009, SAWS issued \$163,755,000 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2009. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, (ii) refund \$143,000,000 in outstanding commercial paper notes, and (iii) pay the cost of issuance. The bonds are collateralized, together with other currently outstanding Senior Lien Obligations, solely by a lien on a pledge of net revenues.

On December 10, 2009, SAWS issued \$12,250,000 City of San Antonio, Texas Water System Revenue Bonds, Series 2009A. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, and (ii) pay the cost of issuance. The bonds are collateralized, together with other currently outstanding Senior Lien Obligations, solely by a lien on a pledge of net revenues.

On December 10, 2009, SAWS issued \$102,750,000 City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy – Build America Bonds) (the “Series 2009B Bonds”). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, and (ii) pay the cost of issuance. The Series 2009B Bonds qualify for and were designated as Build America Bonds under and pursuant to the authority provided for in the American Recovery and Reinvestment Act of 2009 (the “Stimulus Act”). In connection with the issuance of the Series 2009B Bonds, and as permitted in the Stimulus Act, SAWS elected an option (which election is irrevocable pursuant to the provisions of the Stimulus Act) permitting it to receive directly from the United States Department of the Treasury (the “Treasury”) a subsidy payment equal to 35% of the taxable interest it pays on the Series 2009B Bonds (the “Tax Credit”). SAWS has provided for the Tax Credit to be delivered from the Treasury directly to the paying agent/registrar of the Series 2009B Bonds solely for the use to reduce the amount of the regularly scheduled debt service payment on the Series 2009B Bonds that SAWS is required to make. The Tax Credit is a general revenue of SAWS and is not directly pledged to the payment of the Series 2009B Bonds, however, SAWS anticipates that the entirety of the Tax Credit, as a result of the direct deposit from the Treasury to the paying agent/registrar will be available solely to off-set the scheduled debt service payment requirements attributable to the Series 2009B Bonds. The bonds are collateralized, together with other currently outstanding Senior Lien Obligations, solely by a lien on a pledge of net revenues.

On December 30, 2009, SAWS issued \$54,300,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2009 through the Texas Water Development Board. The bonds were sold under the State Revolving Fund (SRF) Program. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects which qualify under the Texas Water Development Board program, and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

NOTES TO FINANCIAL STATEMENTS

On December 30, 2009, SAWS issued \$35,000,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2009A (the “Junior Lien Series 2009A Bonds”) through the Texas Water Development Board. The bonds were sold under the Water Infrastructure Fund Loan Program (the “WIF”). The proceeds from the sale of the bonds were used to (i) finance the planning and design of the Brackish Groundwater Desalination Project, (ii) refund \$12,000,000 in outstanding commercial paper notes, and (iii) pay the cost of issuance. Loans through the WIF are offered at a subsidized interest rate which is 2 percent below the Texas Water Development Boards cost of funds, with a repayment period of 20 years. In order to advance projects which have significant development lead times, a portion of the WIF is available specifically for planning and design of projects (“WIF Deferred”) which offers an additional subsidy of deferring all interest and principal payments for up to 10 years, or until the end of the construction of the project, whichever is sooner. Interest is not charged by the Texas Water Development Board during the deferral period and the loan is amortized over the remaining life of the bond with a maximum maturity of 20 years. The Junior Lien Series 2009A Bonds were issued under the WIF Deferred option with amortization of principal and interest to begin in 2015 with a final maturity of 2029. The interest rates range from 0.64% to 2.82%, with an overall effective rate of 1.40% taking into account the deferral period. The bonds are collateralized, together with other currently outstanding Junior Lien Obligations, solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

Senior Lien Water System Revenue Bonds, comprised of Series 2001, Series 2002, Series 2002-A, Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, and Series 2009B outstanding in the amount of \$1,395,665,000 at December 31, 2009, are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operation and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates range from 2.50% to 6.25%.

Junior Lien Water System Revenue Bonds, comprised of Series 1999, Series 1999-A, Series 2001, Series 2001-A, Series 2002, Series 2002-A, Series 2003, Series 2004, Series 2004-A, Series 2007, Series 2007A, Series 2008, Series 2008A, Series 2009, and Series 2009A outstanding in the amount of \$364,035,000 at December 31, 2009, are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operation and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien debt. Interest rates range from 0.30% to 4.35%.

NOTES TO FINANCIAL STATEMENTS

The following summarizes transactions of the revenue bonds for the years ended December 31, 2009 and 2008:

<i>(amounts in thousands)</i>	Balance Jan. 1, 2009	Additions	Reductions/ Amortization	Balance Dec. 31, 2009	Due Within One Year
Bonds Payable	\$ 1,427,525	\$ 368,055	\$ 35,880	\$ 1,759,700	\$ 38,590
Less Deferred Amounts: For issuance discounts/ premiums/losses	\$ (19,343)	\$ 3,345	\$ 13	\$ (16,011)	\$ -
Total Bonds Payable, Net	<u>\$ 1,408,182</u>	<u>\$ 371,400</u>	<u>\$ 35,893</u>	<u>\$ 1,743,689</u>	<u>\$ 38,590</u>

<i>(amounts in thousands)</i>	Balance Jan. 1, 2008	Additions	Reductions/ Amortization	Balance Dec. 31, 2008	Due Within One Year
Bonds Payable	\$ 1,512,510	\$ 53,260	\$ 138,245	\$ 1,427,525	\$ 31,035
Less Deferred Amounts: For issuance discounts/ premiums/losses	\$ (19,645)	\$ -	\$ (302)	\$ (19,343)	\$ -
Total Bonds Payable, Net	<u>\$ 1,492,865</u>	<u>\$ 53,260</u>	<u>\$ 137,943</u>	<u>\$ 1,408,182</u>	<u>\$ 31,035</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.

<u>Annual Debt Service Requirements</u>						
<u>Revenue and Refunding Bonds</u>						
<i>(amounts in thousands)</i>						
Year	Senior Lien				Junior Lien	
	Principal	Interest Expense	Federal Subsidy	Net Interest Cost	Principal	Interest Expense
2010	\$ 21,685	\$ 68,313	\$ (1,772)	\$ 66,541	\$ 16,905	\$ 10,770
2011	22,360	67,753	(1,904)	65,849	17,135	10,550
2012	23,365	66,746	(1,904)	64,842	17,615	10,068
2013	24,410	65,620	(1,904)	63,716	18,210	9,543
2014	25,635	64,374	(1,904)	62,470	18,790	8,978
2015 - 2019	154,460	300,186	(9,052)	291,134	113,170	38,046
2020 - 2024	254,515	249,354	(7,803)	241,551	74,725	22,401
2025 - 2029	302,695	175,807	(6,052)	169,755	40,265	13,311
2030 - 2034	228,545	113,782	(3,967)	109,815	22,475	7,786
2035 - 2039	295,455	47,153	(1,430)	45,723	24,745	2,504
2040	42,540	1,064	-	1,064	-	-
	<u>\$ 1,395,665</u>	<u>\$ 1,220,152</u>	<u>\$ (37,692)</u>	<u>\$ 1,182,460</u>	<u>\$ 364,035</u>	<u>\$ 133,957</u>

NOTES TO FINANCIAL STATEMENTS

Pay-Fixed, Receive-Variable Interest Rate Swap

Objective of the Interest Rate Swap: On March 27, 2003, SAWS entered into an interest rate swap agreement in connection with its City of San Antonio, Texas, Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the “Series 2003 Bonds”) issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for SAWS’ Capital Improvements Program and to refund certain outstanding commercial paper notes. The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower interest rate cost than a traditional long term fixed rate bond issued at that time. At the time of issuance, the principal and interest payments on the Series 2003 Bonds were insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation (“MBIA”). In August 2008, SAWS issued a Notice of Partial Redemption for \$110,615,000 of the outstanding principal amount of \$111,615,000 of the Series 2003 Bonds due to continued unfavorable market conditions relating to the ratings downgrade of MBIA, resulting in significantly higher variable rates of interest being paid on the Series 2003 Bonds. This partial redemption was effected with commercial paper notes, leaving \$1,000,000 of the Series 2003 Bonds outstanding. In May 2009, SAWS redeemed \$20,000 of the Series 2003 Bonds and \$2,465,000 of commercial paper notes according to the amortization schedule of the Series 2003 Bonds and the swap. In June 2009, SAWS issued a Notice of Partial Redemption for the remaining \$980,000 of Series 2003 Bonds outstanding with commercial paper notes. At December 31, 2009 the interest rate swap serves to hedge \$109,130,000 of commercial paper notes. Upon the maturity of the commercial paper notes, SAWS intends to reissue commercial paper in amounts matching the notional amounts and amortization schedule of the swap. There was no 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.

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 March 2008, JPMorgan Chase & Co. announced its acquisition of The Bear Stearns Companies Inc., the parent of Bear Stearns FPI. The transaction closed on May 30, 2008. JPMorgan Chase guaranteed the trading obligations of Bear Stearns 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. to become the swap counterparty and allow for the remaining \$980,000 of outstanding Series 2003 Bonds to be redeemed with commercial paper notes, 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.

NOTES TO FINANCIAL STATEMENTS

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 a negative fair value as of December 31, 2009, of approximately \$10.6 million. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk: As of December 31, 2009, SAWS was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, SAWS would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, JPMorgan Chase Bank, N.A. was rated AA- by Fitch Ratings and Standard & Poor's and Aa1 by Moody's Investors Services as of December 31, 2009. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair market value of the swap reach applicable thresholds as stated in the amended swap agreement.

Basis Risk: SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by (a) matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

Termination Risk: SAWS may terminate the Swap at any time for any reason. 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 \$109,130,000 of variable-rate debt hedged by the swap is outstanding in commercial paper notes with current maturities less than 87 days. As previously noted, SAWS intends to reissue the commercial paper notes in amounts matching the notional amounts and amortization schedule of the swap.

NOTES TO FINANCIAL STATEMENTS

Swap Payments and Associated Debt: As of December 31, 2009, debt service requirements of the hedged commercial paper notes and net swap payments, assuming current interest rates remain the same, are as detailed below. As rates vary, variable-rate interest payments and net swap payments will vary. Principal payments assume that commercial paper notes will be repaid in accordance with the amortization schedule of the swap.

Pay-Fixed, Receive-Variable Interest Rate Swap
Estimated Debt Service Requirements of Variable-Rate
Debt Outstanding and Net Swap Payments
(amounts in thousands)

Year	Principal	Interest Paid on Debt	Interest Rate Swap, Net	Total
2010	\$ 2,600	\$ 297	\$ 4,221	\$ 7,118
2011	2,720	289	4,115	7,124
2012	2,840	282	4,005	7,127
2013	2,970	274	3,891	7,135
2014	3,105	265	3,770	7,140
2015 - 2019	17,780	1,185	16,845	35,810
2020 - 2024	22,220	908	12,902	36,030
2025 - 2029	27,770	561	7,974	36,305
2030 - 2033	27,125	142	2,014	29,281
Total	<u>\$ 109,130</u>	<u>\$ 4,203</u>	<u>\$ 59,737</u>	<u>\$ 173,070</u>

OTHER DEBT MATTERS

Debt Covenants: SAWS is required to comply with various provisions included in the ordinances which authorized the bond issuances. SAWS is in compliance with all significant provisions of the ordinances.

Defeasance of Debt: In current and prior years, SAWS defeased certain revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in SAWS' financial statements. At December 31, 2009, \$44,605,000 of bonds outstanding were considered defeased.

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 Council of the City of San Antonio has authorized the commercial paper program in an amount of \$500 million. Notes payable under the program cannot exceed maturities of 270 days.

NOTES TO FINANCIAL STATEMENTS

The City has covenanted in the Ordinance authorizing the commercial paper program (the “Note Ordinance”) to maintain at all times credit facilities with banks or other financial institutions which would provide available borrowing capacity sufficient to pay the principal of the commercial paper program. The credit facility is maintained under the terms of a revolving credit agreement. Pursuant to the revolving credit agreement, the capacity of the revolving credit agreement is \$300 million.

The issuance of commercial paper is further supported by the following agreements and related participants:

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Ramirez & Co., Inc.
- Revolving Credit Agreement with Bank of America, N.A., State Street Bank and Trust Company, and U.S. Bank National Association
- Issuing and Paying Agency Agreement with The Bank of New York Mellon Trust Company, N.A.

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement.

Commercial paper notes of \$173,650,000 are outstanding as of December 31, 2009. Of this balance, \$109,130,000 relates to the refunding of the Series 2003 Bonds while the remaining \$64,520,000 proceeds were used solely for financing of capital improvements. Interest rates on the notes outstanding at December 31, 2009 range from 0.20% to 0.38% and maturities range from 16 to 126 days. The outstanding notes had an average rate of 0.28% and averaged 96 days to maturity.

SAWS intends to reissue maturing commercial paper, in accordance with the terms of the revolving credit agreement, and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, 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 previously in this footnote, SAWS intends to redeem \$2,600,000 of commercial paper in 2010. Therefore, this portion of the commercial paper is classified as a current liability.

The following summarizes transactions of the commercial paper program for the years ended December 31, 2009 and 2008:

<i>(amounts in thousands)</i>	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year	Payable Within One Year
Year Ended December 31, 2009	<u>\$ 261,115</u>	<u>\$ 70,000</u>	<u>\$ 157,465</u>	<u>\$ 173,650</u>	<u>\$ 2,600</u>
Year Ended December 31, 2008	<u>\$ 100,000</u>	<u>\$ 164,115</u>	<u>\$ 3,000</u>	<u>\$ 261,115</u>	<u>\$ 2,465</u>

NOTES TO FINANCIAL STATEMENTS

NOTE H - CONTINGENCIES AND COMMITMENTS

As of December 31, 2009, SAWS has entered into various water leases to obtain rights to pump water from the Edwards Aquifer. The term of these agreements vary, with some expiring as early as 2010 and others continuing until 2019. Some of leases include price escalations and the average annual cost per acre foot ranges from \$134 to \$165. The future commitments under these leases are as follows:

<i>(dollars in thousands)</i>							
	2010	2011	2012	2013	2014	Thereafter	
Edwards Aquifer - lease obligations	\$ 5,551	\$ 5,904	\$ 5,138	\$ 2,760	\$ 1,860	\$ 6,399	
Edwards Aquifer - lease obligations (acre feet)	41,508	39,482	33,328	19,452	12,777	41,007	

SAWS also has various commitments relating to the purchase of water supplies. A summary of these commitments is provided below. As with any estimates, the actual amounts paid could differ materially.

<i>(dollars in thousands)</i>							
	2010	2011	2012	2013	2014	Thereafter	
Firm purchased water obligations	\$ 4,351	\$ 4,246	\$ 4,318	\$ 4,390	\$ 4,462	\$ 122,844	
Firm purchased water obligations (acre feet)	5,891	5,500	5,500	5,500	5,500	101,000	
Variable purchased water obligations	\$ 3,743	\$ 3,217	\$ 3,165	\$ 2,789	\$ 2,469	\$ 66,021	
Variable purchased water obligations (acre feet)	4,538	3,787	3,604	3,347	3,017	66,432	

These firm and variable purchased water obligations relate to the contractual commitments made in connection with SAWS' wholesale water contracts with the Guadalupe Blanco River Authority (GBRA) and two wholesale agreements for the supply of raw water from the Trinity Aquifer. All water provided under these contracts is subject to availability. Under the contract with GBRA, SAWS will receive between 4,000 and 11,000 acre feet of water annually during the years 2010-2037 at prices ranging from \$890 to approximately \$1,523 per acre foot. SAWS has an option to extend this contract until 2077 under new payment terms.

In 2000, SAWS entered into a wholesale contract with the Massah Development Corporation to deliver raw water from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County. SAWS determined the sustainable yield of the project to be 4,685 acre-feet. Under this contract, SAWS is required to take or pay for 50% of the determined sustainable yield of the project, or 2,343 acre-feet annually. As this contract expires in February 2010, SAWS is contractually required to pay for only 293 acre-feet in 2010 at \$447 per acre-foot. SAWS has the option to extend this agreement for five years at a renegotiated price.

In 2006, SAWS renegotiated the terms of a contract with Sneckner Partners, Ltd. to supply raw water from the Trinity Aquifer. Under this contract, SAWS is required to take or pay for 1,500 acre-feet annually at a minimum annual cost of \$225 per acre-foot through 2020. SAWS has an option to extend the contract through 2026, if it desires. As part of this contract, SAWS agreed to make payments quarterly for any residential customers within a

NOTES TO FINANCIAL STATEMENTS

defined, currently undeveloped geographical area that begin taking water service from SAWS. While it is impossible to estimate the exact amount of any potential future payments associated with this provision of the agreement, management estimates of this potential contingent liability are less than \$5 million.

SAWS has entered into various agreements to pump water from the Carrizo Aquifer. SAWS makes minimum water payments under the terms of these agreements until such time as SAWS' pending permit application to pump water from the Carrizo Aquifer has been approved and the necessary infrastructure to produce and transport the water has been completed. At December 31, 2009 SAWS is committed to make payments under only three of these agreements. Minimum water payments are required under these three agreements through 2029 even if no water is produced. The remaining agreements are currently subject to cancellation by SAWS. The table below summarizes both the required minimum water payments under the three agreements that cannot be cancelled as well as the projected additional payments under all agreements assuming that none are cancelled and water production begins in 2013.

<i>(dollars in thousands)</i>						
	2010	2011	2012	2013	2014	Thereafter
Required minimum water payments	\$ 178	\$ 183	\$ 198	\$ 204	\$ 210	\$ 6,170
Projected additional payments	\$ 265	\$ 402	\$ 417	\$ 746	\$ 768	\$ 14,372
Produced water (acre feet)	-	-	-	11,687	11,687	175,305

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately \$288 million as of December 31, 2009. Funding of this amount will come from excess revenues, contributions from developers, restricted assets and available commercial paper capacity.

During 2007, the Environmental Protection Agency Region 6 (EPA) informed SAWS that the agency intended to institute an enforcement action based on reported sewer overflows related to the operation of SAWS' wastewater treatment plants and collection system under SAWS' Texas Pollutant Discharge Elimination System (TPDES) permits. The EPA has alleged that certain aspects of SAWS' operations constitute violations of the Clean Water Act. SAWS is vigorously defending these claims while also pursuing settlement negotiations with EPA and the Department of Justice (DOJ). These settlement discussions may result in SAWS, EPA and DOJ entering a civil Consent Decree to resolve the EPA's allegations. Such a Consent Decree may impose injunctive relief in the form of required capital construction projects, increased operational costs and civil penalties. During 2008 and 2009, SAWS continued settlement discussions with DOJ, which included examining a variety of proposed actions that would help prevent sewer overflows in the future. To address what SAWS believes to be the leading cause of sewer overflows, SAWS expanded its sewer line cleaning activities in 2009. As the settlement negotiations with DOJ continue to be in a preliminary stage, the range of cost of any injunctive relief cannot be reasonably estimated.

NOTES TO FINANCIAL STATEMENTS

The Lower Colorado River Authority-San Antonio Water System (LCRA-SAWS) Water Project was conceived to develop and make available up to 150,000 acre-feet per year of surface water supplies for San Antonio in 2025 while firming up water supplies in the Colorado River Basin. In 2002 SAWS and LCRA executed a Definitive Agreement outlining SAWS' and LCRA's obligations. The agreement called for a multi-year study period, at the end of which both SAWS and LCRA were to determine whether or not to proceed with implementation of the project. Finalization of studies and obtaining appropriate permits for the project were expected to be completed between 2013 and 2015.

SAWS has expensed \$39.3 million in study period costs through December 31, 2009. Under the terms of the 2002 Definitive Agreement with LCRA, SAWS is entitled to receive a reimbursement from LCRA of approximately one-half of those study period costs in the event the agreement is terminated by SAWS.

Throughout the study period, SAWS and LCRA evaluated the project's viability on an ongoing basis. In December 2008, the LCRA Board of Directors adopted several water supply planning guidance resolutions which led to a conclusion by LCRA that there would be no firm water supply available to San Antonio from the planned project. In May 2009 SAWS' Board of Trustees declared LCRA in breach of the 2002 Definitive Agreement between the parties. The parties unsuccessfully conducted formal mediation in August 2009 and SAWS filed suit against LCRA. In September 2009, LCRA filed a plea asserting full or partial governmental immunity from suit.

NOTE I - PENSION AND RETIREMENT PLANS

SAWS' retirement program includes benefits provided by the Texas Municipal Retirement System, the San Antonio Water System Retirement Plan, the San Antonio Water System Deferred Compensation Plan, and Social Security.

Plan Descriptions

Texas Municipal Retirement System: SAWS provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS was established in 1948 as a retirement and disability pension system for municipal employees in the State of Texas.

Benefits provided under the plan depend upon the sum of the employee's contributions to the plan, with interest, and SAWS financed monetary credits, with interest. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by SAWS within the options available and actuarial constraints in the state statutes governing TMRS.

NOTES TO FINANCIAL STATEMENTS

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by contacting TMRS at:

P.O. Box 149153
Austin, Texas 78714-9153
Telephone: 1-800-924-8677
Website: www.tmrs.com

San Antonio Water System Retirement Plan: The San Antonio Water System Retirement Plan (SAWSRP) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 75686, which serves as a supplement to TMRS and Social Security. SAWSRP is governed by SAWS which may amend plan provisions and which is responsible for the management of plan assets. SAWS has delegated to Principal Financial Group the authority to manage certain plan assets and administer the payment of benefits.

SAWSRP provides supplemental pension benefits for all persons customarily employed at least 20 hours per week and five months per year through this defined benefit pension plan. Employees are eligible to participate in the plan on January 1 of the calendar year following date of hire. A member does not vest in this plan until completion of five years of service.

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.

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. 1.2% 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 seven alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides death and disability benefits.

NOTES TO FINANCIAL STATEMENTS

An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled. SAWSRP's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities or pay administrative expenses charged by the Principal Financial Group. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets. SAWSRP's unallocated separate accounts are valued at fair value.

SAWSRP issues a publicly available financial report that includes financial statements and required supplemental information. The report may be obtained by contacting Principal Financial Group at:

711 High Street
Des Moines, Iowa 50392
Telephone: 800-986-3343
Website: www.principal.com

San Antonio Water System Deferred Compensation Plan: SAWS has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, or qualifying unforeseeable emergency. Participation in the plan is voluntary, and SAWS does not make any contributions. SAWS has no liability for losses under this plan but does have the usual fiduciary responsibilities of a plan sponsor.

Funding Policies

TMRS: Under the state law governing TMRS, SAWS is required to contribute at an actuarially determined rate. These rates are provided on an annual basis, following the completion of the actuarial valuation. There is a delay in the valuation and when the rate becomes effective – for example the 2009 contribution rate is based on the December 31, 2007 valuation results. If a change in plan provisions is adopted by SAWS' Board of Trustees, the contribution rate can change.

Beginning with the December 31, 2007 actuarial valuation, a change was made in the funding method and the amortization period used in the valuation. To assist in this transition to higher rates, TMRS approved an eight-year phase-in period, which allows governments the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate). SAWS elected to transition the increase in its contribution rate over the eight-year phase-in period. As a result of these changes, SAWS' actuarially required contribution for 2009 was 5.02% while the phased-in rate for 2009 was 3.77% of salary. The current contribution rate for employees is 3% of salary.

NOTES TO FINANCIAL STATEMENTS

SAWSRP: The funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. Contribution requirements are established and may be amended by SAWS. Active members are not required to contribute to the plan. Any obligation with respect to SAWSRP shall be paid by SAWS.

Annual Pension Cost and Actuarial Methods and Assumptions

The following tables summarize SAWS' annual pension cost for the years ended December 31, 2009 and 2008 and provide three year trend information for each of SAWS' defined benefit plans.

Annual Pension Cost *(amounts in thousands)*

	Year Ended December 31,			
	2009		2008	
	<u>TMRS</u>	<u>SAWSRP</u>	<u>TMRS</u>	<u>SAWSRP</u>
Annual Required Contributions:				
SAWS	\$ 4,275	\$ 6,035	\$ 2,600	\$ 4,891
Plan members	2,553	-	2,216	-
Total Annual Pension Cost	6,828	6,035	4,816	4,891
Contributions Made	5,762	6,035	4,816	4,891
Increase in net pension obligation	1,066	-	-	-
Net pension obligation beginning of year	-	-	-	-
Net pension obligation end of year	<u>\$ 1,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Three Year Trend Information

<u>Plan</u>	<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC) (in thousands)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (in thousands)</u>
TMRS	2009	\$ 6,828	84%	\$ 1,066
	2008	4,815	100%	-
	2007	4,460	100%	-
SAWSRP	2009	\$ 6,035	100%	\$ -
	2008	4,891	100%	-
	2007	4,710	100%	-

NOTES TO FINANCIAL STATEMENTS

The table below summarizes the actuarial methods and assumptions used in the most recent actuarial valuation for each of SAWS' defined benefit plans.

Actuarial Methods and Assumptions

	TMRS	SAWSRP
Actuarial Valuation Date	12/31/2008	1/1/2009
Actuarial Cost Method	Projected Unit Credit	Entry Age Normal - Frozen Initial Liability
Amortization Method	Level Percent of Payroll	Level Dollar
Remaining Amortization Period	29 Years - Closed	28 Years - Closed
Asset Valuation Method	Amortized Cost	Smoothed Market Value (4 years)
Actuarial Assumptions:		
Investment Rate of Return	7.5%	8.0%
Inflation Rate	3.0%	n/a
Cost of Living Adjustments	2.1%	n/a
Projected Salary Increases	Varies by age and service	Table S-5 from the Actuary's Pension Handbook plus 3.4%

Funded Status

The funded status of each of the defined benefit plans as of the most recent actuarial valuation dates is as follows:

Plan	Actuarial Valuation Date	Actuarial Value of Assets (in thousands) (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
TMRS	December 31, 2008	\$ 63,674	\$ 96,539	\$ 32,865	66%	\$ 74,448	44%
SAWSRP	January 1, 2009	\$ 74,611	\$ 99,144	\$ 24,533	75%	\$ 70,252	35%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTES TO FINANCIAL STATEMENTS

NOTE J – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: In addition to providing pension benefits described in Note I, SAWS provides certain health care and life insurance benefits for eligible retirees, their spouses, and their dependents through a single-employer defined benefit plan administered by SAWS. The authority to establish and amend the OPEB provisions is vested in the SAWS Board of Trustees.

By state law, any employee that retires under either the TMRS or SAWS retirement plans is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Retirees can purchase coverage for their spouse at SAWS’ group rates. After age 65, healthcare benefits under the plan are supplemental to Medicare benefits.

The following is the participant summary as of January 1, 2009 (the most recent actuarial valuation date):

Active employees	1,548
Retired employees	625
Spouses of retired employees	<u>448</u>
Total	2,621

Funding Policy: The contribution requirements of plan members and SAWS are established and may be amended by the SAWS Board of Trustees. To date, SAWS has funded all obligations arising under these plans on a pay-as-you-go basis. Going forward, SAWS’ actual contribution will be based on a projected pay-as-you-go financing requirement, with an additional amount, if any, to prefund benefits as determined annually by SAWS’ Board of Trustees. SAWS is currently evaluating ways to phase-in full funding of the actuarially determined annual required contribution.

Plan members’ required contributions vary depending on the health plan selected by the retiree as well as the number of years of service at the time of retirement. For the year ended December 31, 2009, SAWS’ contribution to the plan equaled the current premiums of \$5,884,000, while plan members receiving benefits contributed \$296,000 through their required contribution. For the year ended December 31, 2008 SAWS’ contribution to the plan equaled the current premiums of \$5,132,000, while plan members receiving benefits contributed \$149,000 through their required contribution. No contributions were made in 2008 or 2009 to prefund benefits.

NOTES TO FINANCIAL STATEMENTS

Annual OPEB Cost and Net OPEB Obligation: SAWS' annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a 28 year closed period. The following table shows the components of SAWS' annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation for the years ended December 31, 2009 and 2008:

<i>(amounts in thousands)</i>	Year Ended December 31,	
	2009	2008
Annual Required Contribution (ARC)	\$ 25,759	\$ 17,696
Interest on net OPEB obligation	1,261	765
Adjustment to ARC	(1,655)	-
Annual OPEB costs	25,365	18,461
Contributions made	\$ (5,884)	\$ (5,132)
Increase in net OPEB obligation	19,481	13,329
Net OPEB obligation at beginning of year	26,546	13,217
Net OPEB obligation at end of year	\$ 46,027	\$ 26,546

SAWS' annual OPEB cost and the percentage cost contributed to the plan for the years ended December 31, 2009 and 2008 were as follows:

Year Ended December 31,	Annual OPEB Cost <i>(amounts in thousands)</i>	Percentage of Annual OPEB Cost Contributed
2009	\$ 25,365	28.7%
2008	\$ 18,461	27.8%
2007	\$ 17,696	25.3%

Funded Status

The funded status of SAWS' OPEB plan as of the actuarial valuation performed as of January 1, 2009 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 297,259	\$ 297,259	-	\$ 75,270	395%

NOTES TO FINANCIAL STATEMENTS

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. In accordance with GASB 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, SAWS will obtain new actuarial valuations for its OPEB plan at least biennially.

Since no portion of SAWS' OPEB obligation has been funded in a separate trust as of December 31, 2009, SAWS does not issue a separate financial report for its OPEB plan.

Actuarial Methods and Assumptions: 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. The following table summarizes the actuarial methods and assumptions used in the most recent actuarial valuation for each of SAWS' defined benefit plans.

Actuarial Methods and Assumptions

Actuarial Valuation Date	January 1, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	28 Years - Closed
Actuarial Assumptions:	
Investment Rate of Return	4.75%
Inflation Rate	None

NOTES TO FINANCIAL STATEMENTS

Health care cost trend rates are used to anticipate increases in medical benefit costs expected to be experienced by the retiree health plan in each future year. The trend rates used are as follows:

Year Beginning January 1	Annual Rate of Increase		
	Pre-Medicare Medical	Medicare Eligible Medical	Prescription Drugs
2009	7.5%	6.0%	8.5%
2010	7.4%	6.1%	8.3%
2011	7.3%	6.2%	8.0%
2012	7.2%	6.3%	7.8%
2013	7.1%	6.4%	7.6%
2014	7.1%	6.5%	7.4%
2015	7.0%	6.6%	7.2%
2016	6.9%	6.7%	7.0%
2017	6.8%	6.8%	6.8%
2018	6.6%	6.6%	6.6%
2019	6.4%	6.4%	6.4%
2020	6.2%	6.2%	6.2%
2021	6.0%	6.0%	6.0%
2022	5.8%	5.8%	5.8%
2023	5.6%	5.6%	5.6%
2024	5.4%	5.4%	5.4%
2025	5.2%	5.2%	5.2%
2026	5.0%	5.0%	5.0%
2027	4.9%	4.9%	4.9%
2028+	4.5%	4.5%	4.5%

NOTE K – SUBSEQUENT EVENTS

On March 4, 2010, SAWS issued \$59,145,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2010. The proceeds from the sale of the bonds were used to (i) refund \$38,130,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 1999 (the “1999 Junior Lien Bonds”), (ii) refund \$25,070,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 1999-A (the “1999-A Junior Lien Bonds”), and (iii) pay the cost of issuance. The refunding of the 1999 Junior Lien Bonds and 1999-A Junior Lien Bonds resulted in a reduction of SAWS’ total debt service payments over the next ten years of approximately \$4.9 million and SAWS obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$4.3 million. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on the pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

NOTES TO FINANCIAL STATEMENTS

On February 1, 2010 the District Judge in the 200th Judicial District Court of Travis County, Texas granted LCRA's plea asserting full or partial governmental immunity from suit and dismissed SAWS' law suit discussed in Note H. On February 17, 2010, SAWS' filed an appeal to the Court of Appeals for the Third Appellate District of Texas in Austin, Texas. Following a decision by the Court of Appeals, either party may further appeal to the Supreme Court of Texas. However, consideration by the Supreme Court is discretionary with the Court and may be refused. Resolution of the appeal on the issue of governmental immunity is expected to take from two to five years, although the time is very difficult to predict.

REQUIRED SUPPLEMENTAL INFORMATION

San Antonio Water System
REQUIRED SUPPLEMENTARY INFORMATION – (Unaudited)
Post Employment Benefit Plans
Schedules of Funding Progress

Historical trend information about the plans is presented herewith as required supplementary information. It is intended to help users assess the plans' funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other utility retirement systems.

Actuarial Valuation Date	Actuarial Value of Assets (<i>in thousands</i>) (a)	Accrued Liability (AAL) (<i>in thousands</i>) (b)	Unfunded AAL (UAAL) (<i>in thousands</i>) (b-a)	Funded Ratio (a/b)	Covered Payroll (<i>in thousands</i>) (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
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Texas Municipal Retirement System:

December 31, 2008	\$ 63,674	\$ 96,539	\$ 32,865	66%	\$ 74,448	44%
December 31, 2007	62,023	90,776	28,753	68%	68,412	42%
December 31, 2006	59,801	75,652	15,851	79%	65,078	24%

San Antonio Water System Retirement Plan:

January 1, 2009	\$ 74,611	\$ 99,144	\$ 24,533	75%	\$ 70,252	35%
January 1, 2008	73,777	89,919	16,142	82%	66,996	24%
January 1, 2007	66,129	82,709	16,580	80%	63,462	26%

Other Post Employment Benefit Plan:

January 1, 2009	\$ -	\$ 297,259	\$ 297,259	-	\$ 75,270	395%
January 1, 2007	-	200,083	200,083	-	69,288	289%

OTHER SUPPLEMENTAL INFORMATION

DESCRIPTION OF FUNDS AND COMBINING SCHEDULES



**San Antonio Water System
DESCRIPTION OF FUNDS
For the Year Ended December 31, 2009**

City Ordinance No. 75686 adopted April 30, 1992 requires that Gross Revenues of the System be applied in sequence to: (a) current expenses of operation and maintenance including a two-month reserve amount; (b) debt service and reserve requirements; (c) transfers to the City and capital expenditures, or unexpected or extraordinary repairs or replacements, or for any other lawful purpose. Accordingly, the System has established certain self-balancing funds within its enterprise fund accounts to demonstrate compliance with City Ordinance No. 75686. In addition the System has established certain other self-balancing funds within its accounting system for purposes of internal management control and reporting. Following is a description of each self-balancing fund maintained by the Board.

FUNDS ESTABLISHED BY CITY ORDINANCE NO. 75686

System Fund - All Gross Revenues of the System shall be credited to this fund upon receipt, unless otherwise provided in City Ordinance No. 75686. All current expenses of operation and maintenance of the System shall be paid from this fund as a first charge against the gross revenues so credited. Before making any deposits to other funds required to be made from the System Fund, the Board of Trustees shall retain in the System Fund at all times an amount at least equal to two months of the amount budgeted for the then current fiscal year for the current maintenance and operation expenses of the System.

Debt Service Fund - The sole purpose of this fund is for the payment of principal and interest on all bonds which are payable from Pledged Revenues.

Reserve Fund - This fund shall be used to pay the principal of and interest on any Bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any Bonds.

Project Fund - This fund shall be used to account for

- (1) the proceeds of Senior Lien and Junior Lien Obligations and Commercial Paper Notes
- (2) any premium thereon, and
- (3) investment earnings thereon issued for the purposes of paying the costs of capitalized interest on the Senior Lien Obligations during the extension, construction, improvement, or repair of the System, the costs of issuance of Senior Lien and Junior Lien Obligations and
- (4) any other lawful purpose.

Renewal and Replacement Fund - This fund shall be used for the purpose of

- (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or

San Antonio Water System
DESCRIPTION OF FUNDS
For the Year Ended December 31, 2009

- (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System Funds are not available
- (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System Funds are not otherwise available
- (4) depositing any funds received by the System pursuant to the CPS Contract,
- (5) paying bonds or other obligations of the System for which other System revenues are not available
- (6) making up any shortfall in the required Payment to the City General Fund, and
- (7) for any other lawful purpose.

San Antonio Water System
COMBINING BALANCE SHEET
December 31, 2009
(amounts in thousands)

	System Fund	Debt Service Fund
CURRENT ASSETS		
<i>Unrestricted Current Assets</i>		
Cash and cash equivalents	\$ 22,138	\$ -
Investments	-	-
Accounts receivable	40,490	-
Other current assets	8,435	-
Interfund receivables	15,857	-
Total current assets	86,920	-
<i>Restricted Current Assets</i>		
Investments	42,843	37,010
Total restricted current assets	42,843	37,010
Total Current Assets	129,763	37,010
NONCURRENT ASSETS		
<i>Unrestricted Noncurrent Assets</i>		
Unamortized debt issuance costs	19,407	-
<i>Restricted Noncurrent Assets</i>		
Cash and cash equivalents	-	-
Investments	-	-
Interfund receivables	-	-
Capital Assets:		
Utility plant in service	3,650,619	-
Less allowance for depreciation	1,140,232	-
	2,510,387	-
Land, water rights and other intangible assets	235,906	-
Construction in progress	427,971	-
Total capital assets (net of accumulated depreciation)	3,174,264	-
Total Noncurrent Assets	3,193,671	-
TOTAL ASSETS	\$ 3,323,434	\$ 37,010

<u>Reserve Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Project Fund</u>	<u>Combined Total</u>
\$ -	\$ 10,000	\$ -	\$ 32,138
-	137,879	-	137,879
-	1,090	-	41,580
-	993	-	9,428
-	(15,857)	-	-
-	<u>134,105</u>	-	<u>221,025</u>
-	<u>10,617</u>	<u>10,145</u>	<u>100,615</u>
-	<u>10,617</u>	<u>10,145</u>	<u>100,615</u>
-	144,722	10,145	321,640
-	-	-	19,407
3	-	96,331	96,334
47,365	89,914	72,407	209,686
26	(26)	-	-
-	-	-	3,650,619
-	-	-	<u>1,140,232</u>
-	-	-	2,510,387
-	-	-	235,906
-	-	-	<u>427,971</u>
-	-	-	<u>3,174,264</u>
47,394	89,888	168,738	3,499,691
<u>\$ 47,394</u>	<u>\$ 234,610</u>	<u>\$ 178,883</u>	<u>\$ 3,821,331</u>

San Antonio Water System
COMBINING BALANCE SHEET
December 31, 2009
(amounts in thousands)

	<u>System Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Current Liabilities To Be Paid From Unrestricted Assets		
Accounts payable	\$ 21,390	\$ -
Accrued vacation payable	4,785	-
Accrued payroll and benefits	1,040	-
Accrued claims payable	5,504	-
Sundry payables and accruals	4,691	-
Total current liabilities	37,410	-
Current Liabilities To Be Paid From Restricted Assets		
Accrued interest payable	-	9,499
Payables under construction contracts	-	-
Customers' deposits	8,194	-
Commercial paper notes	2,600	-
Revenue bonds payable within one year	38,590	-
Total restricted current liabilities	49,384	9,499
Total Current Liabilities	86,794	9,499
Noncurrent Liabilities		
Accrued vacation payable	2,417	-
Unfunded postemployment benefits	47,093	-
Commercial paper notes	171,050	-
Revenue bonds payable after one year	1,715,195	-
Unamortized premium	17,990	-
Less unamortized loss	(22,884)	-
Less unamortized discount	(11,117)	-
Total Noncurrent Liabilities	1,919,744	-
TOTAL LIABILITIES	2,006,538	9,499
EQUITY		
Restricted for operations	34,649	-
Restricted for debt service	-	27,511
Restricted for reserve fund	-	-
Invested in capital assets, net of related debt	1,262,840	-
Unrestricted	19,407	-
TOTAL EQUITY	1,316,896	27,511
TOTAL LIABILITIES AND EQUITY	\$ 3,323,434	\$ 37,010

<u>Reserve Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Project Fund</u>	<u>Combined Total</u>
\$ -	\$ -	\$ -	\$ 21,390
-	-	-	4,785
-	-	-	1,040
-	-	-	5,504
-	9	-	4,700
-	9	-	37,419
-	-	-	9,499
-	10,617	10,145	20,762
-	-	-	8,194
-	-	-	2,600
-	-	-	38,590
<u>-</u>	<u>10,617</u>	<u>10,145</u>	<u>79,645</u>
-	10,626	10,145	117,064
-	-	-	2,417
-	-	-	47,093
-	-	-	171,050
5,915	-	-	1,721,110
-	-	-	17,990
-	-	-	(22,884)
-	-	-	(11,117)
<u>5,915</u>	<u>-</u>	<u>-</u>	<u>1,925,659</u>
5,915	10,626	10,145	2,042,723
-	-	-	34,649
-	-	-	27,511
41,479	-	-	41,479
-	89,888	168,738	1,521,466
-	134,096	-	153,503
<u>41,479</u>	<u>223,984</u>	<u>168,738</u>	<u>1,778,608</u>
<u>\$ 47,394</u>	<u>\$ 234,610</u>	<u>\$ 178,883</u>	<u>\$ 3,821,331</u>

San Antonio Water System
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN EQUITY
For the Year Ended December 31, 2009
(amounts in thousands)

	System Fund	Debt Service Fund
OPERATING REVENUES		
Water delivery system	\$ 106,305	\$ -
Water supply system	115,208	-
Wastewater system	134,826	-
Chilled water and steam system	12,714	-
Total operating revenues	369,053	-
OPERATING EXPENSE		
Salaries and fringe benefits	110,075	-
Contractual services	89,112	-
Materials and supplies	22,768	-
Other charges	33,211	-
Less: Costs capitalized to Construction in Progress	(35,643)	-
Total operating expenses before depreciation	219,523	-
Depreciation expense	86,535	-
Total operating expenses	306,058	-
Operating income	62,995	-
NONOPERATING REVENUES:		
Interest earned and miscellaneous	278	942
NONOPERATING EXPENSES:		
Amortization of debt issuance costs	1,465	-
Other finance charges	2,508	-
Interest expense:		
Revenue bonds and commercial paper	(9,953)	77,638
Amortized discount/premium/loss/expense	(13)	-
Other	14	-
Loss on sale of capital assets	104	-
Payments to the City of San Antonio	9,740	-
Payments to other entities	119	-
Total nonoperating expenses	3,984	77,638
Special items	-	-
Increase/(Decrease) in equity, before capital contributions	59,289	(76,696)
Capital contributions	42,190	-
CHANGE IN EQUITY - carried forward	\$ 101,479	\$ (76,696)

Reserve Fund	Renewal and Replacement Fund	Project Fund	Combined Total
\$ -	\$ -	\$ -	\$ 106,305
-	-	-	115,208
-	-	-	134,826
-	-	-	12,714
<u>-</u>	<u>-</u>	<u>-</u>	<u>369,053</u>
-	-	-	110,075
-	-	-	89,112
-	-	-	22,768
-	-	-	33,211
-	-	-	(35,643)
<u>-</u>	<u>-</u>	<u>-</u>	<u>219,523</u>
-	-	-	86,535
<u>-</u>	<u>-</u>	<u>-</u>	<u>306,058</u>
-	-	-	62,995
698	2,175	418	4,511
-	-	-	1,465
-	-	-	2,508
-	-	-	67,685
-	-	-	(13)
-	-	-	14
-	-	-	104
-	-	-	9,740
-	-	-	119
<u>-</u>	<u>-</u>	<u>-</u>	<u>81,622</u>
-	-	-	-
698	2,175	418	(14,116)
-	24,685	-	66,875
<u>\$ 698</u>	<u>\$ 26,860</u>	<u>\$ 418</u>	<u>\$ 52,759</u>

San Antonio Water System
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN EQUITY
For the Year Ended December 31, 2009
(amounts in thousands)

	System Fund	Debt Service Fund
CHANGE IN EQUITY- brought forward	\$ 101,479	\$ (76,696)
Equity, December 31, 2008	1,348,087	25,790
Residual equity transfers in (out)	(136,269)	115,782
Commercial paper issued	(70,000)	-
Proceeds from Bond Issue	(365,485)	-
Bond issuance costs	2,935	-
Repayment of commercial paper	157,465	(2,465)
Retirement of bonds	35,880	(34,900)
Expenditures for plant additions	<u>242,804</u>	<u>-</u>
Equity, December 31, 2009	<u>\$ 1,316,896</u>	<u>\$ 27,511</u>

Reserve Fund	Renewal and Replacement Fund	Project Fund	Combined Total
\$ 698	\$ 26,860	\$ 418	\$ 52,759
11,222	257,183	83,567	1,725,849
29,559	(9,563)	491	-
-	-	70,000	-
-	-	365,485	-
-	-	(2,935)	-
-	-	(155,000)	-
-	-	(980)	-
-	(50,496)	(192,308)	-
<u>\$ 41,479</u>	<u>\$ 223,984</u>	<u>\$ 168,738</u>	<u>\$ 1,778,608</u>

San Antonio Water System
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended December 31, 2009
(amounts in thousands)

	System Fund	Debt Service Fund
	Fund	Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 367,109	\$ -
Cash paid to vendors for operations	(121,366)	-
Cash paid to employees for services	(85,719)	-
Net cash provided by operating activities	160,024	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City of San Antonio	(7,149)	-
Transfers to other entities	(118)	-
Transfers in (out)	(13,209)	-
Equity transfers	(136,269)	115,782
Net cash provided by/(used for) noncapital financing activities	(156,745)	115,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	545	-
Proceeds from developers for plant construction	-	-
Payments to employees for construction of plant	-	-
Payments to vendors for construction of plant	-	-
Payments for acquisition of equipment and furniture	-	-
Payments for acquisition of property and plant	-	-
Proceeds from commercial paper	-	-
Payment on the retirement of commercial paper	-	(2,465)
Proceeds from revenue bonds	-	598
Payment for retirement of revenue bonds	-	(34,900)
Payment on capital leases and note payable	(120)	-
Payment of interest on commercial paper	-	(1,194)
Payment of interest on revenue bonds	-	(75,996)
Payment for bond related expenses	-	-
Payment for bank charges	(1,806)	-
Net cash provided by/(used for) capital and related financing	(1,381)	(113,957)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(38,977)	(91,192)
Maturity of investments	36,431	88,421
Interest income	477	942
Net cash used for from investing activities	(2,069)	(1,829)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(171)	(4)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	22,309	4
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 22,138	\$ -

Reserve Fund	Renewal and Replacement Fund	Project Fund	Combined Total
\$ -	\$ -	\$ -	\$ 367,109
-	-	-	(121,366)
-	-	-	(85,719)
-	-	-	160,024
-	-	-	(7,149)
-	-	-	(118)
(26)	12,679	556	-
29,559	(9,563)	491	-
29,533	3,116	1,047	(7,267)
-	-	-	545
-	23,636	-	23,636
-	(20,286)	-	(20,286)
-	(15,358)	-	(15,358)
-	(17,871)	-	(17,871)
-	(14,536)	(182,164)	(196,700)
-	-	70,000	70,000
-	-	(155,000)	(157,465)
5,915	-	365,485	371,998
-	-	(980)	(35,880)
-	-	-	(120)
-	-	-	(1,194)
-	-	-	(75,996)
-	-	(3,491)	(3,491)
-	-	-	(1,806)
5,915	(44,415)	93,850	(59,988)
(37,721)	(431,928)	(166,607)	(766,425)
315	465,179	151,592	741,938
429	2,538	418	4,804
(36,977)	35,789	(14,597)	(19,683)
(1,529)	(5,510)	80,300	73,086
1,532	15,510	16,031	55,386
\$ 3	\$ 10,000	\$ 96,331	\$ 128,472

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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>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
SOURCES OF FUNDS			
OPERATING REVENUES			
Water delivery system	\$ 106,305	\$ 112,813	\$ (6,508)
Water supply system	115,208	123,821	(8,613)
Wastewater System	134,826	128,517	6,309
Chilled water and steam system	12,714	12,758	(44)
Total operating revenues	<u>369,053</u>	<u>377,909</u>	<u>(8,856)</u>
NONOPERATING REVENUES			
Interest earned and miscellaneous	4,511	14,382	(9,871)
Other financing sources (draw on equity)	2,184	657	1,527
Total nonoperating revenues	<u>6,695</u>	<u>15,039</u>	<u>(8,344)</u>
CAPITAL CONTRIBUTIONS			
Capital Recovery Fees	23,636	36,842	(13,206)
Grant Revenue	1,049	276	773
Total capital contributions	<u>24,685</u>	<u>37,118</u>	<u>(12,433)</u>
TOTAL SOURCES OF FUNDS	<u>\$ 400,433</u>	<u>\$ 430,066</u>	<u>\$ (29,633)</u>
USES OF FUNDS			
OPERATION AND MAINTENANCE			
Salaries and fringe benefits	\$ 102,770	\$ 94,853	\$ 7,917
Contractual services	89,112	89,894	(782)
Materials and supplies	22,768	22,438	330
Other charges	19,880	19,467	413
Less: Costs capitalized to Construction in Progress	(32,873)	(29,326)	(3,547)
Total operation and maintenance	<u>201,657</u>	<u>197,326</u>	<u>4,331</u>
OPERATING RESERVE REQUIREMENT	2,392	2,690	(298)
DEBT REQUIREMENTS			
Revenue Bonds:			
Interest costs	72,646	64,530	8,116
Retirement of bonds	38,197	28,182	10,015
Subordinate Lien Debt:			
Interest costs	4,211	4,791	(580)
Retirement of bonds	2,562	2,448	114
Commercial Paper Notes	781	2,922	(2,141)
Other Debt Expense	2,508	1,418	1,090
Other Debt	133	494	(361)
Total debt requirements	<u>121,038</u>	<u>104,785</u>	<u>16,253</u>
TRANSFER TO THE CITY'S GENERAL FUND	9,740	10,448	(708)
AMOUNT AVAILABLE FOR TRANSFER TO			
THE RENEWAL AND REPLACEMENT FUND:			
CAPITAL CONTRIBUTIONS	24,685	37,118	(12,433)
GENERAL	40,921	77,699	(36,778)
Total amount available for Renewal and Replacement Funds	<u>65,606</u>	<u>114,817</u>	<u>(49,211)</u>
TOTAL USES OF FUNDS	<u>\$ 400,433</u>	<u>\$ 430,066</u>	<u>\$ (29,633)</u>

The accompanying notes to the supplemental schedules is an integral part of this schedule.

San Antonio Water System
SCHEDULE OF REVENUES AND THEIR DISPOSITION
COMPARED TO ANNUAL BUDGET
(amounts in thousands)
For the year ended December 31, 2009

	<u>Actual</u>	<u>Annual Budget</u>	<u>Variance</u>
SOURCES OF FUNDS			
OPERATING REVENUES			
Water delivery system	\$ 106,305	\$ 106,024	\$ 281
Water supply system	115,208	117,331	(2,123)
Wastewater System	134,826	134,284	542
Chilled water and steam system	12,714	13,444	(730)
Total operating revenues	<u>369,053</u>	<u>371,083</u>	<u>(2,030)</u>
NONOPERATING REVENUES			
Interest earned and miscellaneous	4,511	11,041	(6,530)
Other financing sources (draw on equity)	2,184	3,245	(1,061)
Total nonoperating revenues	<u>6,695</u>	<u>14,286</u>	<u>(7,591)</u>
CAPITAL CONTRIBUTIONS			
Capital Recovery Fees	23,636	34,000	(10,364)
Grant Revenue	1,049	-	1,049
Total capital contributions	<u>24,685</u>	<u>34,000</u>	<u>(9,315)</u>
TOTAL SOURCES OF FUNDS	<u>\$ 400,433</u>	<u>\$ 419,369</u>	<u>\$ (18,936)</u>
USES OF FUNDS			
OPERATION AND MAINTENANCE			
Salaries and fringe benefits	\$ 102,770	\$ 107,739	\$ 4,969
Contractual services	89,112	94,484	5,372
Materials and supplies	22,768	22,239	(529)
Other charges	19,880	17,365	(2,515)
Less: Costs capitalized to Construction in Progress	(32,873)	(33,932)	(1,059)
Total operation and maintenance	<u>201,657</u>	<u>207,895</u>	<u>6,238</u>
OPERATING RESERVE REQUIREMENT	2,392	2,168	(224)
DEBT REQUIREMENTS			
Revenue Bonds:			
Interest costs	72,646	78,127	5,481
Retirement of bonds	38,197	34,887	(3,310)
Subordinate Lien Debt:			
Interest costs	4,211	5,036	825
Retirement of bonds	2,562	2,562	-
Commercial Paper Notes	781	3,896	3,115
Other Debt Expense	2,508	2,708	200
Other Debt	133	120	(13)
Total debt requirements	<u>121,038</u>	<u>127,336</u>	<u>6,298</u>
TRANSFER TO THE CITY'S GENERAL FUND	9,740	9,818	78
AMOUNT AVAILABLE FOR TRANSFER TO THE RENEWAL AND REPLACEMENT FUND:			
 CAPITAL CONTRIBUTIONS	24,685	34,000	9,315
 GENERAL	40,921	38,152	(2,769)
Total amount available for Renewal and Replacement Funds	<u>65,606</u>	<u>72,152</u>	<u>6,546</u>
TOTAL USES OF FUNDS	<u>\$ 400,433</u>	<u>\$ 419,369</u>	<u>\$ 18,936</u>

The accompanying notes to the supplemental schedules is an integral part of this schedule.

San Antonio Water System
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND)
For the year ended December 31, 2009

		<i>(amounts in thousands)</i>			
Account Code	Classification	Actual	Budget	Variance Over/(Under)	%
SALARIES AND FRINGE BENEFITS					
511100	Salaries	\$ 76,072	\$ 77,967	\$ 1,895	2.4%
511140	Overtime Pay	3,476	2,786	(690)	-24.8%
511150	On-Call Pay	527	555	28	5.0%
511160	Employee Insurance	5,440	6,151	711	11.6%
511162	Employee Retirement	15,219	16,549	1,330	8.0%
511164	Compensation for Unused Sick Leave	38	80	42	52.5%
511166	Personal Leave Bonus	846	805	(41)	-5.1%
511168	Vacation Pay	1,088	834	(254)	-30.5%
511170	Incentive Pay	64	12	(52)	-433.3%
511175	Other postemployment benefits	-	2,000	2,000	100.0%
	Total Salaries and Fringe Benefits	102,770	107,739	4,969	4.6%
CONTRACTUAL SERVICES					
511210	Operating Expense	2,972	1,869	(1,103)	-59.0%
511211	Rental of Facilities	283	333	50	15.0%
511212	Alarm and Security	1,339	1,220	(119)	-9.8%
511213	Collection Expense	245	341	96	28.2%
511214	Shoe Reimbursement	86	84	(2)	-2.4%
511216	Catering Services	169	185	16	8.6%
511219	Program Rebates	918	388	(530)	-136.6%
511220	Maintenance Expense	9,562	8,123	(1,439)	-17.7%
511221	Street Cut Permit	1,154	640	(514)	-80.3%
511222	Street Pavement Repair Fees	1,061	800	(261)	-32.6%
511223	Preventative Maintenance	49	67	18	26.9%
511224	Corrective Maintenance	1,036	1,257	221	17.6%
511225	Damage Repair	226	60	(166)	-276.7%
511230	Outside Equipment Rental	139	183	44	24.0%
511240	Travel	242	310	68	21.9%
511245	Training	821	782	(39)	-5.0%
511247	Conferences	104	142	38	26.8%
511250	Memberships and Subscriptions	392	369	(23)	-6.2%
511260	Utilities	22,617	20,947	(1,670)	-8.0%
511261	Water Options & Payments	14,753	15,925	1,172	7.4%
511265	Groundwater District Payments	7,198	8,905	1,707	19.2%
511270	Postage	1,850	1,892	42	2.2%
511280	Telemetering Charges	43	65	22	33.8%
511309	Educational Assistance - Books	20	20	-	0.0%
511310	Educational Assistance - Tuition	175	150	(25)	-16.7%
511312	Contractual Professional Services	13,671	21,588	7,917	36.7%
511313	Inspection and Assessment Fees	539	424	(115)	-27.1%
511315	Temporary Employees	1,422	1,424	2	0.1%
511320	Legal Services	2,697	2,128	(569)	-26.7%
511330	Revenue Recovery	33	137	104	75.9%
511370	Communications	1,071	1,235	164	13.3%
511381	Software and Hardware Maintenance	2,225	2,491	266	10.7%
	Total Contractual Services	89,112	94,484	5,372	5.7%

San Antonio Water System
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND)
For the year ended December 31, 2009

		<i>(amounts in thousands)</i>			
Account Code	Classification	Actual	Budget	Variance Over/(Under)	%
MATERIALS AND SUPPLIES					
511410	Small Tools	749	598	(151)	-25.3%
511415	Expensed Assets	463	324	(139)	-42.9%
511417	Copy and Printing Expense	249	288	39	13.5%
511420	Operating Materials and Supplies	2,351	2,282	(69)	-3.0%
511421	Heating Fuel	49	81	32	39.5%
511422	Chemicals	5,925	6,529	604	9.3%
511425	Education of School Children	15	25	10	40.0%
511426	Public Awareness	-	1	1	100.0%
511427	Enforcement	3	2	(1)	-50.0%
511428	Program Materials	2,147	2,169	22	1.0%
511430	Maintenance Materials and Supplies	7,483	6,632	(851)	-12.8%
511440	Safety Materials and Supplies	955	716	(239)	-33.4%
511441	SRT Inventory Variances	46	80	34	42.5%
511450	Tires and Tubes	332	231	(101)	-43.7%
511451	Motor Fuel and Lubricants	2,001	2,281	280	12.3%
	Total Materials and Supplies	<u>22,768</u>	<u>22,239</u>	<u>(529)</u>	<u>-2.4%</u>
OTHER CHARGES					
511510	Judgment and Claim Settlements	533	551	18	3.3%
511511	AL/GL Claims - Contingent Liability	23	75	52	69.3%
511520	Bank Charges	958	873	(85)	-9.7%
511530	Employee Relations	279	251	(28)	-11.2%
511540	Dependent & Retiree Med Coverage	10,986	10,757	(229)	-2.1%
511560	Uncollectible Accounts	3,711	2,103	(1,608)	-76.5%
511570	General Liability & Fire Insurance	1,206	1,300	94	7.2%
511580	Unemployment Compensation	69	30	(39)	-130.0%
511590	Workers' Compensation - Medical Payments	973	1,000	27	2.7%
511600	Workers' Compensation - Contingent Liability	81	-	(81)	-
511610	Workers' Compensation - Benefits and Payments	288	375	87	23.2%
511620	Workers' Compensation - Misc. Claims Expenditures	84	50	(34)	-68.0%
511650	Expensed CIP Projects	689	-	(689)	-
	Total Other Charges	<u>19,880</u>	<u>17,365</u>	<u>(2,515)</u>	<u>-14.5%</u>
	Subtotal before Transfers	234,530	241,827	7,297	3.0%
511720	Interfund Transfers	<u>(32,873)</u>	<u>(33,932)</u>	<u>(1,059)</u>	<u>3.1%</u>
	Total Interfund Transfers	<u>(32,873)</u>	<u>(33,932)</u>	<u>(1,059)</u>	<u>3.1%</u>
	Total Operation and Maintenance	<u>\$ 201,657</u>	<u>\$ 207,895</u>	<u>\$ 6,238</u>	<u>3.0%</u>

The accompanying notes to the supplemental schedules is an integral part of this schedule.

San Antonio Water System
Notes to Supplemental Schedules
For the years ended December 31, 2009 and 2008

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 Operation and Maintenance Expense by Account (System Funds) have all been prepared in accordance with City Ordinance No. 75686 (“the Ordinance”). The Ordinance 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) 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. Further, the Ordinance 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 of the Ordinance.

Note 2 – Reconciliation to Basic Financial Statements

In 2007, SAWS implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and disclosure of expenses and related liabilities associated with postemployment benefits other than pensions (OPEB's). SAWS provides certain health care and life insurance benefits for retired employees. Prior to the adoption of this Statement, the cost of providing these benefits was recognized on a pay-as-you-go basis by expensing the annual premiums for this coverage. Beginning in 2007, in accordance with GASB 45 SAWS has recorded a net OPEB obligation in addition to the pay-as-you-go cost of these benefits. This additional OPEB cost was unfunded at December 31, 2009 and 2008.

SAWS provides pension benefits for its eligible employees through the Texas Municipal Retirement System (TMRS). Beginning with the December 31, 2007 actuarial valuation, TMRS made a change in the funding method and the amortization period. To assist in this transition to higher rates, TMRS approved an eight-year phase-in period beginning in 2009, which allows governments the opportunity to increase their contributions gradually. SAWS elected to transition the increase in its contribution rate over the eight-year phase-in period. As a result of these changes, SAWS' actuarially required contribution for 2009 was 5.02% while the phased-in rate for 2009 was 3.77% of salary.

San Antonio Water System
Notes to Supplemental Schedules
For the years ended December 31, 2009 and 2008

Unfunded benefit expense does not meet the definition of maintenance and operating expenses of SAWS in accordance with the Ordinance. As a result, this expense was not included in SAWS' Annual Budget for 2008 and 2009 and has been excluded from the Supplemental Schedules.

The operation 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,	
	2009	2008
Operating and maintenance costs	\$ 201,657	\$ 197,326
Unfunded benefit expense	20,547	13,329
Less portion of unfunded benefits capitalized to Construction in Progress	(2,681)	(1,881)
Operating expenses before depreciation per Statement of Revenues, Expenses and Changes in Equity	\$ 219,523	\$ 208,774

STATISTICAL SECTION

**San Antonio Water System
Statistical Section
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This part of the SAWS comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about SAWS' overall financial health.

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Sources: Unless otherwise noted, information presented in these schedules was obtained from SAWS' comprehensive annual financial reports or internal information systems.

San Antonio Water System
Schedule 1 - Fund Equity
Since Inception of GASB 34
(accrual basis of accounting)
(amounts in thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
System Fund:								
Invested in capital assets, net of related debt	\$ 1,262,840	\$ 1,297,893	\$ 1,104,726	\$ 971,355	\$ 887,192	\$ 792,641	\$ 703,854	\$ 632,565
Restricted	34,649	32,257	29,567	28,380	32,870	27,844	25,621	24,620
Unrestricted	19,407	17,937	19,475	27,649	30,849	81,920	48,963	5,828
Total equity - System Fund	<u>1,316,896</u>	<u>1,348,087</u>	<u>1,153,768</u>	<u>1,027,384</u>	<u>950,911</u>	<u>902,405</u>	<u>778,438</u>	<u>663,013</u>
Internal Service Fund (a):								
Invested in capital assets, net of related debt	-	-	-	496	822	1,043	1,802	12,312
Unrestricted	-	-	-	9,371	9,475	10,232	10,421	3,843
Total equity - Internal Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,867</u>	<u>10,297</u>	<u>11,275</u>	<u>12,223</u>	<u>16,155</u>
Debt Service Fund:								
Restricted	27,511	25,790	21,324	18,350	15,978	11,706	5,156	3,677
Total equity - Debt Service Fund	<u>27,511</u>	<u>25,790</u>	<u>21,324</u>	<u>18,350</u>	<u>15,978</u>	<u>11,706</u>	<u>5,156</u>	<u>3,677</u>
Reserve Fund:								
Restricted	41,479	11,222	-	-	-	-	-	-
Total equity - Reserve Fund	<u>41,479</u>	<u>11,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Renewal & Replacement Fund:								
Invested in capital assets, net of related debt	89,888	85,191	116,344	114,701	73,733	77,767	47,552	37,056
Unrestricted	134,096	171,992	185,220	171,037	105,273	23,484	75,326	83,849
Total equity - Renewal & Replacement Fund	<u>223,984</u>	<u>257,183</u>	<u>301,564</u>	<u>285,738</u>	<u>179,006</u>	<u>101,251</u>	<u>122,878</u>	<u>120,905</u>
Project Fund:								
Invested in capital assets, net of related debt	168,738	83,567	93,273	75,673	78,910	91,430	134,781	193,950
Total equity - Project Fund	<u>168,738</u>	<u>83,567</u>	<u>93,273</u>	<u>75,673</u>	<u>78,910</u>	<u>91,430</u>	<u>134,781</u>	<u>193,950</u>
Total - All Funds:								
Invested in capital assets, net of related debt	1,521,466	1,466,651	1,314,343	1,162,225	1,040,657	962,881	887,989	875,883
Restricted	103,639	69,269	50,891	46,730	48,848	39,550	30,777	28,297
Unrestricted	153,503	189,929	204,695	208,057	145,597	115,636	134,710	93,520
Total Equity	<u>\$ 1,778,608</u>	<u>\$ 1,725,849</u>	<u>\$ 1,569,929</u>	<u>\$ 1,417,012</u>	<u>\$ 1,235,102</u>	<u>\$ 1,118,067</u>	<u>\$ 1,053,476</u>	<u>\$ 997,700</u>

(a) Internal Service Fund was eliminated in 2007. Fund balances were transferred to the System Fund.

San Antonio Water System
Schedule 2 - Change in Equity
Since Inception of GASB 34
(accrual basis of accounting)
(amounts in thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Operating revenues:								
Water delivery	\$ 106,305	\$ 112,813	\$ 90,710	\$ 104,870	\$ 93,420	\$ 72,888	\$ 65,164	\$ 58,873
Water supply	115,208	123,821	102,362	118,491	108,045	78,546	76,044	76,167
Wastewater	134,826	128,517	124,164	124,690	113,334	99,225	87,684	89,312
Chilled water & steam	12,714	12,758	13,101	13,243	13,371	12,028	12,194	10,857
	<u>369,053</u>	<u>377,909</u>	<u>330,337</u>	<u>361,294</u>	<u>328,170</u>	<u>262,687</u>	<u>241,086</u>	<u>235,209</u>
Operating expenses before depreciation:								
Salaries and fringe benefits	110,075	98,539	90,611	84,210	77,441	74,417	70,792	66,167
Contractual services	89,112	89,894	83,243	82,121	87,272	69,127	71,085	64,568
Materials and supplies	22,768	22,438	17,947	16,330	15,035	14,144	13,753	12,554
Other charges	33,211	29,040	25,713	20,486	15,752	15,475	14,870	9,933
Less: Costs capitalized to								
Construction in Progress	(35,643)	(31,137)	(29,334)	(23,244)	(22,714)	(19,053)	(19,312)	(15,638)
Internal Service Fund - net (gain)/loss	-	-	-	-	704	(249)	1,555	(2,607)
Operating expense before depreciation	<u>219,523</u>	<u>208,774</u>	<u>188,180</u>	<u>179,903</u>	<u>173,490</u>	<u>153,861</u>	<u>152,743</u>	<u>134,977</u>
Depreciation	86,535	83,494	78,307	71,312	67,958	60,646	57,005	55,467
Total operating expenses	<u>306,058</u>	<u>292,268</u>	<u>266,487</u>	<u>251,215</u>	<u>241,448</u>	<u>214,507</u>	<u>209,748</u>	<u>190,444</u>
Operating Income	62,995	85,641	63,850	110,079	86,722	48,180	31,338	44,765
Non-operating revenues:								
Interest and miscellaneous	4,511	14,382	24,442	20,716	10,120	6,703	7,188	7,547
Gain/(Loss) from fair value of investments	-	-	-	-	(113)	357	121	1,948
	<u>4,511</u>	<u>14,382</u>	<u>24,442</u>	<u>20,716</u>	<u>10,007</u>	<u>7,060</u>	<u>7,309</u>	<u>9,495</u>
Non-operating expenses:								
Amortization of debt issuance costs	1,465	1,521	1,015	645	537	500	430	380
Other finance charges	2,508	1,418	880	1,081	931	1,144	1,031	-
Interest expense:								
Revenue bonds and commercial paper	67,685	63,213	62,495	58,907	45,179	39,933	39,219	38,851
Amortized discount/premium/loss	(13)	302	1,104	1,615	1,480	1,485	1,488	2,062
Other	14	41	73	90	129	174	188	231
(Gain)/Loss on sale of capital assets	104	(4,014)	4	(2,266)	1,227	(131)	199	2,388
Payments to City of San Antonio	9,740	10,448	9,376	10,026	8,983	7,102	6,608	6,227
Payments to other entities	119	119	192	211	213	184	-	-
Total non-operating expense	<u>81,622</u>	<u>73,048</u>	<u>75,139</u>	<u>70,309</u>	<u>58,679</u>	<u>50,391</u>	<u>49,163</u>	<u>50,139</u>
Special Items	-	-	-	(4,999)	(3,584)	(9,786)	-	-
Increases (decreases) in equity, before capital contributions	(14,116)	26,975	13,153	55,487	34,466	(4,937)	(10,516)	4,121
Capital contributions								
Plant Contributions	42,190	91,827	104,795	81,208	48,238	45,302	52,055	53,764
Capital Recovery Fees	23,636	36,842	32,926	45,112	33,171	24,226	14,236	23,164
Grant Revenue	1,049	276	2,043	103	1,160	-	-	-
Total contributions	<u>66,875</u>	<u>128,945</u>	<u>139,764</u>	<u>126,423</u>	<u>82,569</u>	<u>69,528</u>	<u>66,291</u>	<u>76,928</u>
Change in net assets	<u>\$ 52,759</u>	<u>\$ 155,920</u>	<u>\$ 152,917</u>	<u>\$ 181,910</u>	<u>\$ 117,035</u>	<u>\$ 64,591</u>	<u>\$ 55,775</u>	<u>\$ 81,049</u>

San Antonio Water System
Schedule 3 - Equity in System
Since Inception of GASB 34
(accrual basis of accounting)
(amounts in thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Assets:								
Capital Assets, net of accumulated depreciation	\$ 3,174,264	\$ 2,967,190	\$ 2,697,592	\$ 2,471,129	\$ 2,338,280	\$ 2,180,021	\$ 2,016,140	\$ 1,771,556
Cash and Investments	576,652	478,919	480,240	435,543	337,322	307,769	331,657	354,756
Other Assets	70,415	71,110	72,796	65,482	64,828	59,691	45,896	36,883
Total Assets	3,821,331	3,517,219	3,250,628	2,972,154	2,740,430	2,547,481	2,393,693	2,163,195
Liabilities:								
Revenue Bonds Payable (net)	1,743,689	1,408,182	1,492,865	1,257,642	1,348,054	1,134,379	1,018,643	866,714
Commercial Paper Notes	173,650	261,115	100,000	237,360	98,000	238,400	269,000	255,000
Other Liabilities	125,384	122,073	87,834	60,140	59,274	56,635	52,574	43,781
Total Liabilities	2,042,723	1,791,370	1,680,699	1,555,142	1,505,328	1,429,414	1,340,217	1,165,495
Equity in System	\$ 1,778,608	\$ 1,725,849	\$ 1,569,929	\$ 1,417,012	\$ 1,235,102	\$ 1,118,067	\$ 1,053,476	\$ 997,700
Percentage Equity in System	46.5%	49.1%	48.3%	47.7%	45.1%	43.9%	44.0%	46.1%

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

Fiscal Year	Gallons of Water Production (b)	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate			
						Water		Sewer	
						Base Rate (c)	Usage Rate (d)	Base Rate (e)	Usage Rate (f)
2009	60,646	55,391	5,255	8.67%	51,987	\$ 6.77	\$ 20.04	\$ 7.76	\$ 9.63
2008	67,523	58,828	8,695	12.88%	50,347	6.56	19.92	7.37	9.14
2007	55,043	49,511	5,532	10.05%	49,218	6.56	19.59	7.37	9.14
2006	63,388	57,724	5,664	8.94%	53,268	6.56	19.69	7.37	9.14
2005	58,990	55,005	3,985	6.76%	49,287	6.11	18.42	7.33	9.10
2004	51,231	49,366	1,865	3.64%	49,593	5.61	15.47	6.60	8.19
2003	55,039	50,576	4,463	8.11%	49,669	5.61	13.20	5.70	7.14
2002	52,691	51,850	841	1.60%	52,180	5.61	11.97	5.70	7.14
2001 (a)	36,883	34,716	2,167	5.88%	29,561	5.61	9.19	5.70	7.14
2001	57,243	53,047	4,196	7.33%	52,344	5.61	9.19	5.70	7.14

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

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

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

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

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

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

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Sales:										
Residential Class	\$65,333	\$68,516	\$56,096	\$65,927	\$58,351	\$44,829	\$45,147	\$45,414	\$30,258	\$43,622
General Class	32,943	32,330	29,313	31,606	28,613	24,006	23,219	23,682	15,839	21,936
Wholesale Class	204	179	120	145	182	114	143	173	312	497
Irrigation Class (b)	12,176	16,124	10,659	12,541	11,723	8,210	8,666	8,535	4,108	1,145
Total Water	110,656	117,149	96,188	110,219	98,869	77,159	77,175	77,804	50,517	67,200
Wastewater Sales:										
Residential Class	81,202	75,752	72,212	72,901	63,605	55,763	48,649	48,877	27,279	48,731
General Class	41,220	39,892	38,372	38,166	37,181	31,495	28,293	30,422	17,262	30,397
Wholesale Class	5,348	5,423	6,651	6,863	6,596	5,822	4,810	4,870	2,991	6,155
Surcharge	4,648	4,614	4,409	4,271	4,081	4,019	4,075	3,526	2,989	4,197
Total Wastewater	132,418	125,681	121,644	122,201	111,463	97,099	85,827	87,695	50,521	89,480
Conservation Fees:										
Residential Class	2,962	3,663	1,986	4,112	3,291	2,411	2,411	2,507	2,644	3,266
General Class	4,008	3,938	3,957	3,637	3,968	3,558	3,519	3,599	1,843	2,701
	6,970	7,601	5,943	7,749	7,259	5,969	5,930	6,106	4,487	5,967
Water Supply Fees (c)	82,778	87,358	72,603	84,254	75,225	52,231	42,640	37,227	12,225	7,363
EAA Fees	6,500	10,497	6,614	8,573	8,571	6,030	5,945	4,926	3,010	3,788
Recycled Water Sales	4,393	4,287	3,244	3,795	3,100	2,669	2,455	2,444	1,412	2,176
Stormwater Fees	3,358	3,037	3,056	3,056	2,938	2,746	2,400	2,133	2,146	2,461
Chilled Water & Steam	12,714	12,758	13,101	13,243	13,371	12,028	12,193	10,857	6,822	9,801
Miscellaneous Fees and Charges	9,266	9,541	7,944	8,204	7,374	6,756	6,521	6,018	3,565	2,060
Total Operating Revenue	\$369,053	\$377,909	\$330,337	\$361,294	\$328,170	\$262,687	\$241,086	\$235,210	\$134,705	\$190,296

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

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

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

San Antonio Water System
Schedule 6 - Sales in Gallons
(gallons billed, in millions)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Sales (b):										
Residential Class	30,667	33,025	26,651	33,162	30,917	27,054	27,624	28,227	19,398	28,621
General Class	20,309	20,297	19,166	20,232	19,769	18,851	19,464	20,155	13,444	23,042
Wholesale Class	119	108	90	114	121	98	137	173	347	535
Irrigation Class	4,200	5,398	3,604	4,216	4,198	3,364	3,350	3,295	1,527	848
Total Water	55,295	58,828	49,511	57,724	55,005	49,367	50,575	51,850	34,716	53,046
Wastewater Sales:										
Residential Class	29,825	28,148	27,384	28,857	25,293	25,421	24,860	25,564	13,594	26,472
General Class	19,714	19,609	18,670	21,152	21,414	20,952	21,418	22,319	13,209	21,516
Wholesale Class	2,448	2,590	3,164	3,259	2,580	3,220	3,391	4,297	2,758	4,356
Total Wastewater	51,987	50,347	49,218	53,268	49,287	49,593	49,669	52,180	29,561	52,344
Conservation - Residential Class (c)	3,469	3,948	2,432	4,276	3,613	2,634	2,636	2,742	2,757	3,629
Recycled Water Sales	16,321	16,559	14,148	14,836	14,048	13,626	13,643	13,762	4,654	13,292

- (a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.
(b) Water Supply and EAA fees are billed based on the gallons billed for water sales.
(c) Gallons billed for conservation are included in the gallons billed for water sales.

Schedule 7 - Number of Customer Connections
(average number billed)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Sales (b):										
Residential Class	327,610	323,754	318,270	308,807	298,271	289,458	282,016	276,340	271,597	267,945
General Class	23,242	23,104	22,943	22,662	22,384	22,092	21,894	21,869	21,695	22,947
Wholesale Class	7	7	7	7	6	6	7	7	7	7
Total Water	350,859	346,865	341,220	331,476	320,661	311,556	303,917	298,216	293,299	290,899
Irrigation Class (c)	8,202	7,940	7,602	7,232	6,883	6,522	6,283	6,125	3,329	3,136
Wastewater Sales:										
Residential Class	368,948	361,966	352,038	338,693	326,516	316,498	313,042	310,842	301,845	313,985
General Class	24,279	23,993	23,598	23,402	23,010	22,584	22,379	22,541	22,753	23,164
Wholesale Class	18	19	17	18	18	18	18	20	26	20
Total Wastewater	393,245	385,978	375,653	362,113	349,544	339,100	335,439	333,403	324,624	337,169
Conservation - Residential Class (d)	26,665	29,973	15,548	31,716	27,963	18,754	22,177	24,137	39,307	11,671
Recycled Water Sales	86	76	71	69	56	51	33	26	19	22

- (a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.
(b) Water Supply and EAA fees are billed to a water customers with water usage.
(c) Represents the number of customers included in Residential, General and Wholesale Classes which also have irrigation meters.
(d) The residential class rate applied to monthly residential usage in excess of 17,205 gallons is designated as Conservation Fees. These customers are included in the residential class for water sales.

**San Antonio Water System
Schedule 8 - Residential Class Rates**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water - Inside City Limits										
Service Availability Charge by meter size:										
5/8"	\$6.77	\$6.56	\$6.56	\$6.56	\$6.11	\$5.61	\$5.61	\$5.61	\$5.61	\$5.61
3/4"	8.59	8.32	8.32	8.32	7.75	7.12	6.85	6.85	6.85	6.85
1"	12.49	12.10	12.10	12.10	11.28	10.36	8.22	8.22	8.22	8.22
1-1/2"	22.25	21.56	21.56	21.56	20.09	18.46	11.45	11.45	11.45	11.45
2"	33.95	32.90	32.90	32.90	30.66	28.18	16.68	16.68	16.68	16.68
3"	61.27	59.37	59.37	59.37	55.33	50.85	47.94	47.94	47.94	47.94
4"	100.30	97.19	97.19	97.19	90.58	83.25	64.75	64.75	64.75	64.75
6"	197.89	191.75	191.75	191.75	178.70	164.24	117.90	117.90	117.90	117.90
8"	314.96	305.19	305.19	305.19	284.43	261.42	167.34	167.34	167.34	167.34
10"	451.57	437.57	437.57	437.57	407.80	374.81	251.76	251.76	251.76	251.76
12"	841.86	815.76	815.76	815.76	760.26	698.76	554.30	554.30	554.30	554.30
Usage (per 100 gallons)										
Standard:										
First 7,481 gallons	0.0906	0.0878	0.0878	0.0878	0.0818	0.0751	0.0722	0.0722	0.0722	0.0722
Next 5,236 gallons	0.1309	0.1268	0.1268	0.1268	0.1182	0.1086	0.1038	0.1038	0.1038	0.1038
Next 4,488 gallons	0.2058	0.1994	0.1994	0.1994	0.1858	0.1707	0.1288	0.1288	0.1288	0.1288
Over 17,205 gallons (b)	0.3288	0.3186	0.3186	0.3186	0.2969	0.2728	0.2703	0.2703	0.2703	0.2703
Seasonal (c):										
First 7,481 gallons	0.0906	0.0878	0.0878	0.0878	0.0818	0.0751	0.0722	0.0722	0.0722	0.0722
Next 5,236 gallons	0.1423	0.1379	0.1379	0.1379	0.1285	0.1181	0.1128	0.1128	0.1128	0.1128
Next 4,488 gallons	0.2217	0.2148	0.2148	0.2148	0.2002	0.1840	0.1388	0.1388	0.1388	0.1388
Over 17,205 gallons (b)	0.4246	0.4114	0.4114	0.4114	0.3834	0.3523	0.3490	0.3490	0.3490	0.3490
Water - Outside City Limits										
Service Availability Charge by meter size:										
5/8"	8.78	8.51	8.51	8.51	7.93	7.28	7.28	7.28	7.28	7.28
3/4"	11.16	10.81	10.81	10.81	10.07	9.25	8.92	8.92	8.92	8.92
1"	16.23	15.73	15.73	15.73	14.66	13.47	10.68	10.68	10.68	10.68
1-1/2"	28.92	28.02	28.02	28.02	26.11	23.99	14.89	14.89	14.89	14.89
2"	44.14	42.77	42.77	42.77	39.86	36.63	21.70	21.70	21.70	21.70
3"	79.65	77.18	77.18	77.18	71.93	66.11	62.31	62.31	62.31	62.31
4"	130.39	126.35	126.35	126.35	117.75	108.22	84.16	84.16	84.16	84.16
6"	257.24	249.26	249.26	249.26	232.30	213.51	153.27	153.27	153.27	153.27
8"	409.45	396.75	396.75	396.75	369.76	339.85	217.54	217.54	217.54	217.54
10"	587.03	568.83	568.83	568.83	530.13	487.25	327.29	327.29	327.29	327.29
12"	1,094.42	1,060.48	1,060.48	1,060.48	988.33	908.39	720.59	720.59	720.59	720.59
Usage (per 100 gallons)										
Standard:										
First 7,481 gallons	0.1176	0.1140	0.1140	0.1140	0.1062	0.0976	0.0940	0.0940	0.0940	0.0940
Next 5,236 gallons	0.1702	0.1649	0.1649	0.1649	0.1537	0.1412	0.1350	0.1350	0.1350	0.1350
Next 4,488 gallons	0.2674	0.2591	0.2591	0.2591	0.2415	0.2219	0.1673	0.1673	0.1673	0.1673
Over 17,205 gallons (b)	0.4274	0.4141	0.4141	0.4141	0.3859	0.3546	0.3463	0.3463	0.3463	0.3463
Seasonal (c):										
First 7,481 gallons	0.1176	0.1140	0.1140	0.1140	0.1062	0.0976	0.0940	0.0940	0.0940	0.0940
Next 5,236 gallons	0.1850	0.1793	0.1793	0.1793	0.1671	0.1535	0.1466	0.1466	0.1466	0.1466
Next 4,488 gallons	0.2882	0.2793	0.2793	0.2793	0.2603	0.2392	0.1840	0.1840	0.1840	0.1840
Over 17,205 gallons (b)	0.5519	0.5348	0.5348	0.5348	0.4984	0.4580	0.4487	0.4487	0.4487	0.4487
Sewer - Inside City Limits (d):										
Service Availability Charge (e)	7.76	7.37	7.37	7.37	7.33	6.60	5.70	5.70	5.70	5.70
Usage (per 100 gallons)	0.2057	0.1953	0.1953	0.1953	0.1943	0.1750	0.1526	0.1526	0.1526	0.1526
Sewer - Outside City Limits (d):										
Service Availability Charge (e)	9.32	8.85	8.85	8.85	8.80	7.92	6.84	6.84	6.84	6.84
Usage (per 100 gallons)	0.2468	0.2343	0.2343	0.2343	0.2331	0.2100	0.1831	0.1831	0.1831	0.1831

- (a) Seven months ended December 31, 2001.
- (b) Includes \$.09 per 100 gallons billed as conservation fees.
- (c) Rate is applied to all billings beginning July 1 and ending on or about October 31 of each year. At all other times the Standard rate is utilized.
- (d) 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.
- (e) Includes the first 1,496 gallons.

**San Antonio Water System
Schedule 9 - General Class Rates**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water - Inside City Limits										
Service Availability Charge by meter size:										
5/8"	\$9.81	\$9.51	\$9.51	\$9.51	\$8.86	\$8.14	\$8.74	\$8.74	\$8.74	\$8.74
3/4"	13.16	12.75	12.75	12.75	11.88	10.91	11.37	11.37	11.37	11.37
1"	19.21	18.61	18.61	18.61	17.34	15.93	14.81	14.81	14.81	14.81
1-1/2"	35.03	33.94	33.94	33.94	31.63	29.07	23.55	23.55	23.55	23.55
2"	52.83	51.19	51.19	51.19	47.71	46.85	34.44	34.44	34.44	34.44
3"	106.92	103.60	103.60	103.60	96.55	88.74	91.60	91.60	91.60	91.60
4"	176.40	170.93	170.93	170.93	159.30	146.41	136.14	136.14	136.14	136.14
6"	350.03	339.18	339.18	339.18	316.10	290.53	259.71	259.71	259.71	259.71
8"	543.20	526.36	526.36	526.36	490.55	450.87	391.47	391.47	391.47	391.47
10"	755.89	732.45	732.45	732.45	682.62	627.40	536.79	536.79	536.79	536.79
12"	1,191.85	1,154.89	1,154.89	1,154.89	1,076.32	989.26	662.31	662.31	662.31	662.31
Usage (per 100 gallons)										
Below base (b)	0.1086	0.1052	0.1052	0.1052	0.0980	0.0900	0.0900	0.0900	0.0900	0.0900
100-125% of base	0.1257	0.1218	0.1218	0.1218	0.1135	0.1043	0.0975	0.0975	0.0975	0.0975
125-150% of base	0.1633	0.1582	0.1582	0.1582	0.1474	0.1354	0.1050	0.1050	0.1050	0.1050
150-200% of base	0.2138	0.2072	0.2072	0.2072	0.1931	0.1774	0.1150	0.1150	0.1150	0.1150
Over 200% of base	0.3160	0.3062	0.3062	0.3062	0.2854	0.2623	0.2590	0.2590	0.2590	0.2590
Water - Outside City Limits										
Service Availability Charge by meter size:										
5/8"	11.83	11.46	11.46	11.46	10.68	9.81	10.57	10.57	10.57	10.57
3/4"	15.72	15.23	15.23	15.23	14.19	13.04	13.60	13.60	13.60	13.60
1"	22.94	22.23	22.23	22.23	20.72	19.04	17.53	17.53	17.53	17.53
1-1/2"	41.69	40.40	40.40	40.40	37.65	34.60	27.43	27.43	27.43	27.43
2"	63.01	61.06	61.06	61.06	56.71	52.30	39.92	39.92	39.92	39.92
3"	125.31	121.42	121.42	121.42	113.16	104.00	107.34	107.34	107.34	107.34
4"	206.48	200.08	200.08	200.08	186.47	171.38	157.40	157.40	157.40	157.40
6"	409.39	396.70	396.70	396.70	369.71	339.80	298.12	298.12	298.12	298.12
8"	637.69	617.92	617.92	617.92	575.88	529.30	450.40	450.40	450.40	450.40
10"	891.35	863.71	863.71	863.71	804.95	739.84	619.47	619.47	619.47	619.47
12"	1,444.41	1,399.62	1,399.62	1,399.62	1,304.40	1,198.89	770.88	770.88	770.88	770.88
Usage (per 100 gallons)										
Below base (b)	0.1410	0.1366	0.1366	0.1366	0.1273	0.1170	0.1170	0.1170	0.1170	0.1170
100-125% of base	0.1635	0.1584	0.1584	0.1584	0.1476	0.1356	0.1268	0.1268	0.1268	0.1268
125-150% of base	0.2121	0.2055	0.2055	0.2055	0.1915	0.1760	0.1365	0.1365	0.1365	0.1365
150-200% of base	0.2778	0.2692	0.2692	0.2692	0.2509	0.2306	0.1495	0.1495	0.1495	0.1495
Over 200% of base	0.4109	0.3982	0.3982	0.3982	0.3711	0.3410	0.3367	0.3367	0.3367	0.3367
Sewer - Inside City Limits:										
Service Availability Charge (c)	7.76	7.37	7.37	7.37	7.33	6.60	6.40	6.40	6.40	6.40
Usage (per 100 gallons)	0.2057	0.1953	0.1953	0.1953	0.1943	0.1750	0.1489	0.1489	0.1489	0.1489
Sewer - Outside City Limits:										
Service Availability Charge (c)	9.32	8.85	8.85	8.85	8.80	7.92	7.68	7.68	7.68	7.68
Usage (per 100 gallons)	0.2468	0.2343	0.2343	0.2343	0.2331	0.2100	0.1787	0.1787	0.1787	0.1787

(a) Seven months ended December 31, 2001.

(b) Base is defined as 90% of the previous average annual usage.

(c) Includes the first 1,496 gallons.

San Antonio Water System
 Schedule 10 - Wholesale Class Rates

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water - Inside City Limits										
Service Availability Charge by meter size:										
6"	\$197.89	\$191.75	\$191.75	\$191.75	\$178.70	\$164.24	\$247.60	\$247.60	\$247.60	\$247.60
8"	314.96	305.19	305.19	305.19	284.43	261.42	371.40	371.40	371.40	371.40
10"	451.57	437.57	437.57	437.57	407.80	374.81	495.22	495.22	495.22	495.22
12"	841.86	815.76	815.76	815.76	760.26	698.76	705.65	705.65	705.65	705.65
Usage (per 100 gallons)										
Below base (b)	0.0788	0.0764	0.0764	0.0764	0.0712	0.0654	0.0615	0.0615	0.0615	0.0615
100-125% of base	0.0983	0.0953	0.0953	0.0953	0.0888	0.0816	0.0710	0.0710	0.0710	0.0710
125-150% of base	0.1353	0.1310	0.1310	0.1310	0.1222	0.1123	0.0769	0.0769	0.0769	0.0769
150-200% of base	0.1804	0.1748	0.1748	0.1748	0.1629	0.1497	0.0828	0.0828	0.0828	0.0828
Over 200% of base	0.2365	0.2292	0.2292	0.2292	0.2136	0.1963	0.0888	0.0888	0.0888	0.0888
Water - Outside City Limits										
Service Availability Charge by meter size:										
6"	257.24	249.26	249.26	249.26	232.30	213.51	321.88	321.88	321.88	321.88
8"	409.45	396.75	396.75	396.75	369.76	339.85	482.82	482.82	482.82	482.82
10"	587.03	568.83	568.83	568.83	530.13	487.25	643.77	643.77	643.77	643.77
12"	1,094.42	1,060.48	1,060.48	1,060.48	988.33	908.39	917.34	917.34	917.34	917.34
Usage (per 100 gallons)										
Below base (b)	0.1025	0.0993	0.0993	0.0993	0.0925	0.0850	0.0800	0.0800	0.0800	0.0800
100-125% of base	0.1279	0.1239	0.1239	0.1239	0.1155	0.1061	0.0923	0.0923	0.0923	0.0923
125-150% of base	0.1760	0.1705	0.1705	0.1705	0.1589	0.1460	0.1000	0.1000	0.1000	0.1000
150-200% of base	0.2346	0.2273	0.2273	0.2273	0.2118	0.1946	0.1077	0.1077	0.1077	0.1077
Over 200% of base	0.3075	0.2980	0.2980	0.2980	0.2777	0.2552	0.1154	0.1154	0.1154	0.1154
Sewer - Inside City Limits:										
Usage (per 100 gallons)	0.1854	0.1760	0.1760	0.1760	0.1751	0.1577	0.1362	0.1362	0.1362	0.1362
Sewer - Outside City Limits:										
Service Availability Charge	91.11	86.50	86.50	86.50	86.07	77.54	67.00	67.00	67.00	67.00
Usage (per 100 gallons)	0.2226	0.2113	0.2113	0.2113	0.2102	0.1893	0.1467	0.1467	0.1467	0.1467

(a) Seven months ended December 31, 2001.

(b) Base is defined as 90% of the previous average annual usage.

**San Antonio Water System
Schedule 11 - Irrigation Class Rates**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water - Inside City Limits										
Service Availability Charge by meter size:										
5/8"	\$9.81	\$9.51	\$9.51	\$9.51	\$8.86	\$8.14	\$8.74	\$8.74	\$8.74	\$8.74
3/4"	13.16	12.75	12.75	12.75	11.88	10.91	11.37	11.37	11.37	11.37
1"	19.21	18.61	18.61	18.61	17.34	15.93	14.81	14.81	14.81	14.81
1-1/2"	35.03	33.94	33.94	33.94	31.63	29.07	23.55	23.55	23.55	23.55
2"	52.83	51.19	51.19	51.19	47.71	43.85	34.44	34.44	34.44	34.44
3"	106.92	103.60	103.60	103.60	96.55	88.74	91.60	91.60	91.60	91.60
4"	176.40	170.93	170.93	170.93	159.30	146.41	136.14	136.14	136.14	136.14
6"	350.03	339.18	339.18	339.18	316.10	290.53	259.71	259.71	259.71	259.71
8"	543.20	526.36	526.36	526.36	490.55	450.87	391.47	391.47	391.47	391.47
10"	755.89	732.45	732.45	732.45	682.62	627.40	536.79	536.79	536.79	536.79
12"	1,191.85	1,154.89	1,154.89	1,154.89	1,076.32	989.26	662.31	662.31	662.31	662.31
Usage (per 100 gallons)										
First 12,717 gallons	0.1526	0.1479	0.1479	0.1479	0.1378	0.1266	0.1200	0.1200	0.1200	0.1200
Next 4,488 gallons	0.2290	0.2219	0.2219	0.2219	0.2068	0.1900	0.1900	0.1900	0.1900	0.1900
Over 17,205 gallons	0.3160	0.3062	0.3062	0.3062	0.2854	0.2623	0.2590	0.2590	0.2590	0.2590
Water - Outside City Limits										
Service Availability Charge by meter size:										
5/8"	11.83	11.46	11.46	11.46	10.68	9.81	10.57	10.57	10.57	10.57
3/4"	15.72	15.23	15.23	15.23	14.19	13.04	13.60	13.60	13.60	13.60
1"	22.94	22.23	22.23	22.23	20.72	19.04	17.53	17.53	17.53	17.53
1-1/2"	41.69	40.40	40.40	40.40	37.65	34.60	27.43	27.43	27.43	27.43
2"	63.01	61.06	61.06	61.06	56.91	52.30	39.92	39.92	39.92	39.92
3"	125.31	121.42	121.42	121.42	113.16	104.00	107.34	107.34	107.34	107.34
4"	206.48	200.08	200.08	200.08	186.47	171.38	157.40	157.40	157.40	157.40
6"	409.39	396.70	396.70	396.70	369.71	339.80	298.12	298.12	298.12	298.12
8"	637.69	617.92	617.92	617.92	575.88	529.30	450.40	450.40	450.40	450.40
10"	891.35	863.71	863.71	863.71	804.95	739.84	619.47	619.47	619.47	619.47
12"	1,444.41	1,399.62	1,399.62	1,399.62	1,304.40	1,198.89	770.88	770.88	770.88	770.88
Usage (per 100 gallons)										
First 12,717 gallons	0.1982	0.1921	0.1921	0.1921	0.1790	0.1645	0.1560	0.1560	0.1560	0.1560
Next 4,488 gallons	0.2976	0.2884	0.2884	0.2884	0.2688	0.2470	0.2470	0.2470	0.2470	0.2470
Over 17,205 gallons	0.4109	0.3982	0.3982	0.3982	0.3711	0.3410	0.3400	0.3400	0.3400	0.3400

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

- (a) Seven months ended December 31, 2001.
- (b) Base is defined as 90% of the previous average annual usage.

**San Antonio Water System
Schedule 12 - Other Fees**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Supply Fee (b)	\$0.1529	\$0.1487	\$0.1487	\$0.1487	\$0.1378	\$0.1100	\$0.0844	\$0.0708	\$0.0358	\$0.0358
EAA Fee (c)	\$0.01222	\$0.01769	\$0.01352	\$0.01482	\$0.01549	\$0.01226	\$0.01167	\$0.00946	\$0.00872	\$0.00872

- (a) Seven months ended December 31, 2001.
- (b) Per 100 gallons. Applies to all billed water.
- (c) Per 100 gallons. Applies to all billed water. Purpose of fee is to recover fees paid to Edwards Aquifer Authority for permitted water rights. Annual rate takes into account any cumulative deficit or surplus in the recovery, number of EAA water rights, and projected water sales (in gallons) for the year.

Schedule 13 - Recycled Water Rates

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Edwards Exchange Customers (b)										
Service Availability Charge by meter size:										
5/8"	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74
3/4"	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37
1"	14.81	14.81	14.81	14.81	14.81	14.81	14.81	14.81	14.81	14.81
1-1/2"	23.55	23.55	23.55	23.55	23.55	23.55	23.55	23.55	23.55	23.55
2"	34.44	34.44	34.44	34.44	34.44	34.44	34.44	34.44	34.44	34.44
3"	91.60	91.60	91.60	91.60	91.60	91.60	91.60	91.60	91.60	91.60
4"	136.14	136.14	136.14	136.14	136.14	136.14	136.14	136.14	136.14	136.14
6"	259.71	259.71	259.71	259.71	259.71	259.71	259.71	259.71	259.71	259.71
8"	391.47	391.47	391.47	391.47	391.47	391.47	391.47	391.47	391.47	391.47
10"	536.79	536.79	536.79	536.79	536.79	536.79	536.79	536.79	536.79	536.79
12"	662.31	662.31	662.31	662.31	662.31	662.31	662.31	662.31	662.31	662.31
Usage (per 100 gallons)										
Standard:										
Transferred amount	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230
In excess of transferred amount	0.0863	0.0863	0.0863	0.0863	0.0863	0.0863	0.0863	0.0863	0.0863	0.0863
Seasonal (c):										
Transferred amount	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230	0.0230
In excess of transferred amount	0.0917	0.0917	0.0917	0.0917	0.0917	0.0917	0.0917	0.0917	0.0917	0.0917
Non-exchange Customers										
Service Availability Charge by meter size:										
5/8"	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74	\$8.74
3/4"	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37
1"	14.81	14.81	14.81	14.81	14.81	14.81	14.81	14.81	14.81	14.81
1-1/2"	23.55	23.55	23.55	23.55	23.55	23.55	23.55	23.55	23.55	23.55
2"	34.44	34.44	34.44	34.44	34.44	34.44	34.44	34.44	34.44	34.44
3"	91.60	91.60	91.60	91.60	91.60	91.60	91.60	91.60	91.60	91.60
4"	136.14	136.14	136.14	136.14	136.14	136.14	136.14	136.14	136.14	136.14
6"	259.71	259.71	259.71	259.71	259.71	259.71	259.71	259.71	259.71	259.71
8"	391.47	391.47	391.47	391.47	391.47	391.47	391.47	391.47	391.47	391.47
10"	536.79	536.79	536.79	536.79	536.79	536.79	536.79	536.79	536.79	536.79
12"	662.31	662.31	662.31	662.31	662.31	662.31	662.31	662.31	662.31	662.31
Usage (per 100 gallons)										
Standard:										
First 748,000 gallons	0.0924	0.0924	0.0924	0.0924	0.0924	0.0924	0.0924	0.0924	0.0924	0.0924
Over 748,000 gallons	0.0943	0.0943	0.0943	0.0943	0.0943	0.0943	0.0943	0.0943	0.0943	0.0943
Seasonal (c):										
First 748,000 gallons	0.0992	0.0992	0.0992	0.0992	0.0992	0.0992	0.0992	0.0992	0.0992	0.0992
Over 748,000 gallons	0.1002	0.1002	0.1002	0.1002	0.1002	0.1002	0.1002	0.1002	0.1002	0.1002

(a) Seven months ended December 31, 2001.

(b) Customers that have exchanged Edwards Aquifer water rights to the System.

(c) Rate is applied to all billings beginning July 1 and ending on or about October 31 of each year. At all other times the Standard rate is utilized.

San Antonio Water System
Schedule 14 - Impact Fees

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001 (a)	2001
Water										
Flow - All Areas	\$1,098.00	\$1,098.00	\$1,098.00	\$1,098.00	\$362.00	\$362.00	\$362.00	\$362.00	\$362.00	\$362.00
System Development:										
Low Elevation Service Area	668.00	668.00	668.00	668.00						
Middle Elevation Service Area	591.00	591.00	591.00	591.00						
High Elevation Service Area	1,356.00	1,356.00	1,356.00	1,356.00						
Service Level:										
2					125.00	125.00	125.00	125.00	125.00	125.00
3					107.00	107.00	107.00	107.00	107.00	107.00
4					172.00	172.00	172.00	172.00	172.00	172.00
5					104.00	104.00	104.00	104.00	104.00	104.00
5A					100.00	100.00	100.00	100.00	100.00	100.00
6					149.00	149.00	149.00	149.00	149.00	149.00
7					249.00	249.00	249.00	249.00	249.00	249.00
8					411.00	411.00	411.00	411.00	411.00	411.00
9					490.00	490.00	490.00	490.00	490.00	490.00
10					428.00	428.00	428.00	428.00	428.00	428.00
11					569.00	569.00	569.00	569.00	569.00	569.00
11A					945.00	945.00	945.00	945.00	945.00	945.00
11B					1,094.00	1,094.00	1,094.00	1,094.00	1,094.00	1,094.00
11E					1,163.00	1,163.00	1,163.00	1,163.00	1,163.00	1,163.00
11F					523.00	523.00	523.00	523.00	523.00	523.00
12					743.00	743.00	743.00	743.00	743.00	743.00
14					791.00	791.00	791.00	791.00	791.00	791.00
Wastewater										
Treatment:										
Upper and Lower Service Areas	453.00	453.00	453.00	453.00						
Far West-Medio Service Areas	901.00	901.00	901.00	901.00						
Inner Service Area					142.00	142.00	142.00	142.00	142.00	142.00
Outer Service Area					750.00	750.00	750.00	750.00	750.00	750.00
Far West - Medio Creek Service Area					1,200.00	750.00	750.00	750.00	750.00	750.00
Far West - Potranca Creek Service Area					1,200.00	750.00	750.00	750.00	750.00	750.00
Far West - Lucas Creek & Big Sous Service Area					1,200.00	750.00	750.00	750.00	750.00	750.00
Collection:										
Lower Service Area	413.00	413.00	413.00	413.00						
Upper Service Area	691.00	691.00	691.00	691.00						
Far West-Medio Service Areas	394.00	394.00	394.00	394.00						
Far West-Potranco, Big Sous, & Lucas Service Area	772.00	772.00	772.00	772.00						
Inner Service Area					366.00	366.00	366.00	366.00	366.00	366.00
Outer Service Area					366.00	366.00	366.00	366.00	366.00	366.00
Far West - Medio Creek Service Area					538.00	366.00	366.00	366.00	366.00	366.00
Far West - Potranca Creek Service Area					409.00	366.00	366.00	366.00	366.00	366.00
Far West - Lucas Creek & Big Sous Service Area					366.00	366.00	366.00	366.00	366.00	366.00
Lift Station:										
Far West - Potranca Creek Service Area					363.00					
Far West - Lucas Creek & Big Sous Service Area					363.00					
Water Supply - All Areas	1,242.00	1,242.00	1,242.00	1,242.00	852.00	352.00	352.00	352.00	352.00	352.00

Impact fees are assessed per equivalent dwelling unit.

Meter Size	EQUIVALENT DWELLING UNITS									
	1	1	1	1	1	1	1	1	1	1
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

(a) Seven months ended December 31, 2001.

**San Antonio Water System
Schedule 15 - Ten Largest Customers - Water
Current Year and Nine Years Ago**

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (a) (in thousands)	%
Fiscal Year Ended December 31, 2009:					
CITY OF SAN ANTONIO	Municipal Entity	655	1.18	\$ 2,647	1.28
ARCHON GROUP, L.P.	Commercial Real Estate	477	0.86	2,259	1.09
SAN ANTONIO HOUSING AUTHORITY	Public Housing	540	0.98	1,759	0.85
BAPTIST HEALTH SYSTEM	Hospitals	288	0.52	1,663	0.80
HEB GROCERY	Grocery	463	0.84	1,492	0.72
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	287	0.52	1,096	0.53
BEXAR COUNTY	County Government	315	0.57	973	0.47
CPS ENERGY	Public Power Utility	274	0.50	813	0.39
SAN ANTONIO INDEPENDENT SCHOOL DISTRICT	School System	181	0.33	789	0.38
NORTH EAST INDEPENDENT SCHOOL DISTRICT	School System	181	0.33	678	0.33
Subtotal (10 largest)		3,661	6.62	14,169	6.85
Balance from Other Customers		51,634	93.38	192,735	93.15
Total		55,295	100.00	\$206,904	100.00

Fiscal Year Ended May 31, 2001:

EAST CENTRAL WATER	Water Purveyor	443	0.84	\$ 410	0.49
SONY MICRO ELECTRONICS	Electronics	420	0.79	403	0.48
VLSI TECHNOLOGY, INC.	Computer Technology	376	0.71	365	0.43
CITY PUBLIC SERVICE	Public Power Utility	250	0.47	251	0.30
LEVI STRAUSS	Clothing Manufacturer	184	0.35	178	0.21
LA CANTERA DEVELOPMENT	Resort	256	0.48	161	0.19
BAPTIST MEMORIAL HOSPITAL	Hospital	200	0.38	154	0.18
MARRIOTT CORPORATION	Hotel	139	0.26	153	0.18
BROOKS AFB	Military Installation	145	0.27	143	0.17
TRINITY UNIVERSITY	University	162	0.31	126	0.15
Subtotal (10 largest)		2,575	4.85	2,344	2.78
Balance from Other Customers		50,471	95.15	81,974	97.22
Total		53,046	100.00	\$ 84,318	100.00

(a) Includes Conservation, Water Supply and EAA fees.

**San Antonio Water System
Schedule 16 - Ten Largest Customers - Wastewater
Current Year and Nine Years Ago**

<u>Customer</u>	<u>Principal Business</u>	<u>Usage (million gallons)</u>	<u>%</u>	<u>Total Revenue (in thousands)</u>	<u>%</u>
Fiscal Year Ended December 31, 2009:					
HEB GROCERY	Grocery	415	0.84	\$ 1,761	1.39
SAN ANTONIO HOUSING AUTHORITY	Public Housing	548	1.11	1,129	0.89
ARCHON GROUP, L.P.	Commercial Real Estate	468	0.94	951	0.75
BEXAR COUNTY	County Government	248	0.50	593	0.47
CITY OF SAN ANTONIO	Municipal Entity	254	0.51	546	0.43
OAK FARMS DAIRY	Dairy Producer	61	0.12	411	0.32
FRITO LAY, INC.	Food Manufacturer	57	0.12	396	0.31
MAXIM INTEGRATED PRODUCT, INC.	Electronics	175	0.35	356	0.28
L & H PACKING COMPANY	Beef Processor	120	0.24	348	0.27
AMERICAN OPPORTUNITY FOR HOUSING	Housing Services	167	0.34	341	0.27
Subtotal (10 largest)		2,513	5.07	6,832	5.38
Balance from Other Customers		47,026	94.93	120,238	94.62
Total		49,539	100.00	\$ 127,070	100.00
Fiscal Year Ended May 31, 2001:					
SONY MICRO ELECTRONICS	Electronics	374	0.78	\$ 557	0.67
VLSI TECHNOLOGY	Computer Technology	376	0.78	548	0.66
LEVI STRAUSS	Clothing Manufacturer	157	0.33	275	0.33
MARRIOTT CORPORATION	Hotel	139	0.29	191	0.23
COUNTY OF BEXAR	Jail	118	0.25	168	0.20
FRITO-LAY INC.	Food Manufacturer	101	0.21	150	0.18
TRINITY UNIVERSITY	University	158	0.33	149	0.18
BAPTIST MEMORIAL HOSPITAL	Hospital	153	0.32	142	0.17
VETERANS ADMINISTRATION	Hospital	75	0.16	112	0.13
SOUTHWEST METHODIST HOSPITAL	Hospital	75	0.16	108	0.13
Subtotal (10 largest)		1,726	3.60	2,400	2.88
Balance from Other Customers		46,262	96.40	80,925	97.12
Total		47,988	100.00	\$ 83,325	100.00

Excludes Wholesale Wastewater usage and revenues.

**San Antonio Water System
Schedule 17 - Ten Largest Customers - Wholesale Wastewater
Current Year and Nine Years Ago**

Customer	Principal Business	Total Revenue (in thousands)	%
Fiscal Year Ended December 31,2009:			
Hollywood Park	Municipal Government	\$ 77	1.44
Lackland A.F.B./Annex @ Medina	Military	266	4.97
Kirby	Municipal Government	328	6.13
Balcones Heights	Municipal Government	336	6.28
Olmos Park	Municipal Government	340	6.36
Bexar County WCID #10	County Government	595	11.13
Lackland Air Force Base	Military	648	12.12
Ft. Sam Houston	Military	707	13.22
Leon Valley	Municipal Government	923	17.26
Alamo Heights	Municipal Government	970	18.14
Subtotal (10 largest)		5,190	97.05
Balance from Other Customers		158	2.95
Total		\$ 5,348	100.00

Fiscal Year Ended May 31, 2001:

Kirby	Municipal Government	\$ 281	4.57
Balcones Heights	Municipal Government	285	4.63
Castle Hills	Municipal Government	369	6.00
Bexar County WCID #10	County Government	403	6.55
Terrell Hills	Municipal Government	429	6.97
Kelly Air Force Base	Military	510	8.29
Alamo Heights	Municipal Government	593	9.63
Leon Valley	Municipal Government	615	9.99
Ft. Sam Houston	Military	656	10.66
Lackland Air Force Base	Military	1,157	18.80
Subtotal (10 largest)		5,298	86.08
Balance from Other Customers		857	13.92
Total		\$ 6,155	100.00

San Antonio Water System
Schedule 18 - Ratios of Total Outstanding Debt by Type
(\$ in thousands, except debt per customer)

Year	Total Principal Balance Outstanding Debt by Type							Gross Revenues (c)	Ratio of Total Debt to Gross Revenue	Customers (d)	Debt Per Customer
	Revenue Bonds (b)			Commercial Paper Notes (b)	Notes Payable	Capital Leases Payable	Total				
	Senior Lien Bonds	Junior Lien Bonds	Subordinate Lien Bonds								
2009	\$ 1,395,665	\$ 364,035	\$ -	\$ 173,650	\$ -	\$ -	\$ 1,933,350	\$ 373,564	5.18	747,220	\$ 2,587
2008	1,138,430	288,095	1,000	261,115	119	-	1,688,759	392,291	4.30	738,728	2,286
2007	1,153,935	244,585	113,990	100,000	571	-	1,613,081	354,779	4.55	724,130	2,228
2006	958,255	208,990	116,265	237,360	991	36	1,521,897	382,010	3.98	704,835	2,159
2005	1,041,400	214,090	118,435	98,000	1,381	71	1,473,377	339,338	4.34	680,822	2,164
2004	822,860	219,035	120,515	238,400	1,697	319	1,402,826	269,748	5.20	657,813	2,133
2003	739,115	186,830	122,500	269,000	2,078	581	1,320,104	248,395	5.31	636,435	2,074
2002	739,980	157,480	-	255,000	2,389	412	1,155,261	247,958	4.66	635,176	1,819
2001 (a)	594,200	134,255	-	185,000	2,678	768	916,901	140,005	6.55	619,581	1,480
2001	594,200	134,255	-	165,000	2,837	910	897,202	207,225	4.33	619,440	1,448

- (a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.
- (b) Details regarding outstanding revenue bonds and commercial paper notes can be found in the notes to the financial statements. For presentation purposes, capital leases have been treated as debt.
- (c) Gross revenues are defined as operating revenues plus nonoperating revenues.
- (d) Customers represent the combined number of billed accounts for water and wastewater services at fiscal year-end.

San Antonio Water System
Schedule 19 - Pledged Revenue Coverage
(\$ in thousands)

Year	Gross Revenues (c)	Operating Expenses (d)	Net Available Revenue	Revenue Bond Debt Service (b)			Coverage	Maximum Annual Debt Service Requirements			
				Principal	Interest	Total		Total Debt (e)		Senior Lien Debt (e)	
								Coverage	Coverage	Coverage	Coverage (f)
2009	\$ 370,464	\$ 219,523	\$ 150,941	\$ 34,900	\$ 75,398	\$ 110,298	1.37	\$ 123,182	1.23	\$ 103,205	1.46
2008	387,516	208,774	178,742	27,360	69,860	97,220	1.84	98,840	1.81	86,140	2.08
2007	347,391	188,180	159,211	24,880	67,785	92,665	1.72	102,880	1.55	86,138	1.85
2006	374,831	179,903	194,928	22,415	62,947	85,362	2.28	91,175	2.14	78,373	2.49
2005	332,669	173,490	159,179	16,505	54,987	71,492	2.23	94,992	1.68	78,373	2.03
2004	264,782	153,860	110,922	7,735	52,205	59,940	1.85	84,941	1.31	67,203	1.65
2003	242,488	152,743	89,745	5,515	44,614	50,129	1.79	76,075	1.18	61,511	1.46
2002	240,375	134,977	105,398	25,045	39,589	64,634	1.63	66,268	1.59	61,511	1.71
2001 (a)	136,235	78,448	57,787	-	20,345	20,345	n/a		n/a		n/a
2001	207,225	121,351	85,874	23,760	36,661	60,421	1.42	66,994	1.28	56,293	1.53

- (a) Seven months ended December 31, 2001. In 2001, the SAWS Board of Trustees approved a change in the fiscal year end from May 31st to December 31st.
- (b) 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.
- (c) Gross Revenues are defined as operating revenues plus nonoperating revenues less revenues from the City Public Service contract and interest on Project Funds.
- (d) Operating Expenses reflect operating expenses before depreciation as shown on the Statement of Revenues, Expenses and Changes in Equity.
- (e) Maximum annual debt service requirements consist of principal and interest payments prior to the U.S. federal interest subsidy on the Series 2009B revenue bonds.
- (f) SAWS bond ordinance requires the maintenance of a debt coverage ratio of at least 1.25x the maximum annual debt service on outstanding senior lien debt in order to issue additional bonds.
- n/a Not applicable due to short period.

San Antonio Water System
Schedule 20 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (a)	Median Age (a)	Personal Income (a) (thousands of dollars)	Per Capita Personal Income (a)	School Enrollment (b)	Single Family Housing Permits (c)	Employment (d)	Unemployment Rate (d)
2009	1,340,549	32.6	\$ 28,750,754	\$ 21,447	296,328	5,249	904,714	6.8%
2008	1,328,984	32.8	27,653,499	20,808	295,673	5,761	902,102	4.7%
2007	1,312,286	32.6	26,093,495	19,884	291,873	8,707	887,840	4.1%
2006	1,322,900	33.2	26,603,519	20,110	283,393	13,142	874,941	4.6%
2005	1,299,200	32.2	25,386,368	19,540	279,756	14,047	853,528	5.0%
2004	1,278,300	32.2	24,248,073	18,969	273,560	11,920	834,039	5.6%
2003	1,262,800	32.0	25,205,488	19,960	275,796	10,407	820,022	6.1%
2002	1,241,100	31.8	23,953,230	19,300	270,025	10,063	810,917	5.7%
2001	1,226,250	32.5	24,770,250	20,200	267,184	9,138	793,489	4.6%
2000	1,207,500	32.2	24,089,625	19,950	262,567	8,407	785,220	4.0%

(a) Source: Planning Department, City of San Antonio, Texas

(b) Source: Finance Department, City of San Antonio, Texas. Based on enrollment data provided by Alamo Heights ISD, East Central ISD, Edgewood ISD, Harlandale ISD, Judson ISD, Northeast ISD, Northside ISD, San Antonio, ISD, South San Antonio ISD, Somerset ISD, Southwest ISD, and Southside ISD

(c) Source: US Bureau of Census and Real Estate Center at Texas A&M University, San Antonio Metropolitan Statistical Area.

(d) Source: Texas Workforce Commission, San Antonio Metropolitan Statistical Area, non-seasonally adjusted. 2009 data is for December only, annual data is presented for prior years.

Note: Population and median age information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

**San Antonio Water System
Schedule 21 - Principal Employers
Current Year and Nine Years Ago**

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment ¹	Employees	Rank	Percentage of Total City Employment ²
Lackland Air Force Base	34,380	1	4.11%			
Fort Sam Houston	25,391	2	3.03%			
H.E.B. Food Stores	14,588	3	1.74%	14,360	2	1.97%
United Services Automobile Association	14,000	4	1.67%	14,413	1	1.98%
City of San Antonio	13,862	5	1.66%			
Northside Independent School District	12,597	6	1.50%	5,259	8	0.72%
Randolph Air Force Base	11,790	7	1.41%			
North East Independent School District	8,900	8	1.06%	6,604	5	0.91%
Methodist Health Care System	7,800	9	0.93%	6,172	6	0.85%
San Antonio Independent School District	7,616	10	0.91%	7,332	4	1.01%
SBC Communications				8,871	3	1.22%
Baptist Health Systems				5,527	7	0.76%
Christus Santa Rosa				3,208	9	0.44%
Fiesta Texas Six Flags				2,913	10	0.40%
Total	<u>150,924</u>		<u>18.03%</u>	<u>74,659</u>		<u>10.26%</u>

Source: Economic Development Division, City of San Antonio, Texas, Greater San Antonio Chamber of Commerce, Economic Development Foundation, and San Antonio Business Journal Book of Lists as of January 2009.

¹ Percent based on an Employment Estimate of 837,300 of Non-Farm jobs in the San Antonio Metropolitan Statistical Area as of January 2009. Figure provided by the Texas Workforce Commission.

² Percent based on an Employment Estimate of 727,400 of Non-Farm jobs in the San Antonio Metropolitan Statistical Area as of January 2000. Figure provided by the Texas Workforce Commission.

Table provided courtesy of City of San Antonio Finance Department

San Antonio Water System
Schedule 22 - Number of Employees by Functional Group

Functional Group	Fiscal Year				
	2009	2008	2007	2006	2005
President/CEO	13	12	10	11	14
Production & Treatment Operations	368	341	337	337	347
Distribution & Collection Operations (a)	435	403	422	414	419
Operation Services (a)	180	177			
Administrative Services (a)			117	115	119
External Relations	32	19	21	19	20
Customer Service	210	212	208	201	205
Strategic Resources (a)	201	193	116	108	102
Facilities Engineering & Construction (a)			188	197	199
Water Resources (a)	63	55			
Financial Services	58	56	55	54	57
Information Services (a)	58	56			
Corporate Initiatives (a)			64	64	61
Human Resources	48	46	44	28	29
Legal	30	25	26	27	29
	<u>1,696</u>	<u>1,595</u>	<u>1,608</u>	<u>1,575</u>	<u>1,601</u>

In 2005, SAWS was reorganized into the functional groups listed above. Employee information prior to the reorganization is not available to report in a comparable structure. Total employees in the previous seven periods are shown below.

	Total Employees
2004	1,650
2003	1,610
2002	1,582
2001 (b)	1,662
2001	1,679

(a) In 2008, certain functional groups were restructured.

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

San Antonio Water System
Schedule 23 - Capital Assets
(amounts in thousands)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Water Delivery	\$ 1,548,754	\$ 1,472,040	\$ 1,349,664	\$ 1,212,843	\$ 1,077,840	\$ 1,042,342	\$ 1,000,991	\$ 935,145	\$ 854,554	\$ 832,260
Water Supply:										
Water Resources	429,129	353,988	249,278	211,586	166,168	46,048	34,332	26,456	14,281	14,578
Recycle	151,184	149,308	164,414	137,009	126,905	120,114	100,175	65,496	34,616	34,605
Conservation	335	221	262	264	262	259	262	85	14	11
Stormwater	183	161	147	147	147	-	-	-	-	-
Wastewater	1,704,933	1,639,280	1,524,730	1,409,514	1,293,194	1,219,086	1,142,941	1,061,298	982,981	972,339
Chilled Water and Steam	52,007	50,303	50,169	50,109	47,865	47,137	46,046	32,706	27,694	27,448
Working Capital				3,310	3,861	3,907	6,858	33,217	39,325	38,982
Construction in Progress	427,971	372,607	361,192	372,598	483,201	499,585	428,226	305,235	339,399	319,251
Total assets before accumulated depreciation	4,314,496	4,037,908	3,699,856	3,397,380	3,199,443	2,978,478	2,759,831	2,459,638	2,292,864	2,239,474
Accumulated Depreciation	1,140,232	1,070,718	1,002,264	926,251	861,163	798,457	743,691	688,082	643,936	616,135
Net Capital Assets	\$ 3,174,264	\$ 2,967,190	\$ 2,697,592	\$ 2,471,129	\$ 2,338,280	\$ 2,180,021	\$ 2,016,140	\$ 1,771,556	\$ 1,648,928	\$ 1,623,339

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

San Antonio Water System
Schedule 24 - Operating and Capital Indicators - Water

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Rainfall (Inches)	30.69	13.76	47.25	21.34	16.45	45.34	28.45	46.27	25	37
Customers/Connections (b)	352,059	348,834	344,168	336,434	325,944	315,000	306,363	300,742	297,661	294,286
Water Pumpage (Million Gallons)										
Annual Water Pumped (c)	66,195	71,328	61,744	66,350	63,357	53,040	55,039	52,691	36,883	57,243
ASR Recharge (c) (e)	5,549	3,805	6,701	2,962	4,367	1,809	n/a	n/a	n/a	n/a
ASR Net Production (c) (e)	466	125	143	2,095	302	207	n/a	n/a	n/a	n/a
Annual Pumped for Usage (e)	60,646	67,523	55,043	63,388	58,990	51,231	55,039	52,691	36,883	57,243
Average Daily (e)	181.4	194.9	169.2	181.8	172.6	145.3	150.8	144.4	172.2	148.5
Maximum Daily (e)	243.5	299.1	224.0	269.0	278.1	197.9	304.8	229.5	274.0	270.4
Maximum Hour (Daily Rate) (e)	388.0	399.1	296.0	410.7	395.5	295.2	390.9	369.0	423.1	423.7
Metered Usage (Million Gallons)	55,295	58,828	49,511	57,724	55,005	49,366	50,576	51,850	34,716	53,047
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights (f)	81,923	71,738	69,505	69,505	65,007	67,799	n/a	n/a	n/a	n/a
Non-Edwards supply (g)	6,256	6,256	4,171	4,171	1,140	1,140	n/a	n/a	n/a	n/a
Stored in ASR (h)	21,832	16,772	13,092	6,534	5,667	1,602	n/a	n/a	n/a	n/a
Total water available for production	110,011	94,766	86,768	80,210	71,814	70,541	n/a	n/a	n/a	n/a
Number of Wells in Service	140	136	126	113	102	94	95	83	90	90
Overhead Storage Capacity (Million Gallons)	66.5	65.2	64.2	69.0	60.0	64.8	53.5	53.5	53.5	53.5
Total Storage Capacity (Million Gallons)	166.2	165.0	164.0	166.0	142.0	161.5	145.0	121.2	149.7	144.7
Miles of Water Main Installed	97	160.80	167	143	103	90	109	104	63	65
Miles of Water Main Replaced and Abandoned	34	32	19	22	23	17	20	17	20	26
Miles of Water Main in Place	4,866	4,802	4,673	4,525	4,404	4,324	4,251	4,162	4,076	4,032
Water Main Breaks (d)	3,212	2,594	1,392	3,073	2,577	1,305	1,480	1,395	n/a	1,665
New Services Installed	3,590	7,565	17,274	13,903	12,730	10,759	10,626	7,933	3,978	6,560
Fire Hydrants Installed (Net of Hydrants removed)	644	971	1,040	752	521	574	654	648	375	401
Fire Hydrants in Place	26,599	25,955	25,004	23,964	23,212	22,691	22,117	21,463	20,815	20,440
Number of Manholes Installed	1,514	2,922	2,775	2,661	1,538	1,504	1,686	1,625	996	2,091
Number of Manholes in Place	95,541	94,027	91,105	88,330	85,669	84,131	67,277	65,591	63,966	62,970

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

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

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

(d) Amount reported is for the calendar year.

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

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

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

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

San Antonio Water System
Schedule 25 - Monthly Residential Service Charges for Ten Major Texas Cities - Water

CITY	2009	2008	2007	2006	2005	2004	2003
Arlington							
6000 Gallons	\$18.99	\$18.91	\$17.44	\$16.43	\$15.76	\$15.03	\$15.03
9000 Gallons	\$24.84	\$24.70	\$22.48	\$21.11	\$21.13	\$20.52	\$20.52
Austin							
6000 Gallons	\$19.18	\$17.93	\$16.93	\$16.21	\$14.88	\$13.50	\$13.50
9000 Gallons	\$27.04	\$25.22	\$24.22	\$23.11	\$21.75	\$19.80	\$19.80
Corpus Christi ¹							
6000 Gallons	\$25.54	\$25.34	\$23.44	\$22.46	\$20.67	\$19.95	\$19.95
9000 Gallons	\$39.10	\$38.62	\$33.98	\$32.58	\$30.01	\$28.98	\$28.98
Dallas							
6000 Gallons	\$16.16	\$15.50	\$14.68	\$13.87	\$12.15	\$11.60	\$11.60
9000 Gallons	\$25.16	\$23.90	\$22.39	\$20.80	\$18.00	\$17.21	\$17.21
El Paso ^{2,3}							
6000 Gallons	\$16.53	\$16.53	\$15.27	\$14.67	\$14.69	\$13.90	\$13.90
9000 Gallons	\$22.34	\$22.34	\$20.15	\$19.35	\$19.39	\$16.01	\$16.01
Ft. Worth							
6000 Gallons	\$21.75	\$20.45	\$19.71	\$19.71	\$19.70	\$18.32	\$18.32
9000 Gallons	\$32.42	\$30.52	\$29.51	\$29.51	\$27.69	\$25.62	\$25.62
Houston							
6000 Gallons	\$21.91	\$20.85	\$20.49	\$19.94	\$18.60	\$18.11	\$18.11
9000 Gallons	\$30.67	\$29.19	\$28.71	\$27.95	\$26.10	\$25.19	\$25.19
Lubbock							
6000 Gallons	\$34.02	\$23.41	\$20.20	\$20.99	\$20.39	\$19.81	\$19.81
9000 Gallons	\$43.99	\$30.67	\$26.47	\$26.48	\$25.73	\$25.00	\$25.00
Plano							
6000 Gallons	\$19.35	\$16.71	\$16.41	\$15.29	\$14.57	\$13.58	\$13.58
9000 Gallons	\$25.05	\$21.63	\$21.15	\$19.79	\$18.86	\$17.51	\$17.51
San Antonio (Standard) ²							
6000 Gallons	\$22.11	\$21.81	\$21.56	\$21.64	\$20.22	\$17.46	\$15.70
9000 Gallons	\$30.40	\$30.03	\$29.66	\$29.77	\$27.82	\$23.88	\$21.24

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

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

¹ Includes Raw Water Pass Through Charge of \$0.899 per 1,000 gallons.

² Assumes Standard rates and includes Water Supply Fee.

³ El Paso charges are based on the nearest lowest hundred cubic feet (CCF) of consumption

San Antonio Water System
Schedule 26 - Operating and Capital Indicators - Wastewater

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001(a)	2001
Customers/Connections (b)	395,161	389,894	379,962	368,401	354,878	342,813	330,072	334,434	297,661	325,154
Effluent Volumes For Major Facilities (million gallons per day)										
Dos Rios										
Permit Flow	125	125	125	125	125	125	125	125	125	125
Average Annual Flow	74.37	76.53	93.34	64.00	59.58	61.16	56.53	60.08	53.12	55.08
Maximum Monthly Average Flow	89.36	81.43	131.98	74.37	73.98	78.74	65.65	82.52	57.92	64.98
Leon Creek										
Permit Flow	46	46	46	46	46	46	46	46	46	46
Average Annual Flow (two outfalls)	34.99	34.71	40.26	32.63	34.48	35.34	33.81	37.56	35.58	36.89
Maximum Monthly Average Flow (two outfalls)	64.74	38.62	55.49	34.28	41.79	42.40	36.18	49.16	39.83	41.62
Medio Creek										
Permit Flow	16.0	16.0	8.5	8.5	8.5	8.5	8.5	8.5	6.5	6.5
Average Annual Flow	6.32	5.87	6.94	5.13	5.21	5.60	5.53	6.44	5.60	6.27
Maximum Monthly Average Flow	7.45	6.57	10.51	5.63	6.58	6.63	7.09	8.33	5.88	7.66
Salado (c)										
Permit Flow	n/a	n/a	n/a	46	46	46	46	46	46	46
Average Annual Flow	n/a	n/a	n/a	11.38	33.80	35.86	33.24	34.26	32.97	33.07
Maximum Monthly Average Flow	n/a	n/a	n/a	21.11	40.40	44.00	36.39	41.21	35.52	38.57
Total										
Permit Flow	187.0	187.0	179.5	225.5	225.5	225.5	225.5	225.5	223.5	223.5
Average Annual Flow	115.68	117.11	140.54	113.14	133.07	137.96	129.11	138.34	127.39	131.31
Maximum Monthly Average Flow	161.55	126.62	197.98	135.39	162.75	171.77	145.31	181.22	139.15	152.83
Amount Treated Annually (millions of gallons)	51,987	50,347	49,218	53,268	49,287	49,593	49,669	52,180	29,561	52,344
Amount Treated Peak Day (millions of gallons)	194	174	294	169	212	297	201	390	175	264
Miles of Sewer Main Installed	84	124.55	137	132	74	76	122	75	47	104
Miles of Sewer Main In Place (d)	5,085	5,001	4,877	4,739	4,607	4,533	5,088	4,967	4,892	4,845
Number of Lift Stations	164	162	167	164	150	150	150	150	150	147

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

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

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

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

San Antonio Water System
Schedule 27 - Monthly Residential Service Charges for Ten Major Texas Cities - Wastewater

CITY	2009	2008	2007	2006	2005	2004	2003
Arlington							
6000 Gallons	\$25.97	\$25.29	\$23.10	\$22.41	\$19.52	\$18.88	\$18.88
9000 Gallons	\$35.03	\$34.05	\$31.05	\$30.15	\$26.78	\$26.32	\$26.32
Austin							
6000 Gallons	\$46.28	\$44.34	\$42.18	\$37.19	\$31.72	\$27.62	\$27.62
9000 Gallons	\$69.47	\$66.66	\$63.72	\$56.18	\$48.79	\$42.41	\$42.41
Corpus Christi							
6000 Gallons	\$35.95	\$34.15	\$28.91	\$27.35	\$26.77	\$25.99	\$25.99
9000 Gallons	\$48.01	\$45.60	\$38.61	\$36.52	\$35.75	\$34.70	\$34.70
Dallas							
6000 Gallons	\$29.33	\$28.63	\$27.07	\$25.55	\$22.19	\$21.01	\$21.01
9000 Gallons	\$42.11	\$41.20	\$38.86	\$36.71	\$31.67	\$30.19	\$30.19
El Paso							
6000 Gallons	\$15.22	\$15.22	\$14.21	\$13.65	\$12.76	\$11.83	\$11.83
9000 Gallons	\$20.31	\$20.31	\$18.97	\$18.21	\$16.87	\$15.66	\$15.66
Ft. Worth							
6000 Gallons	\$25.67	\$25.67	\$24.63	\$24.63	\$24.63	\$22.39	\$22.39
9000 Gallons	\$36.26	\$36.26	\$34.70	\$34.70	\$34.70	\$31.33	\$31.33
Houston							
6000 Gallons	\$24.84	\$22.67	\$22.29	\$21.70	\$21.22	\$18.42	\$18.42
9000 Gallons	\$36.69	\$33.95	\$33.39	\$32.50	\$31.33	\$27.63	\$27.63
Lubbock							
6000 Gallons	\$22.10	\$15.97	\$14.76	\$13.96	\$13.96	\$12.53	\$12.53
9000 Gallons	\$28.25	\$21.46	\$19.83	\$18.97	\$18.97	\$17.03	\$17.03
Plano							
6000 Gallons	\$33.54	\$27.95	\$27.10	\$25.30	\$24.11	\$23.57	\$23.57
9000 Gallons	\$46.32	\$38.60	\$37.24	\$34.96	\$33.32	\$32.57	\$32.57
San Antonio							
6000 Gallons	\$17.02	\$16.17	\$16.17	\$16.17	\$16.08	\$14.48	\$12.57
9000 Gallons	\$23.20	\$22.03	\$22.03	\$22.03	\$21.91	\$19.73	\$17.15

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

BONDED DEBT SCHEDULES AND ANALYSES

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

<i>WATER SYSTEM REVENUE BONDS</i>	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates	Balances Outstanding		Transactions		Balances Outstanding
							January 1, 2009	Issued	Retired	December 31, 2009	
Water System Revenue and Refunding Bonds - Series 2001 Paying Agent: USBank Bonds Dated: 03-01-01	\$ -				- %	15-May 2002	\$ -	\$ -	\$ -	\$ -	
	315	NONE	1 63	Serial	4.750	2003	-	-	-	-	
	375	NONE	64 138	Serial	4.750	2004	-	-	-	-	
	390	NONE	139 216	Serial	4.750	2005	-	-	-	-	
	490	NONE	217 314	Serial	4.750	2006	-	-	-	-	
	1,140	NONE	315 542	Serial	6.250	2007	-	-	-	-	
	1,260	NONE	543 794	Serial	6.250	2008	-	-	-	-	
	1,390	NONE	795 1072	Serial	6.250	2009	1,390	-	1,390	-	
	1,505	NONE	1073 1373	Serial	6.250	2010	1,505	-	-	1,505	
	1,600	NONE	1374 1693	Serial	6.250	2011	1,600	-	-	1,600	
	1,745	(1)	1694 2042	Serial	5.000	2012	1,745	-	-	1,745	
	2,075	(1)	2043 2457	Serial	5.000	2013	2,075	-	-	2,075	
	2,215	(1)	2458 2900	Serial	5.000	2014	2,215	-	-	2,215	
	2,375	(1)	2901 3375	Serial	5.000	2015	2,375	-	-	2,375	
	2,535	(1)	3376 3882	Serial	5.000	2016	2,535	-	-	2,535	
	2,890	(1)	3883 4460	Serial	5.000	2017	2,890	-	-	2,890	
	3,080	(1)	4461 5076	Serial	5.000	2018	3,080	-	-	3,080	
	3,185	(1)	5077 5713	Serial	5.000	2019	3,185	-	-	3,185	
	3,575	(1)	5714 6428	Serial	5.000	2020	3,575	-	-	3,575	
	3,795	(1)	6429 7187	Serial	5.000	2021	3,795	-	-	3,795	
	4,030	(1)	7188 7993	Serial	5.000	2022	4,030	-	-	4,030	
	4,275	(1)	7994 8848	Serial	5.000	2023	4,275	-	-	4,275	
	4,535	(1)(25)	8849 9755	Term	5.000	2024	4,535	-	-	4,535	
	4,815	(1)(25)	9756 10718	Term	5.000	2025	4,815	-	-	4,815	
	5,110	(1)(25)	10719 11740	Term	5.000	2026	5,110	-	-	5,110	
	<u>\$ 58,700</u>						<u>\$ 54,730</u>	<u>\$ -</u>	<u>\$ 1,390</u>	<u>\$ 53,340</u>	

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE REFUNDING BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Revenue	\$ -	NONE			- %	15-May	2002	\$ -	\$ -	\$ -	\$ -
Refunding Bonds - Series 2002	-	NONE			-		2003	-	-	-	-
Paying Agent: Bank of New York	-	NONE			-		2004	-	-	-	-
Bonds Dated: 02-01-02	-	NONE			-		2005	-	-	-	-
	-	NONE			-		2006	-	-	-	-
	-	NONE			-		2007	-	-	-	-
	-	NONE			-		2008	-	-	-	-
	-	NONE			-		2009	-	-	-	-
	-	NONE			-		2010	-	-	-	-
	-	NONE			-		2011	-	-	-	-
	-	NONE			-		2012	-	-	-	-
	4,445	(2)	1	889	5.500		2013	4,445	-	-	4,445
	4,670	(2)	890	1823	5.500		2014	4,670	-	-	4,670
	4,905	(2)	1824	2804	5.500		2015	4,905	-	-	4,905
	5,145	(2)	2805	3833	5.500		2016	5,145	-	-	5,145
	10,145	(2)	3834	5862	5.500		2017	10,145	-	-	10,145
	10,665	(2)	5863	7995	5.500		2018	10,665	-	-	10,665
	7,490	(2)	7996	9493	5.500		2019	7,490	-	-	7,490
	17,390	(2)	9494	12971	5.500		2020	17,390	-	-	17,390
	18,260	(2)	12972	16623	5.000		2021	18,260	-	-	18,260
	21,280	(2)	16624	20879	5.000		2022	21,280	-	-	21,280
	22,350	(2)	20880	25349	5.125		2023	22,350	-	-	22,350
	23,475	(2)(26)	25350	30044	5.000		2024	23,475	-	-	23,475
	24,635	(2)(26)	30045	34971	5.000		2025	24,635	-	-	24,635
	25,850	(2)(26)	34972	40141	5.000		2026	25,850	-	-	25,850
	48,655	(2)(26)	40142	49872	5.000		2027	48,655	-	-	48,655
	51,150	(2)(26)	49873	60102	5.000		2028	51,150	-	-	51,150
	<u>\$ 300,510</u>							<u>\$ 300,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,510</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
						15-May	2002		Issued	Retired	
Water System Revenue Bonds	\$ -	NONE			- %	15-May	2002	\$ -	\$ -	\$ -	\$ -
Series 2002-A	-	NONE			-		2003	-	-	-	-
Paying Agent: Bank of New York	-	NONE			-		2004	-	-	-	-
Bonds Dated: 02-15-02	-	NONE			-		2005	-	-	-	-
	2,000	NONE	1	400	4.000		2006	-	-	-	-
	3,150	NONE	401	1030	5.000		2006	-	-	-	-
	2,095	NONE	1031	1449	4.000		2007	-	-	-	-
	2,000	NONE	1450	1849	4.000		2008	-	-	-	-
	3,270	NONE	1850	2503	5.250		2008	-	-	-	-
	2,000	NONE	2504	2903	4.000		2009	2,000	-	2,000	-
	3,375	NONE	2904	3578	5.250		2009	3,375	-	3,375	-
	1,300	NONE	3579	3838	4.000		2010	1,300	-	-	1,300
	3,755	NONE	3839	4589	5.250		2010	3,755	-	-	3,755
	4,365	NONE	4590	5462	4.125		2011	4,365	-	-	4,365
	2,000	NONE	5463	5862	4.250		2012	2,000	-	-	2,000
	2,280	NONE	5863	6318	5.500		2012	2,280	-	-	2,280
	4,000	(3)	6319	7118	5.500		2013	4,000	-	-	4,000
	4,000	(3)	7119	7918	5.500		2014	-	-	-	-
	6,575	(3)	7919	9233	5.500		2015	-	-	-	-
	5,640	(3)	9234	10361	5.500		2016	-	-	-	-
	5,140	(3)	10362	11389	5.500		2017	-	-	-	-
	4,420	(3)	11390	12273	5.500		2018	-	-	-	-
	2,185	(3)	12274	12710	5.000		2019	2,185	-	-	2,185
	2,460	(3)	12711	13202	5.000		2020	2,460	-	-	2,460
	3,515	(3)	13203	13905	5.000		2021	3,515	-	-	3,515
	3,285	(3)	13906	14562	5.000		2022	3,285	-	-	3,285
	4,275	(3)(27)	14563	15417	5.000		2023	4,275	-	-	4,275
	4,695	(3)(27)	15418	16356	5.000		2024	4,695	-	-	4,695
	4,940	(3)(27)	16357	17344	5.000		2025	4,940	-	-	4,940
	5,190	(3)(27)	17345	18382	5.000		2026	5,190	-	-	5,190
	5,730	(3)(27)	18383	19528	5.000		2027	5,730	-	-	5,730
	7,255	(3)(27)	19529	20979	5.000		2028	7,255	-	-	7,255
	7,625	(3)(27)	20980	22504	5.000		2029	7,625	-	-	7,625
	8,015	(3)(27)	22505	24107	5.000		2030	8,015	-	-	8,015
	8,425	(3)(27)	24108	25792	5.000		2031	8,425	-	-	8,425
	8,860	(3)(27)	25793	27564	5.000		2032	8,860	-	-	8,860
	<u>\$ 137,820</u>							<u>\$ 99,530</u>	<u>\$ -</u>	<u>\$ 5,375</u>	<u>\$ 94,155</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Revenue and Refunding Bonds - Series 2004	\$ -	NONE			- %	15-May	2004	\$ -	\$ -	\$ -	\$ -
Paying Agent: USBank	-	NONE			-		2005	-	-	-	-
Bonds Dated: 05-15-04	-	NONE			-		2006	-	-	-	-
	1,445	NONE	1	289	3.000		2007	-	-	-	-
	1,495	NONE	290	588	3.500		2008	-	-	-	-
	1,550	NONE	589	898	4.000		2009	1,550	-	1,550	-
	1,620	NONE	899	1222	5.000		2010	1,620	-	-	1,620
	1,705	NONE	1223	1563	5.000		2011	1,705	-	-	1,705
	1,790	NONE	1564	1921	5.000		2012	1,790	-	-	1,790
	1,885	NONE	1922	2298	5.000		2013	1,885	-	-	1,885
	1,980	NONE	2299	2694	5.000		2014	1,980	-	-	1,980
	2,085	(4)	2695	3111	5.250		2015	2,085	-	-	2,085
	2,195	(4)	3112	3550	5.250		2016	2,195	-	-	2,195
	2,315	(4)	3551	4013	5.250		2017	2,315	-	-	2,315
	2,440	(4)	4014	4501	5.250		2018	2,440	-	-	2,440
	2,570	(4)	4502	5015	5.250		2019	2,570	-	-	2,570
	2,710	(4)	5016	5557	5.250		2020	2,710	-	-	2,710
	2,855	(4)	5558	6128	5.250		2021	2,855	-	-	2,855
	3,010	(4)	6129	6730	5.250		2022	3,010	-	-	3,010
	3,170	(4)	6731	7364	5.000		2023	3,170	-	-	3,170
	3,330	(4)	7365	8030	5.000		2024	3,330	-	-	3,330
	3,500	(4)	8031	8730	5.000		2025	3,500	-	-	3,500
	3,685	(4)	8731	9467	5.125		2026	3,685	-	-	3,685
	3,875	(4)(28)	9468	10242	5.125		2027	3,875	-	-	3,875
	4,080	(4)(28)	10243	11058	5.125		2028	4,080	-	-	4,080
	4,295	(4)(28)	11059	11917	5.125		2029	4,295	-	-	4,295
	4,520	(4)(28)	11918	12821	5.125		2030	4,520	-	-	4,520
	4,760	(4)(28)	12822	13773	5.125		2031	4,760	-	-	4,760
	5,010	(4)(28)	13774	14775	5.125		2032	5,010	-	-	5,010
	5,275	(4)(28)	14776	15830	5.125		2033	5,275	-	-	5,275
	5,550	(4)(28)	15831	16940	5.125		2034	5,550	-	-	5,550
	<u>\$ 84,700</u>							<u>\$ 81,760</u>	<u>\$ -</u>	<u>\$ 1,550</u>	<u>\$ 80,210</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original	Call	Bond		Bond	Interest	Maturity Dates		Balances	Transactions		Balances
	Issue	Options	Numbers		Type	Rates			Outstanding	Issued	Retired	Outstanding
									January 1, 2009			December 31, 2009
Water System Revenue	\$ -	NONE				- %	15-May	2005	\$ -	\$ -	\$ -	\$ -
Refunding Bonds - Series 2005	-	NONE				-		2006	-	-	-	-
Paying Agent: Bank of New York	-	NONE				-		2007	-	-	-	-
Bonds Dated: 11-15-05	-	NONE				-		2008	-	-	-	-
	-	NONE				-		2009	-	-	-	-
	-	NONE				-		2010	-	-	-	-
	-	NONE				-		2011	-	-	-	-
	-	NONE				-		2012	-	-	-	-
	2,635	(5)	1	527	Serial	5.000		2013	2,635	-	-	2,635
	2,925	(5)	528	1112	Serial	5.000		2014	2,925	-	-	2,925
	735	(5)	1113	1259	Serial	4.250		2015	735	-	-	735
	2,055	(5)	1260	1670	Serial	5.000		2016	2,055	-	-	2,055
	2,650	(5)	1671	2200	Serial	5.000		2017	2,650	-	-	2,650
	3,020	(5)	2201	2804	Serial	5.000		2018	3,020	-	-	3,020
	6,170	(5)	2805	4038	Serial	5.000		2019	6,170	-	-	6,170
	6,295	(5)	4039	5297	Serial	5.000		2020	6,295	-	-	6,295
	6,625	(5)	5298	6622	Serial	5.000		2021	6,625	-	-	6,625
	6,965	(5)	6623	8015	Serial	5.000		2022	6,965	-	-	6,965
	7,330	(5)	8016	9481	Serial	5.000		2023	7,330	-	-	7,330
	7,705	(5)	9482	11022	Serial	5.000		2024	7,705	-	-	7,705
	8,105	(5)	11023	12643	Serial	5.000		2025	8,105	-	-	8,105
	8,530	(5)	12644	14349	Serial	5.000		2026	8,530	-	-	8,530
	-	NONE				-		2027	-	-	-	-
	-	NONE				-		2028	-	-	-	-
	-	NONE				-		2029	-	-	-	-
	-	NONE				-		2030	-	-	-	-
	-	NONE				-		2031	-	-	-	-
	-	NONE				-		2032	-	-	-	-
	-	NONE				-		2033	-	-	-	-
	-	NONE				-		2034	-	-	-	-
	33,265	(5)(29)	14350	21002	Term	5.000		2035	33,265	-	-	33,265
	34,970	(5)(29)	21003	27996	Term	5.000		2036	34,970	-	-	34,970
	36,715	(5)	27997	35339	Serial	4.750		2037	36,715	-	-	36,715
	25,000	(5)	35340	40339	Serial	4.750		2038	25,000	-	-	25,000
	13,520	(5)(29)	40340	43043	Term	5.000		2038	13,520	-	-	13,520
	40,465	(5)(29)	43044	51136	Term	5.000		2039	40,465	-	-	40,465
	42,540	(5)(29)	51137	59644	Term	5.000		2040	42,540	-	-	42,540
	<u>\$ 298,220</u>								<u>\$ 298,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,220</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
						15-May	2007		Issued	Retired	
Water System Revenue	\$ -	NONE			- %	15-May	2007	\$ -	\$ -	\$ -	\$ -
Refunding Bonds - Series 2007	2,500	NONE	1	500	4.000		2008	-	-	-	-
Paying Agent: USBank	4,980	NONE	501	1496	4.500		2008	-	-	-	-
Bonds Dated: 01-15-07	4,050	NONE	1497	2306	4.000		2009	4,050	-	4,050	-
	5,290	NONE	2307	3364	5.000		2009	5,290	-	5,290	-
	2,500	NONE	3365	3864	4.000		2010	2,500	-	-	2,500
	5,855	NONE	3865	5035	5.000		2010	5,855	-	-	5,855
	1,800	NONE	5036	5395	4.000		2011	1,800	-	-	1,800
	7,870	NONE	5396	6969	5.000		2011	7,870	-	-	7,870
	1,890	NONE	6970	7347	4.000		2012	1,890	-	-	1,890
	8,490	NONE	7348	9045	5.000		2012	8,490	-	-	8,490
	4,020	NONE	9046	9849	5.000		2013	4,020	-	-	4,020
	8,280	NONE	9850	11505	5.500		2014	8,280	-	-	8,280
	11,065	NONE	11506	13718	5.500		2015	11,065	-	-	11,065
	10,375	NONE	13719	15793	5.500		2016	10,375	-	-	10,375
	2,500	NONE	15794	16293	4.000		2017	2,500	-	-	2,500
	5,870	NONE	16294	17467	5.000		2017	5,870	-	-	5,870
	8,540	(6)	17468	19175	5.000		2018	8,540	-	-	8,540
	4,430	(6)	19176	20061	5.000		2019	4,430	-	-	4,430
	4,655	(6)	20062	20992	5.000		2020	4,655	-	-	4,655
	4,880	(6)	20993	21968	4.300		2021	4,880	-	-	4,880
	5,110	(6)	21969	22990	5.000		2022	5,110	-	-	5,110
	5,375	(6)	22991	24065	5.000		2023	5,375	-	-	5,375
	5,650	(6)	24066	25195	5.000		2024	5,650	-	-	5,650
	5,940	(6)	25196	26383	5.000		2025	5,940	-	-	5,940
	6,230	(6)	26384	27629	4.500		2026	6,230	-	-	6,230
	-	NONE			-		2027	-	-	-	-
	-	NONE			-		2028	-	-	-	-
	16,245	(6)	27630	30878	4.375		2029	16,245	-	-	16,245
	16,965	(6)(30)	30879	34271	4.500		2030	16,965	-	-	16,965
	17,730	(6)(30)	34272	37817	4.500		2031	17,730	-	-	17,730
	18,525	(6)(30)	37818	41522	4.500		2032	18,525	-	-	18,525
	28,645	(6)(30)	41523	47251	4.500		2033	28,645	-	-	28,645
	37,530	(6)(30)	47252	54757	4.500		2034	37,530	-	-	37,530
	11,900	(6)(30)	54758	57137	4.500		2035	11,900	-	-	11,900
	12,450	(6)(30)	57138	59627	4.500		2036	12,450	-	-	12,450
	13,025	(6)(30)	59628	62232	4.500		2037	13,025	-	-	13,025
	<u>\$ 311,160</u>							<u>\$ 303,680</u>	<u>\$ -</u>	<u>\$ 9,340</u>	<u>\$ 294,340</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE REFUNDING BONDS	Original Issue	Call Options	Bond		Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
			Numbers							Issued	Retired	
Water System Revenue and Refunding Bonds - Series 2009	\$ 3,865	NONE	1	773	Serial	3.000 %	15-May	2009	\$ -	\$ 3,865	\$ 3,865	\$ -
Paying Agent: Wells Fargo	2,635	NONE	774	1300	Serial	3.000		2010	-	2,635	-	2,635
Bonds Dated: 01-15-09	2,715	NONE	1301	1843	Serial	3.000		2011	-	2,715	-	2,715
	2,800	NONE	1844	2403	Serial	3.000		2012	-	2,800	-	2,800
	2,885	NONE	2404	2980	Serial	3.000		2013	-	2,885	-	2,885
	2,970	NONE	2981	3574	Serial	3.000		2014	-	2,970	-	2,970
	3,060	NONE	3575	4186	Serial	3.000		2015	-	3,060	-	3,060
	3,170	NONE	4187	4820	Serial	4.000		2016	-	3,170	-	3,170
	3,315	NONE	4821	5483	Serial	5.000		2017	-	3,315	-	3,315
	1,930	NONE	5484	5869	Serial	5.000		2018	-	1,930	-	1,930
	1,550	NONE	5870	6179	Serial	4.000		2018	-	1,550	-	1,550
	3,095	(7)	6180	6798	Serial	5.000		2019	-	3,095	-	3,095
	550	(7)	6799	6908	Serial	4.000		2019	-	550	-	550
	3,430	(7)	6909	7594	Serial	5.000		2020	-	3,430	-	3,430
	400	(7)	7595	7674	Serial	4.000		2020	-	400	-	400
	4,025	(7)	7675	8479	Serial	5.000		2021	-	4,025	-	4,025
	3,525	(7)	8480	9184	Serial	5.000		2022	-	3,525	-	3,525
	700	(7)	9185	9324	Serial	4.000		2022	-	700	-	700
	3,080	(7)	9325	9940	Serial	5.000		2023	-	3,080	-	3,080
	1,355	(7)	9941	10211	Serial	4.200		2023	-	1,355	-	1,355
	2,935	(7)	10212	10798	Serial	5.000		2024	-	2,935	-	2,935
	1,715	(7)	10799	11141	Serial	4.300		2024	-	1,715	-	1,715
	400	(7)	11142	11221	Serial	4.500		2025	-	400	-	400
	4,485	(7)(31)	11222	12118	Term	5.125		2025	-	4,485	-	4,485
	5,140	(7)(31)	12119	13146	Term	5.125		2026	-	5,140	-	5,140
	5,410	(7)(31)	13147	14228	Term	5.125		2027	-	5,410	-	5,410
	2,995	(7)	14229	14827	Serial	5.000		2028	-	2,995	-	2,995
	2,695	(7)(31)	14828	15366	Term	5.125		2028	-	2,695	-	2,695
	1,665	(7)	15367	15699	Serial	5.000		2029	-	1,665	-	1,665
	4,325	(7)(31)	15700	16564	Term	5.125		2029	-	4,325	-	4,325
	6,305	(7)(31)	16565	17825	Term	5.250		2030	-	6,305	-	6,305
	6,645	(7)(31)	17826	19154	Term	5.250		2031	-	6,645	-	6,645
	7,005	(7)(31)	19155	20555	Term	5.250		2032	-	7,005	-	7,005
	7,385	(7)(31)	20556	22032	Term	5.250		2033	-	7,385	-	7,385
	7,780	(7)(31)	22033	23588	Term	5.250		2034	-	7,780	-	7,780
	8,205	(7)(31)	23589	25229	Term	5.375		2035	-	8,205	-	8,205
	8,660	(7)(31)	25230	26961	Term	5.375		2036	-	8,660	-	8,660
	9,135	(7)(31)	26962	28788	Term	5.375		2037	-	9,135	-	9,135
	9,640	(7)(31)	28789	30716	Term	5.375		2038	-	9,640	-	9,640
	10,175	(7)(31)	30717	32751	Term	5.375		2039	-	10,175	-	10,175
	<u>\$ 163,755</u>								<u>\$ -</u>	<u>\$ 163,755</u>	<u>\$ 3,865</u>	<u>\$ 159,890</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM
REVENUE BONDS

Water System Revenue Bonds
 Series 2009A
 Paying Agent: Wells Fargo
 Bonds Dated: 11-01-09

	Original Issue	Call Options	Bond Numbers		Bond Type	Interest Rates	Maturity Dates		Balances Outstanding	Transactions		Balances Outstanding
			January 1, 2009	Issued			Retired	December 31, 2009				
	\$ -	NONE				- %	15-May 2009	\$ -	\$ -	\$ -	\$ -	
	2,515	NONE	1	503	Serial	3.000	2010	-	2,515	-	2,515	
	2,305	NONE	504	964	Serial	2.500	2011	-	2,305	-	2,305	
	2,370	NONE	965	1438	Serial	3.000	2012	-	2,370	-	2,370	
	2,465	NONE	1439	1931	Serial	5.000	2013	-	2,465	-	2,465	
	2,595	NONE	1932	2450	Serial	5.000	2014	-	2,595	-	2,595	
	<u>\$ 12,250</u>							<u>\$ -</u>	<u>\$ 12,250</u>	<u>\$ -</u>	<u>\$ 12,250</u>	

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Revenue Bonds	\$ -	NONE			- %	15-May 2009	\$ -	\$ -	\$ -	\$ -	-
Taxable Series 2009B	-	NONE			-	2010	-	-	-	-	-
(Direct Subsidy - Build America Bonds)	-	NONE			-	2011	-	-	-	-	-
Paying Agent: Wells Fargo	-	NONE			-	2012	-	-	-	-	-
Bonds Dated: 11-01-09	-	NONE			-	2013	-	-	-	-	-
	-	NONE			-	2014	-	-	-	-	-
	2,690	(8)	1 538	Serial	3.319	2015	-	2,690	-	-	2,690
	2,755	(8)	539 1089	Serial	3.825	2016	-	2,755	-	-	2,755
	2,825	(8)	1090 1654	Serial	4.293	2017	-	2,825	-	-	2,825
	2,910	(8)	1655 2236	Serial	4.443	2018	-	2,910	-	-	2,910
	2,995	(8)	2237 2835	Serial	4.543	2019	-	2,995	-	-	2,995
	3,085	(8)	2836 3452	Serial	4.743	2020	-	3,085	-	-	3,085
	3,185	(8)	3453 4089	Serial	4.953	2021	-	3,185	-	-	3,185
	3,290	(8)	4090 4747	Serial	5.143	2022	-	3,290	-	-	3,290
	3,405	(8)	4748 5428	Serial	5.233	2023	-	3,405	-	-	3,405
	3,525	(8)	5429 6133	Serial	5.373	2024	-	3,525	-	-	3,525
	3,650	(8)(32)	6134 6863	Term	5.502	2025	-	3,650	-	-	3,650
	4,995	(8)(32)	6864 7862	Term	5.502	2026	-	4,995	-	-	4,995
	3,965	(8)(32)	7863 8655	Term	5.502	2027	-	3,965	-	-	3,965
	3,300	(8)(32)	8656 9315	Term	5.502	2028	-	3,300	-	-	3,300
	4,230	(8)(32)	9316 10161	Term	5.502	2029	-	4,230	-	-	4,230
	4,385	(8)(32)	10162 11038	Term	5.602	2030	-	4,385	-	-	4,385
	4,550	(8)(32)	11039 11948	Term	5.602	2031	-	4,550	-	-	4,550
	4,715	(8)(32)	11949 12891	Term	5.602	2032	-	4,715	-	-	4,715
	4,890	(8)(32)	12892 13869	Term	5.602	2033	-	4,890	-	-	4,890
	5,075	(8)(32)	13870 14884	Term	5.602	2034	-	5,075	-	-	5,075
	5,260	(8)(32)	14885 15936	Term	5.602	2035	-	5,260	-	-	5,260
	5,455	(8)(32)	15937 17027	Term	5.602	2036	-	5,455	-	-	5,455
	5,660	(8)(32)	17028 18159	Term	5.602	2037	-	5,660	-	-	5,660
	5,870	(8)(32)	18160 19333	Term	5.602	2038	-	5,870	-	-	5,870
	6,085	(8)(32)	19334 20550	Term	5.602	2039	-	6,085	-	-	6,085
	<u>\$ 102,750</u>							<u>\$ -</u>	<u>\$ 102,750</u>	<u>\$ -</u>	<u>\$ 102,750</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Junior Lien	\$ 2,740	NONE	1	548	Serial	2.250 %	15-May 2000	\$ -	\$ -	\$ -	\$ -
Revenue and Refunding	2,680	NONE	549	1084	Serial	2.600	2001	-	-	-	-
Bonds-Series 1999	2,745	NONE	1085	1633	Serial	2.700	2002	-	-	-	-
Paying Agent: Bank of New York	2,820	NONE	1634	2197	Serial	2.800	2003	-	-	-	-
Bonds Dated: 04-15-99	2,900	NONE	2198	2777	Serial	2.950	2004	-	-	-	-
	2,985	NONE	2778	3374	Serial	3.050	2005	-	-	-	-
	3,075	NONE	3375	3989	Serial	3.150	2006	-	-	-	-
	3,175	NONE	3990	4624	Serial	3.250	2007	-	-	-	-
	3,275	NONE	4625	5279	Serial	3.350	2008	-	-	-	-
	3,385	NONE	5280	5956	Serial	3.400	2009	3,385	-	3,385	-
	3,500	(9)	5957	6656	Serial	3.550	2010	3,500	-	-	3,500
	3,625	(9)	6657	7381	Serial	3.650	2011	3,625	-	-	3,625
	3,760	(9)	7382	8133	Serial	3.750	2012	3,760	-	-	3,760
	3,900	(9)	8134	8913	Serial	3.850	2013	3,900	-	-	3,900
	4,050	(9)	8914	9723	Serial	3.900	2014	4,050	-	-	4,050
	4,210	(9)	9724	10565	Serial	3.950	2015	4,210	-	-	4,210
	4,375	(9)	10566	11440	Serial	4.000	2016	4,375	-	-	4,375
	4,550	(9)	11441	12350	Serial	4.050	2017	4,550	-	-	4,550
	4,735	(9)	12351	13297	Serial	4.100	2018	4,735	-	-	4,735
	4,925	(9)	13298	14282	Serial	4.100	2019	4,925	-	-	4,925
	<u>\$ 71,410</u>							<u>\$ 45,015</u>	<u>\$ -</u>	<u>\$ 3,385</u>	<u>\$ 41,630</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009	
									Issued	Retired		
Water System Junior Lien	\$ 2,675	NONE	1	535	Serial	2.450 %	15-May	2000	\$ -	\$ -	\$ -	
Revenue and Refunding	1,710	NONE	536	877	Serial	2.750		2001	-	-	-	
Bonds-Series 1999-A	1,760	NONE	878	1229	Serial	2.950		2002	-	-	-	
Paying Agent: Bank of New York	1,810	NONE	1230	1591	Serial	3.100		2003	-	-	-	
Bonds Dated: 11-01-99	1,870	NONE	1592	1965	Serial	3.200		2004	-	-	-	
	1,925	NONE	1966	2350	Serial	3.300		2005	-	-	-	
	1,990	NONE	2351	2748	Serial	3.400		2006	-	-	-	
	2,060	NONE	2749	3160	Serial	3.500		2007	-	-	-	
	2,130	NONE	3161	3586	Serial	3.600		2008	-	-	-	
	2,210	NONE	3587	4028	Serial	3.650		2009	2,210	-	2,210	
	2,290	(10)	4029	4486	Serial	3.700		2010	2,290	-	-	
	2,375	(10)	4487	4961	Serial	3.730		2011	2,375	-	-	
	2,460	(10)	4962	5453	Serial	3.830		2012	2,460	-	-	
	2,555	(10)	5454	5964	Serial	3.930		2013	2,555	-	-	
	2,655	(10)	5965	6495	Serial	4.030		2014	2,655	-	-	
	2,765	(10)	6496	7048	Serial	4.130		2015	2,765	-	-	
	2,875	(10)	7049	7623	Serial	4.200		2016	2,875	-	-	
	3,000	(10)	7624	8223	Serial	4.250		2017	3,000	-	-	
	3,125	(10)	8224	8848	Serial	4.300		2018	3,125	-	-	
	3,260	(10)	8849	9500	Serial	4.350		2019	3,260	-	-	
	<u>\$ 47,500</u>								<u>\$ 29,570</u>	<u>\$ -</u>	<u>\$ 2,210</u>	<u>\$ 27,360</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances	Transactions		Balances
								Outstanding January 1, 2009	Issued	Retired	Outstanding December 31, 2009
Water System Junior Lien	\$ 5	NONE	1	Serial	1.850 %	15-May	2002	\$ -	\$ -	\$ -	\$ -
Revenue Bonds-Series 2001	5	NONE	2	Serial	2.050		2003	-	-	-	-
Paying Agent: USBank	5	NONE	3	Serial	2.150		2004	-	-	-	-
Bonds Dated: 03-01-01	5	NONE	4	Serial	2.250		2005	-	-	-	-
	5	NONE	5	Serial	2.400		2006	-	-	-	-
	470	NONE	6	99	Serial	2.550	2007	-	-	-	-
	470	NONE	100	193	Serial	2.650	2008	-	-	-	-
	495	NONE	194	292	Serial	2.750	2009	495	-	495	-
	515	NONE	293	395	Serial	2.800	2010	515	-	-	515
	535	NONE	396	502	Serial	2.900	2011	535	-	-	535
	555	(11)	503	613	Serial	3.000	2012	555	-	-	555
	650	(11)	614	743	Serial	3.150	2013	650	-	-	650
	670	(11)	744	877	Serial	3.250	2014	670	-	-	670
	700	(11)	878	1017	Serial	3.350	2015	700	-	-	700
	730	(11)	1018	1163	Serial	3.450	2016	730	-	-	730
	555	(11)	1164	1274	Serial	3.500	2017	555	-	-	555
	585	(11)	1275	1391	Serial	3.550	2018	585	-	-	585
	1,400	(11)	1392	1671	Serial	3.600	2019	1,400	-	-	1,400
	670	(11)	1672	1805	Serial	3.650	2020	670	-	-	670
	690	(11)	1806	1943	Serial	3.700	2021	690	-	-	690
	<u>\$ 9,715</u>							<u>\$ 8,750</u>	<u>\$ -</u>	<u>\$ 495</u>	<u>\$ 8,255</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM
REVENUE BONDS

Water System Junior Lien
Revenue Bonds-Series 2001-A
Paying Agent: USBank
Bonds Dated: 03-01-01

	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates	Balances		Transactions		Balances Outstanding December 31, 2009
							Outstanding January 1, 2009	Issued	Retired	Outstanding December 31, 2009	
\$	5	NONE	1	Serial	2.350 %	15-May 2002	\$ -	\$ -	\$ -	\$ -	
	5	NONE	2	Serial	2.550	2003	-	-	-	-	
	5	NONE	3	Serial	2.650	2004	-	-	-	-	
	5	NONE	4	Serial	2.750	2005	-	-	-	-	
	5	NONE	5	Serial	2.900	2006	-	-	-	-	
	750	NONE	6 155	Serial	3.050	2007	-	-	-	-	
	785	NONE	156 312	Serial	3.150	2008	-	-	-	-	
	815	NONE	313 475	Serial	3.250	2009	815	-	815	-	
	845	NONE	476 644	Serial	3.300	2010	845	-	-	845	
	880	NONE	645 820	Serial	3.400	2011	880	-	-	880	
	920	(12)	821 1004	Serial	3.500	2012	920	-	-	920	
	965	(12)	1005 1197	Serial	3.650	2013	965	-	-	965	
	1,015	(12)	1198 1400	Serial	3.750	2014	1,015	-	-	1,015	
	1,050	(12)	1401 1610	Serial	3.850	2015	1,050	-	-	1,050	
	1,115	(12)	1611 1833	Serial	3.950	2016	1,115	-	-	1,115	
	1,155	(12)	1834 2064	Serial	4.000	2017	1,155	-	-	1,155	
	1,215	(12)	2065 2307	Serial	4.050	2018	1,215	-	-	1,215	
	1,315	(12)	2308 2570	Serial	4.100	2019	1,315	-	-	1,315	
	1,250	(12)	2571 2820	Serial	4.150	2020	1,250	-	-	1,250	
	1,335	(12)	2821 3087	Serial	4.200	2021	1,335	-	-	1,335	
\$	<u>15,435</u>						\$ <u>13,875</u>	\$ <u>-</u>	\$ <u>815</u>	\$ <u>13,060</u>	

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

<i>WATER SYSTEM REVENUE BONDS</i>	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates	Balances	Transactions		Balances
							Outstanding January 1, 2009	Issued	Retired	Outstanding December 31, 2009
Water System Junior Lien	\$ -	NONE			- %	15-May 2002	\$ -	\$ -	\$ -	\$ -
Revenue Bonds - Series 2002	5	NONE	1	Serial	0.000	2003	-	-	-	-
Paying Agent: Bank of New York	5	NONE	2	Serial	0.550	2004	-	-	-	-
Bonds Dated: 03-01-02	5	NONE	3	Serial	1.000	2005	-	-	-	-
	5	NONE	4	Serial	1.350	2006	-	-	-	-
	805	NONE	5	165	Serial	1.700	-	-	-	-
	820	NONE	165	329	Serial	1.900	-	-	-	-
	835	NONE	330	496	Serial	2.100	835	-	835	-
	855	NONE	497	667	Serial	2.250	855	-	-	855
	875	NONE	668	842	Serial	2.350	875	-	-	875
	895	NONE	843	1021	Serial	2.450	895	-	-	895
	920	(13)	1022	1205	Serial	2.600	920	-	-	920
	945	(13)	1206	1394	Serial	2.750	945	-	-	945
	970	(13)	1395	1588	Serial	2.850	970	-	-	970
	1,000	(13)	1589	1788	Serial	2.950	1,000	-	-	1,000
	1,030	(13)	1789	1994	Serial	3.050	1,030	-	-	1,030
	1,065	(13)	1995	2207	Serial	3.150	1,065	-	-	1,065
	1,100	(13)	2208	2427	Serial	3.200	1,100	-	-	1,100
	1,135	(13)	2428	2654	Serial	3.250	1,135	-	-	1,135
	1,170	(13)	2655	2888	Serial	3.300	1,170	-	-	1,170
	1,210	(13)	2889	3130	Serial	3.300	1,210	-	-	1,210
	<u>\$ 15,650</u>						<u>\$ 14,005</u>	<u>\$ -</u>	<u>\$ 835</u>	<u>\$ 13,170</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Junior Lien	\$ -	NONE			- %	15-May	2002	\$ -	\$ -	\$ -	\$ -
Revenue Bonds - Series 2002-A	5	NONE	1	Serial	0.850		2003	-	-	-	-
Paying Agent: Bank of New York	5	NONE	2	Serial	1.550		2004	-	-	-	-
Bonds Dated: 03-01-02	5	NONE	3	Serial	2.000		2005	-	-	-	-
	5	NONE	4	Serial	2.235		2006	-	-	-	-
	575	NONE	5	119	Serial	2.700	2007	-	-	-	-
	590	NONE	119	237	Serial	2.900	2008	-	-	-	-
	605	NONE	238	358	Serial	3.100	2009	605	-	605	-
	625	NONE	359	483	Serial	3.250	2010	625	-	-	625
	650	NONE	484	613	Serial	3.350	2011	650	-	-	650
	670	NONE	614	747	Serial	3.450	2012	670	-	-	670
	695	(14)	748	886	Serial	3.600	2013	695	-	-	695
	720	(14)	887	1030	Serial	3.750	2014	720	-	-	720
	750	(14)	1031	1180	Serial	3.850	2015	750	-	-	750
	780	(14)	1181	1336	Serial	3.950	2016	780	-	-	780
	810	(14)	1337	1498	Serial	4.050	2017	810	-	-	810
	845	(14)	1499	1667	Serial	4.150	2018	845	-	-	845
	880	(14)	1668	1843	Serial	4.200	2019	880	-	-	880
	915	(14)	1844	2026	Serial	4.250	2020	915	-	-	915
	960	(14)	2027	2218	Serial	4.300	2021	960	-	-	960
	1,000	(14)	2219	2418	Serial	4.300	2022	1,000	-	-	1,000
	<u>\$ 12,090</u>							<u>\$ 10,905</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 10,300</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers		Bond Type	Interest Rates	Maturity Dates		Balances	Transactions		Balances
									Outstanding January 1, 2009	Issued	Retired	Outstanding December 31, 2009
Water System Junior Lien	\$ -	NONE				- %	15-May	2003	\$ -	\$ -	\$ -	\$ -
Revenue Bonds - Series 2003	5	NONE	1		Serial	0.000		2004	-	-	-	-
Paying Agent: USBank	5	NONE	2		Serial	0.000		2005	-	-	-	-
Bonds Dated: 03-01-03	5	NONE	3		Serial	0.100		2006	-	-	-	-
	5	NONE	4		Serial	0.600		2007	-	-	-	-
	5	NONE	5		Serial	0.900		2008	-	-	-	-
	1,930	NONE	6	391	Serial	1.300		2009	1,930	-	1,930	-
	1,960	NONE	392	783	Serial	1.650		2010	1,960	-	-	1,960
	1,995	NONE	784	1182	Serial	1.900		2011	1,995	-	-	1,995
	2,035	NONE	1183	1589	Serial	2.050		2012	2,035	-	-	2,035
	2,075	NONE	1590	2004	Serial	2.200		2013	2,075	-	-	2,075
	2,125	(15)	2005	2429	Serial	2.300		2014	2,125	-	-	2,125
	2,175	(15)	2430	2864	Serial	2.400		2015	2,175	-	-	2,175
	2,230	(15)	2865	3310	Serial	2.500		2016	2,230	-	-	2,230
	2,285	(15)	3311	3767	Serial	2.650		2017	2,285	-	-	2,285
	2,350	(15)	3768	4237	Serial	2.750		2018	2,350	-	-	2,350
	2,415	(15)	4238	4720	Serial	2.800		2019	2,415	-	-	2,415
	2,485	(15)	4721	5217	Serial	2.900		2020	2,485	-	-	2,485
	2,560	(15)	5218	5729	Serial	2.950		2021	2,560	-	-	2,560
	2,635	(15)	5730	6256	Serial	3.050		2022	2,635	-	-	2,635
	2,720	(15)	6257	6800	Serial	3.100		2023	2,720	-	-	2,720
	<u>\$ 34,000</u>								<u>\$ 33,975</u>	<u>\$ -</u>	<u>\$ 1,930</u>	<u>\$ 32,045</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Junior Lien	\$ -	NONE			- %	15-May	2004	\$ -	\$ -	\$ -	\$ -
Revenue and Refunding	5	NONE	1	Serial	0.000		2005	-	-	-	-
Bonds - Series 2004	5	NONE	2	Serial	0.300		2006	-	-	-	-
Paying Agent: USBank	5	NONE	3	Serial	0.750		2007	-	-	-	-
Bonds Dated: 07-01-04	5	NONE	4	Serial	1.100		2008	-	-	-	-
	5	NONE	5	Serial	1.450		2009	5	-	5	-
	595	NONE	6 124	Serial	1.650		2010	595	-	-	595
	605	NONE	125 245	Serial	1.900		2011	605	-	-	605
	620	NONE	246 369	Serial	2.100		2012	620	-	-	620
	630	NONE	370 495	Serial	2.250		2013	630	-	-	630
	645	NONE	496 624	Serial	2.350		2014	645	-	-	645
	660	(16)	625 756	Serial	2.450		2015	660	-	-	660
	680	(16)	757 892	Serial	2.550		2016	680	-	-	680
	695	(16)	893 1031	Serial	2.650		2017	695	-	-	695
	715	(16)	1032 1174	Serial	2.750		2018	715	-	-	715
	735	(16)	1175 1321	Serial	2.800		2019	735	-	-	735
	760	(16)	1322 1473	Serial	2.900		2020	760	-	-	760
	780	(16)	1474 1629	Serial	2.950		2021	780	-	-	780
	805	(16)	1630 1790	Serial	3.050		2022	805	-	-	805
	830	(16)	1791 1956	Serial	3.100		2023	830	-	-	830
	855	(16)	1957 2127	Serial	3.200		2024	855	-	-	855
	<u>\$ 10,635</u>							<u>\$ 10,615</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 10,610</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

<i>WATER SYSTEM REVENUE BONDS</i>	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Junior Lien	\$ -	NONE			- %	15-May	2004	\$ -	\$ -	\$ -	\$ -
Revenue and Refunding	5	NONE	1	Serial	0.750		2005	-	-	-	-
Bonds - Series 2004-A	5	NONE	2	Serial	1.300		2006	-	-	-	-
Paying Agent: USBank	5	NONE	3	Serial	1.750		2007	-	-	-	-
Bonds Dated: 07-01-04	5	NONE	4	Serial	2.100		2008	-	-	-	-
	5	NONE	5	Serial	2.450		2009	5	-	5	-
	1,370	NONE	6	279	Serial	2.650	2010	1,370	-	-	1,370
	1,410	NONE	280	561	Serial	2.900	2011	1,410	-	-	1,410
	1,450	NONE	562	851	Serial	3.100	2012	1,450	-	-	1,450
	1,495	NONE	852	1150	Serial	3.250	2013	1,495	-	-	1,495
	1,550	NONE	1151	1460	Serial	3.350	2014	1,550	-	-	1,550
	1,600	(17)	1461	1780	Serial	3.450	2015	1,600	-	-	1,600
	1,660	(17)	1781	2112	Serial	3.550	2016	1,660	-	-	1,660
	1,720	(17)	2113	2456	Serial	3.650	2017	1,720	-	-	1,720
	1,785	(17)	2457	2813	Serial	3.750	2018	1,785	-	-	1,785
	1,855	(17)	2814	3184	Serial	3.800	2019	1,855	-	-	1,855
	1,925	(17)	3185	3569	Serial	3.900	2020	1,925	-	-	1,925
	2,000	(17)	3570	3969	Serial	3.950	2021	2,000	-	-	2,000
	2,085	(17)	3970	4386	Serial	4.050	2022	2,085	-	-	2,085
	2,170	(17)	4387	4820	Serial	4.100	2023	2,170	-	-	2,170
	2,265	(17)	4821	5273	Serial	4.200	2024	2,265	-	-	2,265
	<u>\$ 26,365</u>							<u>\$ 26,345</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 26,340</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates	Balances Outstanding		Transactions		Balances
							January 1, 2009	Retired	Issued	Retired	Outstanding December 31, 2009
Water System Junior Lien	\$ -	NONE			- %	15-May 2007	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue and Refunding	335	NONE	1	67	1.700	2008	-	-	-	-	-
Bonds - Series 2007	340	NONE	68	135	1.700	2009	340	-	-	340	-
Paying Agent: USBank	350	NONE	136	205	1.700	2010	350	-	-	-	350
Bonds Dated: 01-23-07	355	NONE	206	276	1.700	2011	355	-	-	-	355
	360	NONE	277	348	1.700	2012	360	-	-	-	360
	365	NONE	349	421	1.750	2013	365	-	-	-	365
	370	NONE	422	495	1.800	2014	370	-	-	-	370
	380	NONE	496	571	1.850	2015	380	-	-	-	380
	385	NONE	572	648	1.900	2016	385	-	-	-	385
	395	NONE	649	727	1.950	2017	395	-	-	-	395
	400	(18)	728	807	2.000	2018	400	-	-	-	400
	410	(18)	808	889	2.050	2019	410	-	-	-	410
	420	(18)	890	973	2.100	2020	420	-	-	-	420
	430	(18)	974	1059	2.150	2021	430	-	-	-	430
	435	(18)	1060	1146	2.200	2022	435	-	-	-	435
	445	(18)	1147	1235	2.250	2023	445	-	-	-	445
	455	(18)	1236	1326	2.250	2024	455	-	-	-	455
	470	(18)	1327	1420	2.300	2025	470	-	-	-	470
	480	(18)	1421	1516	2.300	2026	480	-	-	-	480
	490	(18)	1517	1614	2.400	2027	490	-	-	-	490
	<u>\$ 8,070</u>						<u>\$ 7,735</u>	<u>\$ -</u>	<u>\$ 340</u>	<u>\$ -</u>	<u>\$ 7,395</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers		Bond Type	Interest Rates	Maturity Dates		Balances	Transactions		Balances
									Outstanding January 1, 2009	Issued	Retired	Outstanding December 31, 2009
Water System Junior Lien	\$ -	NONE				- %	15-May	2007	\$ -	\$ -	\$ -	\$ -
Revenue and Refunding Bonds - Series 2007A	1,330	NONE	1	266	Serial	2.700		2008	-	-	-	-
Paying Agent: USBank Bonds Dated: 01-23-07	1,365	NONE	267	539	Serial	2.700		2009	1,365	-	1,365	-
	1,400	NONE	540	819	Serial	2.700		2010	1,400	-	-	1,400
	1,440	NONE	820	1107	Serial	2.700		2011	1,440	-	-	1,440
	1,480	NONE	1108	1403	Serial	2.700		2012	1,480	-	-	1,480
	1,520	NONE	1404	1707	Serial	2.750		2013	1,520	-	-	1,520
	1,565	NONE	1708	2020	Serial	2.800		2014	1,565	-	-	1,565
	1,610	NONE	2021	2342	Serial	2.850		2015	1,610	-	-	1,610
	1,655	NONE	2343	2673	Serial	2.900		2016	1,655	-	-	1,655
	1,705	NONE	2674	3014	Serial	2.950		2017	1,705	-	-	1,705
	1,755	(19)	3015	3365	Serial	3.000		2018	1,755	-	-	1,755
	1,810	(19)	3366	3727	Serial	3.050		2019	1,810	-	-	1,810
	1,865	(19)	3728	4100	Serial	3.100		2020	1,865	-	-	1,865
	1,925	(19)	4101	4485	Serial	3.150		2021	1,925	-	-	1,925
	1,985	(19)	4486	4882	Serial	3.200		2022	1,985	-	-	1,985
	2,050	(19)	4883	5292	Serial	3.250		2023	2,050	-	-	2,050
	2,120	(19)	5293	5716	Serial	3.250		2024	2,120	-	-	2,120
	2,190	(19)	5717	6154	Serial	3.300		2025	2,190	-	-	2,190
	2,265	(19)	6155	6607	Serial	3.300		2026	2,265	-	-	2,265
	2,340	(19)	6608	7075	Serial	3.400		2027	2,340	-	-	2,340
	<u>\$ 35,375</u>								<u>\$ 34,045</u>	<u>\$ -</u>	<u>\$ 1,365</u>	<u>\$ 32,680</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

<i>WATER SYSTEM REVENUE BONDS</i>	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates		Balances Outstanding January 1, 2009	Transactions		Balances Outstanding December 31, 2009
									Issued	Retired	
Water System Junior Lien	\$ -	NONE			- %	15-May	2008	\$ -	\$ -	\$ -	\$ -
Revenue Bonds-Series 2008	800	NONE	1	160	Serial	0.100	2009	800	-	800	-
Paying Agent: Wells Fargo	690	NONE	161	298	Serial	0.550	2010	690	-	-	690
Bonds Dated: 12-04-08	695	NONE	299	437	Serial	0.850	2011	695	-	-	695
	700	NONE	438	577	Serial	1.150	2012	700	-	-	700
	710	NONE	578	719	Serial	1.350	2013	710	-	-	710
	720	NONE	720	863	Serial	1.650	2014	720	-	-	720
	730	NONE	864	1009	Serial	1.850	2015	730	-	-	730
	745	NONE	1010	1158	Serial	2.050	2016	745	-	-	745
	760	NONE	1159	1310	Serial	2.250	2017	760	-	-	760
	780	NONE	1311	1466	Serial	2.450	2018	780	-	-	780
	800	(20)	1467	1626	Serial	2.700	2019	800	-	-	800
	825	(20)	1627	1791	Serial	2.900	2020	825	-	-	825
	850	(20)	1792	1961	Serial	3.050	2021	850	-	-	850
	875	(20)	1962	2136	Serial	3.200	2022	875	-	-	875
	905	(20)	2137	2317	Serial	3.250	2023	905	-	-	905
	935	(20)	2318	2504	Serial	3.450	2024	935	-	-	935
	970	(20)	2505	2698	Serial	3.550	2025	970	-	-	970
	1,005	(20)	2699	2899	Serial	3.600	2026	1,005	-	-	1,005
	1,040	(20)	2900	3107	Serial	3.650	2027	1,040	-	-	1,040
	1,080	(20)	3108	3323	Serial	3.650	2028	1,080	-	-	1,080
	1,120	(20)	3324	3547	Serial	3.750	2029	1,120	-	-	1,120
	1,165	(20)	3548	3780	Serial	3.800	2030	1,165	-	-	1,165
	1,210	(20)	3781	4022	Serial	3.800	2031	1,210	-	-	1,210
	1,255	(20)	4023	4273	Serial	3.850	2032	1,255	-	-	1,255
	1,305	(20)	4274	4534	Serial	3.850	2033	1,305	-	-	1,305
	1,355	(20)	4535	4805	Serial	3.850	2034	1,355	-	-	1,355
	1,410	(20)	4806	5087	Serial	3.850	2035	1,410	-	-	1,410
	1,465	(20)	5088	5380	Serial	3.850	2036	1,465	-	-	1,465
	1,520	(20)	5381	5684	Serial	3.850	2037	1,520	-	-	1,520
	1,580	(20)	5685	6000	Serial	3.950	2038	1,580	-	-	1,580
	<u>\$ 30,000</u>							<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 800</u>	<u>\$ 29,200</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers		Bond Type	Interest Rates	Maturity Dates		Balances	Transactions		Balances
									Outstanding January 1, 2009	Issued	Retired	Outstanding December 31, 2009
Water System Junior Lien	\$ -	NONE				- %	15-May	2008	\$ -	\$ -	\$ -	\$ -
Revenue and Refunding	570	NONE	1	114	Serial	1.100		2009	570	-	570	-
Bonds-Series 2008A	455	NONE	115	205	Serial	1.550		2010	455	-	-	455
Paying Agent: Wells Fargo	460	NONE	206	297	Serial	1.850		2011	460	-	-	460
Bonds Dated: 12-04-08	470	NONE	298	391	Serial	2.150		2012	470	-	-	470
	480	NONE	392	487	Serial	2.350		2013	480	-	-	480
	495	NONE	488	586	Serial	2.650		2014	495	-	-	495
	505	NONE	587	687	Serial	2.850		2015	505	-	-	505
	520	NONE	688	791	Serial	3.050		2016	520	-	-	520
	540	NONE	792	899	Serial	3.250		2017	540	-	-	540
	555	NONE	900	1010	Serial	3.450		2018	555	-	-	555
	580	(21)	1011	1126	Serial	3.700		2019	580	-	-	580
	600	(21)	1127	1246	Serial	3.900		2020	600	-	-	600
	625	(21)	1247	1371	Serial	4.050		2021	625	-	-	625
	650	(21)	1372	1501	Serial	4.200		2022	650	-	-	650
	680	(21)	1502	1637	Serial	4.250		2023	680	-	-	680
	710	(21)	1638	1779	Serial	4.450		2024	710	-	-	710
	740	(21)	1780	1927	Serial	4.550		2025	740	-	-	740
	775	(21)	1928	2082	Serial	4.600		2026	775	-	-	775
	815	(21)	2083	2245	Serial	4.650		2027	815	-	-	815
	850	(21)	2246	2415	Serial	4.650		2028	850	-	-	850
	890	(21)	2416	2593	Serial	4.750		2029	890	-	-	890
	935	(21)	2594	2780	Serial	4.800		2030	935	-	-	935
	980	(21)	2781	2976	Serial	4.800		2031	980	-	-	980
	1,030	(21)	2977	3182	Serial	4.850		2032	1,030	-	-	1,030
	1,080	(21)	3183	3398	Serial	4.850		2033	1,080	-	-	1,080
	1,135	(21)	3399	3625	Serial	4.850		2034	1,135	-	-	1,135
	1,190	(21)	3626	3863	Serial	4.850		2035	1,190	-	-	1,190
	1,250	(21)	3864	4113	Serial	4.850		2036	1,250	-	-	1,250
	1,315	(21)	4114	4376	Serial	4.850		2037	1,315	-	-	1,315
	1,380	(21)	4377	4652	Serial	4.950		2038	1,380	-	-	1,380
	<u>\$ 23,260</u>								<u>\$ 23,260</u>	<u>\$ -</u>	<u>\$ 570</u>	<u>\$ 22,690</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

<i>WATER SYSTEM REVENUE BONDS</i>	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates	Balances		Transactions		Balances
							Outstanding January 1, 2009	Outstanding December 31, 2009	Issued	Retired	
Water System Junior Lien	\$ -	NONE			- %	15-May 2009	\$ -	\$ -	\$ -	\$ -	-
Revenue Bonds-Series 2009	1,455	NONE	1	291	-	2010	-	-	1,455	-	1,455
Paying Agent: Wells Fargo	1,235	NONE	292	538	0.300	2011	-	-	1,235	-	1,235
Bonds Dated: 11-01-09	1,240	NONE	539	786	0.600	2012	-	-	1,240	-	1,240
	1,250	NONE	787	1036	0.950	2013	-	-	1,250	-	1,250
	1,265	NONE	1037	1289	1.150	2014	-	-	1,265	-	1,265
	1,280	NONE	1290	1545	1.500	2015	-	-	1,280	-	1,280
	1,300	NONE	1546	1805	1.750	2016	-	-	1,300	-	1,300
	1,325	NONE	1806	2070	2.000	2017	-	-	1,325	-	1,325
	1,355	NONE	2071	2341	2.150	2018	-	-	1,355	-	1,355
	1,385	NONE	2342	2618	2.400	2019	-	-	1,385	-	1,385
	1,420	(22)	2619	2902	2.750	2020	-	-	1,420	-	1,420
	1,460	(22)	2903	3194	2.950	2021	-	-	1,460	-	1,460
	1,505	(22)	3195	3495	3.100	2022	-	-	1,505	-	1,505
	1,555	(22)	3496	3806	3.250	2023	-	-	1,555	-	1,555
	1,605	(22)	3807	4127	3.350	2024	-	-	1,605	-	1,605
	1,665	(22)	4128	4460	3.700	2025	-	-	1,665	-	1,665
	1,730	(22)	4461	4806	3.800	2026	-	-	1,730	-	1,730
	1,795	(22)	4807	5165	3.900	2027	-	-	1,795	-	1,795
	1,870	(22)	5166	5539	4.000	2028	-	-	1,870	-	1,870
	1,945	(22)	5540	5928	4.000	2029	-	-	1,945	-	1,945
	2,025	(22)	5929	6333	4.050	2030	-	-	2,025	-	2,025
	2,105	(22)	6334	6754	4.100	2031	-	-	2,105	-	2,105
	2,200	(22)	6755	7194	4.150	2032	-	-	2,200	-	2,200
	2,300	(22)	7195	7654	4.200	2033	-	-	2,300	-	2,300
	2,395	(22)	7655	8133	4.250	2034	-	-	2,395	-	2,395
	2,500	(22)	8134	8633	4.250	2035	-	-	2,500	-	2,500
	2,610	(22)	8634	9155	4.250	2036	-	-	2,610	-	2,610
	2,720	(22)	9156	9699	4.250	2037	-	-	2,720	-	2,720
	2,840	(22)	9700	10267	4.250	2038	-	-	2,840	-	2,840
	2,965	(22)	10268	10860	4.350	2039	-	-	2,965	-	2,965
	<u>\$ 54,300</u>						\$ -	\$ -	\$ 54,300	\$ -	\$ 54,300

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

<i>WATER SYSTEM REVENUE BONDS</i>	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates	Maturity Dates	Balances Outstanding January 1, 2009		Transactions		Balances Outstanding December 31, 2009
							\$	- \$	\$	\$	\$
Water System Junior Lien	\$ -	NONE			- %	15-May 2009	\$ -	\$ -	\$ -	\$ -	-
Revenue and Refunding	-	NONE			-	2010	-	-	-	-	-
Bonds-Series 2009A	-	NONE			-	2011	-	-	-	-	-
Paying Agent: Wells Fargo	-	NONE			-	2012	-	-	-	-	-
Bonds Dated: 11-01-09	-	NONE			-	2013	-	-	-	-	-
	-	NONE			-	2014	-	-	-	-	-
	-	NONE			-	2015	-	-	-	-	-
	2,240	NONE	1	448	0.644	2016	-	2,240	-	-	2,240
	2,255	NONE	449	899	0.854	2017	-	2,255	-	-	2,255
	2,275	NONE	900	1354	1.064	2018	-	2,275	-	-	2,275
	2,305	NONE	1355	1815	1.372	2019	-	2,305	-	-	2,305
	2,340	(23)	1816	2283	1.642	2020	-	2,340	-	-	2,340
	2,385	(23)	2284	2760	1.947	2021	-	2,385	-	-	2,385
	2,430	(23)	2761	3246	2.131	2022	-	2,430	-	-	2,430
	2,485	(23)	3247	3743	2.280	2023	-	2,485	-	-	2,485
	2,545	(23)	3744	4252	2.351	2024	-	2,545	-	-	2,545
	2,605	(23)	4253	4773	2.532	2025	-	2,605	-	-	2,605
	2,675	(23)	4774	5308	2.463	2026	-	2,675	-	-	2,675
	2,745	(23)	5309	5857	2.706	2027	-	2,745	-	-	2,745
	2,820	(23)	5858	6421	2.661	2028	-	2,820	-	-	2,820
	2,895	(23)	6422	7000	2.815	2029	-	2,895	-	-	2,895
	<u>\$ 35,000</u>						<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2009
(amounts in thousands)

WATER SYSTEM REVENUE BONDS	Original Issue	Call Options	Bond Numbers	Bond Type	Interest Rates*	Maturity Dates	Balances Outstanding January 1, 2009		Transactions		Balances Outstanding December 31, 2009
							-\$	-\$	Issued	Retired	-\$
Water System Revenue and Refunding Subordinate Lien Bonds - Series 2003 A & B Paying Agent: USBank Bonds Dated: 03-01-03	\$ -				- %	1-May 2003	\$ -	\$ -			-
	1,985	(24)	1	397	Variable	2004	-	-	-	-	-
	2,080	(24)	398	813	Variable	2005	-	-	-	-	-
	2,170	(24)	814	1247	Variable	2006	-	-	-	-	-
	2,275	(24)	1248	1702	Variable	2007	-	-	-	-	-
	2,375	(24)	1703	2177	Variable	2008	-	-	-	-	-
	2,485	(24)	2178	2674	Variable	2009	20	-		20	-
	2,600	(24)	2675	3194	Variable	2010	20	-		20	-
	2,720	(24)	3195	3738	Variable	2011	20	-		20	-
	2,840	(24)	3739	4306	Variable	2012	20	-		20	-
	2,970	(24)	4307	4900	Variable	2013	20	-		20	-
	3,105	(24)	4901	5521	Variable	2014	20	-		20	-
	3,245	(24)	5522	6170	Variable	2015	30	-		30	-
	3,395	(24)	6171	6849	Variable	2016	40	-		40	-
	3,550	(24)	6850	7559	Variable	2017	40	-		40	-
	3,710	(24)	7560	8301	Variable	2018	40	-		40	-
	3,880	(24)	8302	9077	Variable	2019	40	-		40	-
	4,055	(24)	9078	9888	Variable	2020	40	-		40	-
	4,240	(24)	9889	10736	Variable	2021	40	-		40	-
	4,435	(24)	10737	11623	Variable	2022	40	-		40	-
	4,640	(24)	11624	12551	Variable	2023	40	-		40	-
	4,850	(24)	12552	13521	Variable	2024	40	-		40	-
	5,070	(24)	13522	14535	Variable	2025	40	-		40	-
	5,305	(24)	14536	15596	Variable	2026	40	-		40	-
	5,540	(24)	15597	16704	Variable	2027	50	-		50	-
	5,795	(24)	16705	17863	Variable	2028	60	-		60	-
	6,060	(24)	17864	19075	Variable	2029	60	-		60	-
	6,335	(24)	19076	20342	Variable	2030	60	-		60	-
	6,625	(24)	20343	21667	Variable	2031	60	-		60	-
	6,925	(24)	21668	23052	Variable	2032	60	-		60	-
	7,240	(24)	23053	24500	Variable	2033	60	-		60	-
	<u>\$ 122,500</u>						<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>-</u>

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

* The Water System Revenue and Refunding Subordinate Lien Bonds Series 2003 A & B was issued in the variable rate bond market and SAWS entered into an interest rate hedge agreement, which fixed the interest rate to the rate above and realized savings as compared to a traditional fixed rate financing.

**San Antonio Water System
Analysis of Changes in Bonded Debt**

CALL OPTIONS:

Optional redemption:

- (1) Series 2001 Senior Lien, Serial Bonds stated to mature on and after May 15, 2012 and the Term Bonds stated to mature on May 15, 2026, are subject to early redemption, at the option of the City, on May 15, 2011, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (2) Series 2002 Senior Lien, Serial Bonds stated to mature on and after May 15, 2013 and the Term Bonds stated to mature on May 15, 2025 and May 15, 2028, are subject to early redemption, at the option of the City, on May 15, 2012, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (3) Series 2002-A Senior Lien, Serial Bonds stated to mature on and after May 15, 2013 and the Term Bonds stated to mature on May 15, 2025 and May 15, 2032, are subject to early redemption, at the option of the City, on May 15, 2012, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (4) Series 2004 Senior Lien, Serial Bonds stated to mature on and after May 15, 2015 and the Term Bonds stated to mature on May 15, 2029 and May 15, 2034, are subject to early redemption, at the option of the City, on May 15, 2014, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (5) Series 2005 Senior Lien, Serial Bonds stated to mature on and after May 15, 2016 and the Term Bonds stated to mature on May 15, 2036 and May 15, 2040, are subject to early redemption, at the option of the City, on May 15, 2015, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (6) Series 2007 Senior Lien, Serial Bonds stated to mature on and after May 15, 2018 and the Term Bonds stated to mature on May 15, 2032 and May 15, 2037, are subject to early redemption, at the option of the City, on May 15, 2017, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (7) Series 2009 Senior Lien, Serial Bonds stated to mature on and after May 15, 2019 and the Term Bonds stated to mature on May 15, 2029, May 15, 2034, and May 15, 2039 are subject to early redemption, at the option of the City, on May 15, 2018, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (8) Series 2009B Senior Lien Bonds having stated maturities on May 15 in each of the years of 2015 through 2024 are subject to redemption prior to stated maturity, at the option of the City, on December 10, 2009 through May 14, 2019, as a whole or in part, in principal amounts of \$5,000 or

San Antonio Water System Analysis of Changes in Bonded Debt

any integral multiple thereof (and if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the Serial Bonds Make-Whole Redemption Price.

Series 2009B Senior Lien Bonds having stated maturities on May 15, 2029 and May 15, 2039 are subject to redemption prior to stated maturity, at the option of the City, on any date, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the Term Bonds Make-Whole Redemption Price.

Series 2009B Senior Lien Bonds having stated maturities on May 15 in each of the years of 2020 through 2024 are subject to redemption prior to stated maturity, at the option of the City, on May 15, 2019 or day date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par, plus accrued interest to the date of redemption.

Series 2009B Senior Lien Bonds are subject to redemption, at the option of the City, on any date prior to their stated maturity, upon the occurrence of an extraordinary event, in whole or in part, by lot, at the Extraordinary Redemption Price.

See the *“Optional Redemption of Series 2009B Bonds”* within the Official Statement for the City of San Antonio, Texas Water System Revenue Bonds, Series 2009A and Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy – Build America Bonds) for additional information.

- (9) Series 1999 Junior Lien, Serial Bonds stated to mature on and after May 15, 2010, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2009, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (10) Series 1999-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2010, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2009, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (11) Series 2001 Junior Lien, Serial Bonds stated to mature on and after May 15, 2012, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2011, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (12) Series 2001-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2012, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2011, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (13) Series 2002 Junior Lien, Serial Bonds stated to mature on and after May 15, 2013, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2012, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest

**San Antonio Water System
Analysis of Changes in Bonded Debt**

- to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (14) Series 2002-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2013, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2012, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (15) Series 2003 Junior Lien, Serial Bonds stated to mature on and after May 15, 2014 may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2013, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (16) Series 2004 Junior Lien, Serial Bonds stated to mature on and after May 15, 2015, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2014, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (17) Series 2004-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2015 may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2014, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (18) Series 2007 Junior Lien, Serial Bonds stated to mature on and after May 15, 2018, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2017, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (19) Series 2007A Junior Lien, Serial Bonds stated to mature on and after May 15, 2018 may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2017, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (20) Series 2008 Junior Lien, Serial Bonds stated to mature on and after May 15, 2019 shall be subject to redemption prior to Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2018, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (21) Series 2008A Junior Lien, Serial Bonds stated to mature on and after May 15, 2019 shall be subject to redemption prior to Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2018, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of

**San Antonio Water System
Analysis of Changes in Bonded Debt**

redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.

- (22) Series 2009 Junior Lien, Serial Bonds stated to mature on and after May 15, 2020 shall be subject to redemption prior to Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2019, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (23) Series 2009A Junior Lien, Serial Bonds stated to mature on and after May 15, 2020 shall be subject to redemption prior to Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2019, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.

Optional Tender:

- (24) Series 2003 Subordinate Lien, Serial Bonds were subject to redemption prior to their stated maturity at the option of the City in whole or in part, at a redemption price equal to 100% of principal amount plus accrued interest, if any, on (i) any Business Day, if the Bonds to be redeemed bear interest at a Daily Rate or Weekly Rate, (ii) any rate adjustment date for the Bonds to be redeemed, if such Bonds are in a Commercial Paper Mode, Auction Mode, or Term Mode, (iii) the first day of the Fixed Mode for the Bonds to be redeemed, and (iv) any date, in the case of Bank Bonds.

Mandatory redemption:

- (25) Series 2001, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purposes and shall be redeemed in part, by lot or other customary method, at the principal amounts on May 15 in each of the years as follows:

Term Bonds	
Stated to Mature	
<u>On May 15, 2026</u>	
<i>(amounts in thousands)</i>	
<u>Year</u>	<u>Principal Amount</u>
2024	\$ 4,535
2025	4,815
2026	5,110 (1)

San Antonio Water System
Analysis of Changes in Bonded Debt

(26) The Series 2002, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

Term Bonds Stated to Mature <u>On May 15, 2025</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2028</u> <i>(amounts in thousands)</i>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2024	\$ 23,475	2026	\$ 25,850
2025	24,635 (1)	2027	48,655
		2028	51,150 (1)

(27) The Series 2002-A, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

Term Bonds Stated to Mature <u>On May 15, 2025</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2032</u> <i>(amounts in thousands)</i>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2023	\$ 4,275	2026	\$ 5,190
2024	4,695	2027	5,730
2025	4,940 (1)	2028	7,255
		2029	7,625
		2030	8,015
		2031	8,425
		2032	8,860 (1)

San Antonio Water System
Analysis of Changes in Bonded Debt

- (28) The Series 2004, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

Term Bonds Stated to Mature <u>On May 15, 2029</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2034</u> <i>(amounts in thousands)</i>	
<u>Year</u>	Principal <u>Amount</u>	<u>Year</u>	Principal <u>Amount</u>
2027	\$ 3,875	2030	\$ 4,520
2028	4,080	2031	4,760
2029	4,295 (1)	2032	5,010
		2033	5,275
		2034	5,550 (1)

- (29) The Series 2005, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

Term Bonds Stated to Mature <u>On May 15, 2036</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2040</u> <i>(amounts in thousands)</i>	
<u>Year</u>	Principal <u>Amount</u>	<u>Year</u>	Principal <u>Amount</u>
2035	\$ 33,265	2038	\$13,520
2036	34,970 (1)	2039	40,465
		2040	42,540 (1)

- (30) The Series 2007, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

Term Bonds Stated to Mature <u>On May 15, 2032</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2037</u> <i>(amounts in thousands)</i>	
<u>Year</u>	Principal <u>Amount</u>	<u>Year</u>	Principal <u>Amount</u>
2030	\$ 16,965	2033	\$28,645
2031	17,730	2034	37,530
2032	18,525 (1)	2035	11,900
		2036	12,450
		2037	13,025 (1)

**San Antonio Water System
Analysis of Changes in Bonded Debt**

- (31) The Series 2009, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

Term Bonds Stated to Mature <u>On May 15, 2029</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2034</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2039</u> <i>(amounts in thousands)</i>	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2025	\$ 4,485	2030	\$ 6,305	2035	\$ 8,205
2026	5,140	2031	6,645	2036	8,660
2027	5,410	2032	7,005	2037	9,135
2028	2,695	2033	7,385	2038	9,640
2029	4,325 (1)	2034	7,780 (1)	2039	10,175 (1)

- (32) The Series 2009B, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, on a pro rata basis in accordance with the arrangements between the City and the securities depository, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

Term Bonds Stated to Mature <u>On May 15, 2029</u> <i>(amounts in thousands)</i>		Term Bonds Stated to Mature <u>On May 15, 2039</u> <i>(amounts in thousands)</i>	
Year	Principal Amount	Year	Principal Amount
2025	\$ 3,650	2030	\$ 4,385
2026	4,995	2031	4,550
2027	3,965	2032	4,715
2028	3,330	2033	4,890
2029	4,230 (1)	2034	5,075
		2035	5,260
		2036	5,455
		2037	5,660
		2038	5,870
		2039	6,085 (1)

(1) Payable at stated maturity

**San Antonio Water System
WATER SYSTEM REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY**

(amounts in thousands)

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	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Subsidy</u>	<u>Net Interest</u>	<u>Total Payment</u>	<u>Total Annual Payment</u>	<u>Total Debt Outstanding</u>
15-May-2010	\$ 38,590	\$ 39,573	\$ 820	\$ 38,753	\$ 77,343	\$	\$
15-Nov-2010		39,510	952	38,558	38,558	115,901	1,721,110
15-May-2011	39,495	39,510	952	38,558	78,053		
15-Nov-2011		38,793	952	37,841	37,841	115,894	1,681,615
15-May-2012	40,980	38,793	952	37,841	78,821		
15-Nov-2012		38,021	952	37,069	37,069	115,890	1,640,635
15-May-2013	42,620	38,021	952	37,069	79,689		
15-Nov-2013		37,142	952	36,190	36,190	115,879	1,598,015
15-May-2014	44,425	37,142	952	36,190	80,615		
15-Nov-2014		36,210	952	35,258	35,258	115,873	1,553,590
15-May-2015	46,300	36,210	952	35,258	81,558		
15-Nov-2015		35,591	936	34,655	34,655	116,213	1,507,290
15-May-2016	50,520	35,591	936	34,655	85,175		
15-Nov-2016		34,536	918	33,618	33,618	118,793	1,456,770
15-May-2017	55,290	34,536	918	33,618	88,908		
15-Nov-2017		33,356	897	32,459	32,459	121,367	1,401,480
15-May-2018	57,675	33,356	897	32,459	90,134		
15-Nov-2018		32,103	874	31,229	31,229	121,363	1,343,805
15-May-2019	57,845	32,103	874	31,229	89,074		
15-Nov-2019		30,850	850	30,000	30,000	119,074	1,285,960
15-May-2020	60,610	30,850	850	30,000	90,610		
15-Nov-2020		29,450	825	28,625	28,625	119,235	1,225,350
15-May-2021	64,310	29,450	825	28,625	92,935		
15-Nov-2021		28,013	797	27,216	27,216	120,151	1,161,040
15-May-2022	66,810	28,013	797	27,216	94,026		
15-Nov-2022		26,481	767	25,714	25,714	119,740	1,094,230
15-May-2023	68,455	26,481	767	25,714	94,169		
15-Nov-2023		24,883	736	24,147	24,147	118,316	1,025,775
15-May-2024	69,055	24,883	736	24,147	93,202		
15-Nov-2024		23,251	703	22,548	22,548	115,750	956,720
15-May-2025	69,110	23,251	703	22,548	91,658		
15-Nov-2025		21,591	668	20,923	20,923	112,581	887,610
15-May-2026	73,660	21,591	668	20,923	94,583		
15-Nov-2026		19,826	620	19,206	19,206	113,789	813,950
15-May-2027	76,860	19,826	620	19,206	96,066		
15-Nov-2027		17,965	582	17,383	17,383	113,449	737,090
15-May-2028	78,095	17,965	582	17,383	95,478		
15-Nov-2028		16,050	550	15,500	15,500	110,978	658,995
15-May-2029	45,235	16,050	550	15,500	60,735		
15-Nov-2029		15,003	509	14,494	14,494	75,229	613,760
15-May-2030	44,315	15,003	509	14,494	58,809		
15-Nov-2030		13,931	466	13,465	13,465	72,274	569,445
15-May-2031	46,405	13,931	466	13,465	59,870		
15-Nov-2031		12,809	422	12,387	12,387	72,257	523,040
15-May-2032	48,600	12,809	422	12,387	60,987		
15-Nov-2032		11,630	375	11,255	11,255	72,242	474,440
15-May-2033	50,880	11,630	375	11,255	62,135		
15-Nov-2033		10,421	327	10,094	10,094	72,229	423,560
15-May-2034	60,820	10,421	327	10,094	70,914		
15-Nov-2034		8,983	278	8,705	8,705	79,619	362,740

**San Antonio Water System
WATER SYSTEM REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY**

(amounts in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Subsidy</u>	<u>Net Interest</u>	<u>Total Payment</u>	<u>Total Annual Payment</u>	<u>Total Debt Outstanding</u>
15-May-2035	63,730	8,983	278	8,705	72,435		
15-Nov-2035		7,406	226	7,180	7,180	79,615	299,010
15-May-2036	66,860	7,406	226	7,180	74,040		
15-Nov-2036		5,752	173	5,579	5,579	79,619	232,150
15-May-2037	70,090	5,752	173	5,579	75,669		
15-Nov-2037		4,065	117	3,948	3,948	79,617	162,060
15-May-2038	59,830	4,065	117	3,948	63,778		
15-Nov-2038		2,582	60	2,522	2,522	66,300	102,230
15-May-2039	59,690	2,582	60	2,522	62,212		
15-Nov-2039		1,064	-	1,064	1,064	63,276	42,540
15-May-2040	42,540	1,064	-	1,064	43,604		
						43,604	-
	\$ 1,759,700	\$ 1,354,109	\$ 37,692	\$ 1,316,417	\$ 3,076,117	\$ 3,076,117	

San Antonio Water System
WATER SYSTEM SENIOR LIEN REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY
(amounts in thousands)

	<i>Principal</i>	<i>Interest</i>	<i>Interest Rate Subsidy</i>	<i>Net Interest</i>	<i>Total Semi-Annual Payment</i>	<i>Total Annual Payment</i>	<i>Total Debt Outstanding</i>
15-May-2010	\$ 21,685	\$ 34,194	\$ 820	\$ 33,374	\$ 55,059	\$ 88,226	\$ 1,373,980
15-Nov-2010		34,119	952	33,167	33,167	88,226	
15-May-2011	22,360	34,119	952	33,167	55,527		1,351,620
15-Nov-2011		33,634	952	32,682	32,682	88,209	
15-May-2012	23,365	33,634	952	32,682	56,047		1,328,255
15-Nov-2012		33,112	952	32,160	32,160	88,207	
15-May-2013	24,410	33,112	952	32,160	56,570		1,303,845
15-Nov-2013		32,508	952	31,556	31,556	88,126	
15-May-2014	25,635	32,508	952	31,556	57,191		1,278,210
15-Nov-2014		31,866	952	30,914	30,914	88,105	
15-May-2015	26,915	31,866	952	30,914	57,829		1,251,295
15-Nov-2015		31,205	936	30,269	30,269	88,098	
15-May-2016	28,230	31,205	936	30,269	58,499		1,223,065
15-Nov-2016		30,491	918	29,573	29,573	88,072	
15-May-2017	32,510	30,491	918	29,573	62,083		1,190,555
15-Nov-2017		29,672	897	28,775	28,775	90,858	
15-May-2018	34,135	29,672	897	28,775	62,910		1,156,420
15-Nov-2018		28,804	874	27,930	27,930	90,840	
15-May-2019	32,670	28,804	874	27,930	60,600		1,123,750
15-Nov-2019		27,976	850	27,126	27,126	87,726	
15-May-2020	44,000	27,976	850	27,126	71,126		1,079,750
15-Nov-2020		26,834	825	26,009	26,009	97,135	
15-May-2021	47,140	26,834	825	26,009	73,149		1,032,610
15-Nov-2021		25,671	797	24,874	24,874	98,023	
15-May-2022	51,195	25,671	797	24,874	76,069		981,415
15-Nov-2022		24,388	767	23,621	23,621	99,690	
15-May-2023	54,615	24,388	767	23,621	78,236		926,800
15-Nov-2023		23,011	736	22,275	22,275	100,511	
15-May-2024	57,565	23,011	736	22,275	79,840		869,235
15-Nov-2024		21,570	703	20,867	20,867	100,707	
15-May-2025	60,470	21,570	703	20,867	81,337		808,765
15-Nov-2025		20,049	668	19,381	19,381	100,718	
15-May-2026	64,730	20,049	668	19,381	84,111		744,035
15-Nov-2026		18,427	620	17,807	17,807	101,918	
15-May-2027	67,635	18,427	620	17,807	85,442		676,400
15-Nov-2027		16,722	582	16,140	16,140	101,582	
15-May-2028	71,475	16,722	582	16,140	87,615		604,925
15-Nov-2028		14,922	550	14,372	14,372	101,987	
15-May-2029	38,385	14,922	550	14,372	52,757		566,540
15-Nov-2029		13,997	509	13,488	13,488	66,245	
15-May-2030	40,190	13,997	509	13,488	53,678		526,350
15-Nov-2030		13,011	466	12,545	12,545	66,223	
15-May-2031	42,110	13,011	466	12,545	54,655		484,240
15-Nov-2031		11,978	422	11,556	11,556	66,211	
15-May-2032	44,115	11,978	422	11,556	55,671		440,125
15-Nov-2032		10,894	375	10,519	10,519	66,190	
15-May-2033	46,195	10,894	375	10,519	56,714		393,930
15-Nov-2033		9,784	327	9,457	9,457	66,171	
15-May-2034	55,935	9,784	327	9,457	65,392		337,995
15-Nov-2034		8,451	278	8,173	8,173	73,565	
15-May-2035	58,630	8,451	278	8,173	66,803		279,365
15-Nov-2035		6,983	226	6,757	6,757	73,560	
15-May-2036	61,535	6,983	226	6,757	68,292		217,830
15-Nov-2036		5,443	173	5,270	5,270	73,562	
15-May-2037	64,535	5,443	173	5,270	69,805		153,295
15-Nov-2037		3,875	117	3,758	3,758	73,563	
15-May-2038	54,030	3,875	117	3,758	57,788		99,265
15-Nov-2038		2,518	60	2,458	2,458	60,246	
15-May-2039	56,725	2,518	60	2,458	59,183		42,540
15-Nov-2039		1,064	-	1,064	1,064	60,247	
15-May-2040	42,540	1,064	-	1,064	43,604		-
						43,604	
\$	1,395,665	\$ 1,220,152	\$ 37,692	\$ 1,182,460	\$ 2,578,125	\$ 2,578,125	

San Antonio Water System
WATER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2001
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 1,505	\$	1,353	\$	2,858	\$	
15-Nov-2010			1,306		1,306		4,164
15-May-2011	1,600		1,306		2,906		
15-Nov-2011			1,256		1,256		4,162
15-May-2012	1,745		1,256		3,001		
15-Nov-2012			1,212		1,212		4,213
15-May-2013	2,075		1,212		3,287		
15-Nov-2013			1,160		1,160		4,447
15-May-2014	2,215		1,160		3,375		
15-Nov-2014			1,105		1,105		4,480
15-May-2015	2,375		1,105		3,480		
15-Nov-2015			1,046		1,046		4,526
15-May-2016	2,535		1,046		3,581		
15-Nov-2016			982		982		4,563
15-May-2017	2,890		982		3,872		
15-Nov-2017			910		910		4,782
15-May-2018	3,080		910		3,990		
15-Nov-2018			833		833		4,823
15-May-2019	3,185		833		4,018		
15-Nov-2019			753		753		4,771
15-May-2020	3,575		753		4,328		
15-Nov-2020			664		664		4,992
15-May-2021	3,795		664		4,459		
15-Nov-2021			569		569		5,028
15-May-2022	4,030		569		4,599		
15-Nov-2022			468		468		5,067
15-May-2023	4,275		468		4,743		
15-Nov-2023			362		362		5,105
15-May-2024	4,535		362		4,897		
15-Nov-2024			248		248		5,145
15-May-2025	4,815		248		5,063		
15-Nov-2025			128		128		5,191
15-May-2026	5,110		128		5,238		
							5,238
	\$ 53,340	\$	27,357	\$	80,697	\$	80,697

San Antonio Water System
WATER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2002
(amounts in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi- Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2010	\$ -	\$ 7,689	\$ 7,689	\$ -
15-Nov-2010		7,689	7,689	15,378
15-May-2011	-	7,689	7,689	
15-Nov-2011		7,689	7,689	15,378
15-May-2012	-	7,689	7,689	
15-Nov-2012		7,689	7,689	15,378
15-May-2013	4,445	7,689	12,134	
15-Nov-2013		7,567	7,567	19,701
15-May-2014	4,670	7,567	12,237	
15-Nov-2014		7,438	7,438	19,675
15-May-2015	4,905	7,438	12,343	
15-Nov-2015		7,303	7,303	19,646
15-May-2016	5,145	7,303	12,448	
15-Nov-2016		7,162	7,162	19,610
15-May-2017	10,145	7,162	17,307	
15-Nov-2017		6,883	6,883	24,190
15-May-2018	10,665	6,883	17,548	
15-Nov-2018		6,590	6,590	24,138
15-May-2019	7,490	6,590	14,080	
15-Nov-2019		6,384	6,384	20,464
15-May-2020	17,390	6,384	23,774	
15-Nov-2020		5,905	5,905	29,679
15-May-2021	18,260	5,905	24,165	
15-Nov-2021		5,449	5,449	29,614
15-May-2022	21,280	5,449	26,729	
15-Nov-2022		4,917	4,917	31,646
15-May-2023	22,350	4,917	27,267	
15-Nov-2023		4,344	4,344	31,611
15-May-2024	23,475	4,344	27,819	
15-Nov-2024		3,757	3,757	31,576
15-May-2025	24,635	3,757	28,392	
15-Nov-2025		3,141	3,141	31,533
15-May-2026	25,850	3,141	28,991	
15-Nov-2026		2,495	2,495	31,486
15-May-2027	48,655	2,495	51,150	
15-Nov-2027		1,279	1,279	52,429
15-May-2028	51,150	1,279	52,429	
15-Nov-2028				52,429
	\$ 300,510	\$ 215,051	\$ 515,561	\$ 515,561

San Antonio Water System
WATER SYSTEM REVENUE BONDS
SERIES 2002-A
(amounts in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi- Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2010	\$ 5,055	\$ 2,341	\$ 7,396	\$
15-Nov-2010		2,217	2,217	9,613
15-May-2011	4,365	2,217	6,582	
15-Nov-2011		2,127	2,127	8,709
15-May-2012	4,280	2,127	6,407	
15-Nov-2012		2,021	2,021	8,428
15-May-2013	4,000	2,021	6,021	
15-Nov-2013		1,911	1,911	7,932
15-May-2014	-	1,911	1,911	
15-Nov-2014		1,911	1,911	3,822
15-May-2015	-	1,911	1,911	
15-Nov-2015		1,911	1,911	3,822
15-May-2016	-	1,911	1,911	
15-Nov-2016		1,911	1,911	3,822
15-May-2017	-	1,911	1,911	
15-Nov-2017		1,911	1,911	3,822
15-May-2018	-	1,911	1,911	
15-Nov-2018		1,911	1,911	3,822
15-May-2019	2,185	1,911	4,096	
15-Nov-2019		1,857	1,857	5,953
15-May-2020	2,460	1,857	4,317	
15-Nov-2020		1,795	1,795	6,112
15-May-2021	3,515	1,795	5,310	
15-Nov-2021		1,707	1,707	7,017
15-May-2022	3,285	1,707	4,992	
15-Nov-2022		1,625	1,625	6,617
15-May-2023	4,275	1,625	5,900	
15-Nov-2023		1,518	1,518	7,418
15-May-2024	4,695	1,518	6,213	
15-Nov-2024		1,401	1,401	7,614
15-May-2025	4,940	1,401	6,341	
15-Nov-2025		1,278	1,278	7,619
15-May-2026	5,190	1,278	6,468	
15-Nov-2026		1,148	1,148	7,616
15-May-2027	5,730	1,148	6,878	
15-Nov-2027		1,005	1,005	7,883
15-May-2028	7,255	1,005	8,260	
15-Nov-2028		823	823	9,083
15-May-2029	7,625	823	8,448	
15-Nov-2029		633	633	9,081
15-May-2030	8,015	633	8,648	
15-Nov-2030		432	432	9,080
15-May-2031	8,425	432	8,857	
15-Nov-2031		222	222	9,079
15-May-2032	8,860	222	9,082	
				9,082
	\$ 94,155	\$ 68,891	\$ 163,046	\$ 163,046

San Antonio Water System
WATER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2004
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 1,620	\$	\$ 2,056	\$	\$ 3,676	\$	
15-Nov-2010			2,016		2,016		5,692
15-May-2011	1,705		2,016		3,721		
15-Nov-2011			1,973		1,973		5,694
15-May-2012	1,790		1,973		3,763		
15-Nov-2012			1,928		1,928		5,691
15-May-2013	1,885		1,928		3,813		
15-Nov-2013			1,881		1,881		5,694
15-May-2014	1,980		1,881		3,861		
15-Nov-2014			1,832		1,832		5,693
15-May-2015	2,085		1,832		3,917		
15-Nov-2015			1,777		1,777		5,694
15-May-2016	2,195		1,777		3,972		
15-Nov-2016			1,719		1,719		5,691
15-May-2017	2,315		1,719		4,034		
15-Nov-2017			1,659		1,659		5,693
15-May-2018	2,440		1,659		4,099		
15-Nov-2018			1,594		1,594		5,693
15-May-2019	2,570		1,594		4,164		
15-Nov-2019			1,527		1,527		5,691
15-May-2020	2,710		1,527		4,237		
15-Nov-2020			1,456		1,456		5,693
15-May-2021	2,855		1,456		4,311		
15-Nov-2021			1,381		1,381		5,692
15-May-2022	3,010		1,381		4,391		
15-Nov-2022			1,302		1,302		5,693
15-May-2023	3,170		1,302		4,472		
15-Nov-2023			1,223		1,223		5,695
15-May-2024	3,330		1,223		4,553		
15-Nov-2024			1,139		1,139		5,692
15-May-2025	3,500		1,139		4,639		
15-Nov-2025			1,052		1,052		5,691
15-May-2026	3,685		1,052		4,737		
15-Nov-2026			957		957		5,694
15-May-2027	3,875		957		4,832		
15-Nov-2027			858		858		5,690
15-May-2028	4,080		858		4,938		
15-Nov-2028			754		754		5,692
15-May-2029	4,295		754		5,049		
15-Nov-2029			644		644		5,693
15-May-2030	4,520		644		5,164		
15-Nov-2030			528		528		5,692
15-May-2031	4,760		528		5,288		
15-Nov-2031			406		406		5,694
15-May-2032	5,010		406		5,416		
15-Nov-2032			277		277		5,693
15-May-2033	5,275		277		5,552		
15-Nov-2033			142		142		5,694
15-May-2034	5,550		142		5,692		
							5,692
	\$ 80,210	\$	\$ 62,106	\$	\$ 142,316	\$	\$ 142,316

San Antonio Water System
WATER SYSTEM REVENUE REFUNDING BONDS
SERIES 2005

(amounts in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi- Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2010	-	\$ 7,376	\$ 7,376	\$
15-Nov-2010		7,376	7,376	14,752
15-May-2011	-	7,376	7,376	
15-Nov-2011		7,376	7,376	14,752
15-May-2012	-	7,376	7,376	
15-Nov-2012		7,376	7,376	14,752
15-May-2013	2,635	7,376	10,011	
15-Nov-2013		7,310	7,310	17,321
15-May-2014	2,925	7,310	10,235	
15-Nov-2014		7,237	7,237	17,472
15-May-2015	735	7,237	7,972	
15-Nov-2015		7,221	7,221	15,193
15-May-2016	2,055	7,221	9,276	
15-Nov-2016		7,170	7,170	16,446
15-May-2017	2,650	7,170	9,820	
15-Nov-2017		7,103	7,103	16,923
15-May-2018	3,020	7,103	10,123	
15-Nov-2018		7,028	7,028	17,151
15-May-2019	6,170	7,028	13,198	
15-Nov-2019		6,874	6,874	20,072
15-May-2020	6,295	6,874	13,169	
15-Nov-2020		6,716	6,716	19,885
15-May-2021	6,625	6,716	13,341	
15-Nov-2021		6,551	6,551	19,892
15-May-2022	6,965	6,551	13,516	
15-Nov-2022		6,376	6,376	19,892
15-May-2023	7,330	6,376	13,706	
15-Nov-2023		6,193	6,193	19,899
15-May-2024	7,705	6,193	13,898	
15-Nov-2024		6,001	6,001	19,899
15-May-2025	8,105	6,001	14,106	
15-Nov-2025		5,798	5,798	19,904
15-May-2026	8,530	5,798	14,328	
15-Nov-2026		5,585	5,585	19,913
15-May-2027	-	5,585	5,585	
15-Nov-2027		5,585	5,585	11,170
15-May-2028	-	5,585	5,585	
15-Nov-2028		5,585	5,585	11,170
15-May-2029	-	5,585	5,585	
15-Nov-2029		5,585	5,585	11,170
15-May-2030	-	5,585	5,585	
15-Nov-2030		5,585	5,585	11,170
15-May-2031	-	5,585	5,585	
15-Nov-2031		5,585	5,585	11,170
15-May-2032	-	5,585	5,585	
15-Nov-2032		5,585	5,585	11,170
15-May-2033	-	5,585	5,585	
15-Nov-2033		5,585	5,585	11,170
15-May-2034	-	5,585	5,585	
15-Nov-2034		5,585	5,585	11,170
15-May-2035	33,265	5,585	38,850	
15-Nov-2035		4,753	4,753	43,603
15-May-2036	34,970	4,753	39,723	
15-Nov-2036		3,879	3,879	43,602
15-May-2037	36,715	3,879	40,594	
15-Nov-2037		3,007	3,007	43,601
15-May-2038	38,520	3,007	41,527	
15-Nov-2038		2,075	2,075	43,602
15-May-2039	40,465	2,075	42,540	
15-Nov-2039		1,064	1,064	43,604
14-May-2040	42,540	1,064	43,604	
				43,604
	\$ 298,220	\$ 356,874	\$ 655,094	\$ 655,094

San Antonio Water System
WATER SYSTEM REVENUE REFUNDING BONDS
SERIES 2007
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 8,355	\$	6,914	\$	15,269	\$	
15-Nov-2010			6,718		6,718		21,987
15-May-2011	9,670		6,718		16,388		
15-Nov-2011			6,485		6,485		22,873
15-May-2012	10,380		6,485		16,865		
15-Nov-2012			6,235		6,235		23,100
15-May-2013	4,020		6,235		10,255		
15-Nov-2013			6,134		6,134		16,389
15-May-2014	8,280		6,134		14,414		
15-Nov-2014			5,907		5,907		20,321
15-May-2015	11,065		5,907		16,972		
15-Nov-2015			5,602		5,602		22,574
15-May-2016	10,375		5,602		15,977		
15-Nov-2016			5,317		5,317		21,294
15-May-2017	8,370		5,317		13,687		
15-Nov-2017			5,120		5,120		18,807
15-May-2018	8,540		5,120		13,660		
15-Nov-2018			4,907		4,907		18,567
15-May-2019	4,430		4,907		9,337		
15-Nov-2019			4,796		4,796		14,133
15-May-2020	4,655		4,796		9,451		
15-Nov-2020			4,680		4,680		14,131
15-May-2021	4,880		4,680		9,560		
15-Nov-2021			4,575		4,575		14,135
15-May-2022	5,110		4,575		9,685		
15-Nov-2022			4,447		4,447		14,132
15-May-2023	5,375		4,447		9,822		
15-Nov-2023			4,313		4,313		14,135
15-May-2024	5,650		4,313		9,963		
15-Nov-2024			4,171		4,171		14,134
15-May-2025	5,940		4,171		10,111		
15-Nov-2025			4,023		4,023		14,134
15-May-2026	6,230		4,023		10,253		
15-Nov-2026			3,883		3,883		14,136
15-May-2027	-		3,883		3,883		
15-Nov-2027			3,883		3,883		7,766
15-May-2028	-		3,883		3,883		
15-Nov-2028			3,883		3,883		7,766
15-May-2029	16,245		3,883		20,128		
15-Nov-2029			3,527		3,527		23,655
15-May-2030	16,965		3,527		20,492		
15-Nov-2030			3,146		3,146		23,638
15-May-2031	17,730		3,146		20,876		
15-Nov-2031			2,747		2,747		23,623
15-May-2032	18,525		2,747		21,272		
15-Nov-2032			2,330		2,330		23,602
15-May-2033	28,645		2,330		30,975		
15-Nov-2033			1,685		1,685		32,660
15-May-2034	37,530		1,685		39,215		
15-Nov-2034			841		841		40,056
15-May-2035	11,900		841		12,741		
15-Nov-2035			573		573		13,314
15-May-2036	12,450		573		13,023		
15-Nov-2036			293		293		13,316
15-May-2037	13,025		293		13,318		
							13,318
	294,340	\$	227,356	\$	521,696	\$	521,696

San Antonio Water System
WATER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2009

(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi-Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 2,635	\$	3,926	\$	6,561	\$	
15-Nov-2010			3,886		3,886		10,447
15-May-2011	2,715		3,886		6,601		
15-Nov-2011			3,846		3,846		10,447
15-May-2012	2,800		3,846		6,646		
15-Nov-2012			3,804		3,804		10,450
15-May-2013	2,885		3,804		6,689		
15-Nov-2013			3,760		3,760		10,449
15-May-2014	2,970		3,760		6,730		
15-Nov-2014			3,716		3,716		10,446
15-May-2015	3,060		3,716		6,776		
15-Nov-2015			3,670		3,670		10,446
15-May-2016	3,170		3,670		6,840		
15-Nov-2016			3,607		3,607		10,447
15-May-2017	3,315		3,607		6,922		
15-Nov-2017			3,524		3,524		10,446
15-May-2018	3,480		3,524		7,004		
15-Nov-2018			3,444		3,444		10,448
15-May-2019	3,645		3,444		7,089		
15-Nov-2019			3,356		3,356		10,445
15-May-2020	3,830		3,356		7,186		
15-Nov-2020			3,262		3,262		10,448
15-May-2021	4,025		3,262		7,287		
15-Nov-2021			3,162		3,162		10,449
15-May-2022	4,225		3,162		7,387		
15-Nov-2022			3,060		3,060		10,447
15-May-2023	4,435		3,060		7,495		
15-Nov-2023			2,954		2,954		10,449
15-May-2024	4,650		2,954		7,604		
15-Nov-2024			2,844		2,844		10,448
15-May-2025	4,885		2,844		7,729		
15-Nov-2025			2,720		2,720		10,449
15-May-2026	5,140		2,720		7,860		
15-Nov-2026			2,588		2,588		10,448
15-May-2027	5,410		2,588		7,998		
15-Nov-2027			2,450		2,450		10,448
15-May-2028	5,690		2,450		8,140		
15-Nov-2028			2,306		2,306		10,446
15-May-2029	5,990		2,306		8,296		
15-Nov-2029			2,153		2,153		10,449
15-May-2030	6,305		2,153		8,458		
15-Nov-2030			1,988		1,988		10,446
15-May-2031	6,645		1,988		8,633		
15-Nov-2031			1,813		1,813		10,446
15-May-2032	7,005		1,813		8,818		
15-Nov-2032			1,629		1,629		10,447
15-May-2033	7,385		1,629		9,014		
15-Nov-2033			1,436		1,436		10,450
15-May-2034	7,780		1,436		9,216		
15-Nov-2034			1,231		1,231		10,447
15-May-2035	8,205		1,231		9,436		
15-Nov-2035			1,011		1,011		10,447
15-May-2036	8,660		1,011		9,671		
15-Nov-2036			778		778		10,449
15-May-2037	9,135		778		9,913		
15-Nov-2037			533		533		10,446
15-May-2038	9,640		533		10,173		
15-Nov-2038			273		273		10,446
15-May-2039	10,175		273		10,448		
							10,448
	159,890	\$	153,534	\$	313,424	\$	313,424

San Antonio Water System
WATER SYSTEM REVENUE BONDS
SERIES 2009A
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 2,515	\$	197	\$	2,712	\$	
15-Nov-2010			191		191		2,903
15-May-2011	2,305		191		2,496		
15-Nov-2011			162		162		2,658
15-May-2012	2,370		162		2,532		
15-Nov-2012			127		127		2,659
15-May-2013	2,465		127		2,592		
15-Nov-2013			65		65		2,657
15-May-2014	2,595		65		2,660		
							2,660
	12,250	\$	1,287	\$	13,537	\$	13,537

San Antonio Water System
WATER SYSTEM REVENUE TAXABLE BONDS
SERIES 2009B
(DIRECT SUBSIDY - BUILD AMERICA BONDS)
(amounts in thousands)

	<i>Principal</i>	<i>Interest</i>	<i>Interest Rate Subsidy</i>	<i>Total Interest</i>	<i>Total Semi- Annual Payment</i>	<i>Total Annual Payment</i>
15-May-2010	\$ -	\$ 2,342	\$ 820	\$ 1,522	\$ 1,522	\$ -
15-Nov-2010		2,720	952	1,768	1,768	3,290
15-May-2011	-	2,720	952	1,768	1,768	
15-Nov-2011		2,720	952	1,768	1,768	3,536
15-May-2012	-	2,720	952	1,768	1,768	
15-Nov-2012		2,720	952	1,768	1,768	3,536
15-May-2013	-	2,720	952	1,768	1,768	
15-Nov-2013		2,720	952	1,768	1,768	3,536
15-May-2014	-	2,720	952	1,768	1,768	
15-Nov-2014		2,720	952	1,768	1,768	3,536
15-May-2015	2,690	2,720	952	1,768	4,458	
15-Nov-2015		2,675	936	1,739	1,739	6,197
15-May-2016	2,755	2,675	936	1,739	4,494	
15-Nov-2016		2,623	918	1,705	1,705	6,199
15-May-2017	2,825	2,623	918	1,705	4,530	
15-Nov-2017		2,562	897	1,665	1,665	6,195
15-May-2018	2,910	2,562	897	1,665	4,575	
15-Nov-2018		2,497	874	1,623	1,623	6,198
15-May-2019	2,995	2,497	874	1,623	4,618	
15-Nov-2019		2,429	850	1,579	1,579	6,197
15-May-2020	3,085	2,429	850	1,579	4,664	
15-Nov-2020		2,356	825	1,531	1,531	6,195
15-May-2021	3,185	2,356	825	1,531	4,716	
15-Nov-2021		2,277	797	1,480	1,480	6,196
15-May-2022	3,290	2,277	797	1,480	4,770	
15-Nov-2022		2,193	767	1,426	1,426	6,196
15-May-2023	3,405	2,193	767	1,426	4,831	
15-Nov-2023		2,104	736	1,368	1,368	6,199
15-May-2024	3,525	2,104	736	1,368	4,893	
15-Nov-2024		2,009	703	1,306	1,306	6,199
15-May-2025	3,650	2,009	703	1,306	4,956	
15-Nov-2025		1,909	668	1,241	1,241	6,197
15-May-2026	4,995	1,909	668	1,241	6,236	
15-Nov-2026		1,771	620	1,151	1,151	7,387
15-May-2027	3,965	1,771	620	1,151	5,116	
15-Nov-2027		1,662	582	1,080	1,080	6,196
15-May-2028	3,300	1,662	582	1,080	4,380	
15-Nov-2028		1,571	550	1,021	1,021	5,401
15-May-2029	4,230	1,571	550	1,021	5,251	
15-Nov-2029		1,455	509	946	946	6,197
15-May-2030	4,385	1,455	509	946	5,331	
15-Nov-2030		1,332	466	866	866	6,197
15-May-2031	4,550	1,332	466	866	5,416	
15-Nov-2031		1,205	422	783	783	6,199
15-May-2032	4,715	1,205	422	783	5,498	
15-Nov-2032		1,073	375	698	698	6,196
15-May-2033	4,890	1,073	375	698	5,588	
15-Nov-2033		936	327	609	609	6,197
15-May-2034	5,075	936	327	609	5,684	
15-Nov-2034		794	278	516	516	6,200
15-May-2035	5,260	794	278	516	5,776	
15-Nov-2035		646	226	420	420	6,196
15-May-2036	5,455	646	226	420	5,875	
15-Nov-2036		493	173	320	320	6,195
15-May-2037	5,660	493	173	320	5,980	
15-Nov-2037		335	117	218	218	6,198
15-May-2038	5,870	335	117	218	6,088	
15-Nov-2038		170	60	110	110	6,198
15-May-2039	6,085	170	60	110	6,195	
						6,195
	\$ 102,750	\$ 107,696	\$ 37,692	\$ 70,004	\$ 172,754	\$ 172,754

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY

(amounts in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi- Annual Payment</u>	<u>Total Annual Payment</u>	<u>Total Debt Outstanding</u>
15-May-2010	\$ 16,905	\$ 5,379	\$ 22,284	\$	\$ 347,130
15-Nov-2010		5,391	5,391	27,675	
15-May-2011	17,135	5,391	22,526		329,995
15-Nov-2011		5,159	5,159	27,685	
15-May-2012	17,615	5,159	22,774		312,380
15-Nov-2012		4,909	4,909	27,683	
15-May-2013	18,210	4,909	23,119		294,170
15-Nov-2013		4,634	4,634	27,753	
15-May-2014	18,790	4,634	23,424		275,380
15-Nov-2014		4,344	4,344	27,768	
15-May-2015	19,385	4,344	23,729		255,995
15-Nov-2015		4,386	4,386	28,115	
15-May-2016	22,290	4,386	26,676		233,705
15-Nov-2016		4,045	4,045	30,721	
15-May-2017	22,780	4,045	26,825		210,925
15-Nov-2017		3,684	3,684	30,509	
15-May-2018	23,540	3,684	27,224		187,385
15-Nov-2018		3,299	3,299	30,523	
15-May-2019	25,175	3,299	28,474		162,210
15-Nov-2019		2,874	2,874	31,348	
15-May-2020	16,610	2,874	19,484		145,600
15-Nov-2020		2,616	2,616	22,100	
15-May-2021	17,170	2,616	19,786		128,430
15-Nov-2021		2,342	2,342	22,128	
15-May-2022	15,615	2,342	17,957		112,815
15-Nov-2022		2,093	2,093	20,050	
15-May-2023	13,840	2,093	15,933		98,975
15-Nov-2023		1,872	1,872	17,805	
15-May-2024	11,490	1,872	13,362		87,485
15-Nov-2024		1,681	1,681	15,043	
15-May-2025	8,640	1,681	10,321		78,845
15-Nov-2025		1,542	1,542	11,863	
15-May-2026	8,930	1,542	10,472		69,915
15-Nov-2026		1,399	1,399	11,871	
15-May-2027	9,225	1,399	10,624		60,690
15-Nov-2027		1,243	1,243	11,867	
15-May-2028	6,620	1,243	7,863		54,070
15-Nov-2028		1,128	1,128	8,991	
15-May-2029	6,850	1,128	7,978		47,220
15-Nov-2029		1,006	1,006	8,984	
15-May-2030	4,125	1,006	5,131		43,095
15-Nov-2030		920	920	6,051	
15-May-2031	4,295	920	5,215		38,800
15-Nov-2031		831	831	6,046	
15-May-2032	4,485	831	5,316		34,315
15-Nov-2032		736	736	6,052	
15-May-2033	4,685	736	5,421		29,630
15-Nov-2033		637	637	6,058	
15-May-2034	4,885	637	5,522		24,745
15-Nov-2034		532	532	6,054	
15-May-2035	5,100	532	5,632		19,645
15-Nov-2035		423	423	6,055	
15-May-2036	5,325	423	5,748		14,320
15-Nov-2036		309	309	6,057	
15-May-2037	5,555	309	5,864		8,765
15-Nov-2037		190	190	6,054	
15-May-2038	5,800	190	5,990		2,965
15-Nov-2038		64	64	6,054	
15-May-2039	2,965	64	3,029		-
				3,029	
	\$ 364,035	\$ 133,957	\$ 497,992	\$ 497,992	

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 1999

(amounts in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi- Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2010 \$	3,500	\$ 814	\$ 4,314	
15-Nov-2010		752	752	5,066
15-May-2011	3,625	752	4,377	
15-Nov-2011		685	685	5,062
15-May-2012	3,760	685	4,445	
15-Nov-2012		615	615	5,060
15-May-2013	3,900	615	4,515	
15-Nov-2013		540	540	5,055
15-May-2014	4,050	540	4,590	
15-Nov-2014		461	461	5,051
15-May-2015	4,210	461	4,671	
15-Nov-2015		378	378	5,049
15-May-2016	4,375	378	4,753	
15-Nov-2016		290	290	5,043
15-May-2017	4,550	290	4,840	
15-Nov-2017		198	198	5,038
15-May-2018	4,735	198	4,933	
15-Nov-2018		101	101	5,034
15-May-2019	4,925	101	5,026	
				5,026
	\$ 41,630	\$ 8,854	\$ 50,484	\$ 50,484

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 1999-A
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 2,290	\$	557	\$	2,847	\$	
15-Nov-2010			514		514		3,361
15-May-2011	2,375		514		2,889		
15-Nov-2011			470		470		3,359
15-May-2012	2,460		470		2,930		
15-Nov-2012			423		423		3,353
15-May-2013	2,555		423		2,978		
15-Nov-2013			373		373		3,351
15-May-2014	2,655		373		3,028		
15-Nov-2014			319		319		3,347
15-May-2015	2,765		319		3,084		
15-Nov-2015			262		262		3,346
15-May-2016	2,875		262		3,137		
15-Nov-2016			202		202		3,339
15-May-2017	3,000		202		3,202		
15-Nov-2017			138		138		3,340
15-May-2018	3,125		138		3,263		
15-Nov-2018			71		71		3,334
15-May-2019	3,260		71		3,331		
							3,331
	\$ 27,360	\$	6,101	\$	33,461	\$	33,461

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2001
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 515	\$	139	\$	654	\$	
15-Nov-2010			132		132		786
15-May-2011	535		132		667		
15-Nov-2011			124		124		791
15-May-2012	555		124		679		
15-Nov-2012			116		116		795
15-May-2013	650		116		766		
15-Nov-2013			105		105		871
15-May-2014	670		105		775		
15-Nov-2014			95		95		870
15-May-2015	700		95		795		
15-Nov-2015			83		83		878
15-May-2016	730		83		813		
15-Nov-2016			70		70		883
15-May-2017	555		70		625		
15-Nov-2017			61		61		686
15-May-2018	585		61		646		
15-Nov-2018			50		50		696
15-May-2019	1,400		50		1,450		
15-Nov-2019			25		25		1,475
15-May-2020	670		25		695		
15-Nov-2020			13		13		708
15-May-2021	690		13		703		
							703
	\$ 8,255	\$	1,887	\$	10,142	\$	10,142

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2001-A
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 845	\$	253	\$	1,098	\$	
15-Nov-2010			239		239		1,337
15-May-2011	880		239		1,119		
15-Nov-2011			224		224		1,343
15-May-2012	920		224		1,144		
15-Nov-2012			208		208		1,352
15-May-2013	965		208		1,173		
15-Nov-2013			190		190		1,363
15-May-2014	1,015		190		1,205		
15-Nov-2014			171		171		1,376
15-May-2015	1,050		171		1,221		
15-Nov-2015			151		151		1,372
15-May-2016	1,115		151		1,266		
15-Nov-2016			129		129		1,395
15-May-2017	1,155		129		1,284		
15-Nov-2017			106		106		1,390
15-May-2018	1,215		106		1,321		
15-Nov-2018			81		81		1,402
15-May-2019	1,315		81		1,396		
15-Nov-2019			54		54		1,450
15-May-2020	1,250		54		1,304		
15-Nov-2020			28		28		1,332
15-May-2021	1,335		28		1,363		
15-Nov-2021							1,363
	\$ 13,060	\$	3,415	\$	16,475	\$	16,475

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2002

(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 855	\$	192	\$	1,047	\$	
15-Nov-2010			183		183		1,230
15-May-2011	875		183		1,058		
15-Nov-2011			172		172		1,230
15-May-2012	895		172		1,067		
15-Nov-2012			161		161		1,228
15-May-2013	920		161		1,081		
15-Nov-2013			149		149		1,230
15-May-2014	945		149		1,094		
15-Nov-2014			136		136		1,230
15-May-2015	970		136		1,106		
15-Nov-2015			123		123		1,229
15-May-2016	1,000		123		1,123		
15-Nov-2016			108		108		1,231
15-May-2017	1,030		108		1,138		
15-Nov-2017			92		92		1,230
15-May-2018	1,065		92		1,157		
15-Nov-2018			75		75		1,232
15-May-2019	1,100		75		1,175		
15-Nov-2019			58		58		1,233
15-May-2020	1,135		58		1,193		
15-Nov-2020			39		39		1,232
15-May-2021	1,170		39		1,209		
15-Nov-2021			20		20		1,229
15-May-2022	1,210		20		1,230		
			-		-		1,230
	\$ 13,170	\$	2,824	\$	15,994	\$	15,994

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2002-A
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 625	\$	202	\$	827	\$	
15-Nov-2010			192		192		1,019
15-May-2011	650		192		842		
15-Nov-2011			181		181		1,023
15-May-2012	670		181		851		
15-Nov-2012			170		170		1,021
15-May-2013	695		170		865		
15-Nov-2013			157		157		1,022
15-May-2014	720		157		877		
15-Nov-2014			144		144		1,021
15-May-2015	750		144		894		
15-Nov-2015			129		129		1,023
15-May-2016	780		129		909		
15-Nov-2016			114		114		1,023
15-May-2017	810		114		924		
15-Nov-2017			98		98		1,022
15-May-2018	845		98		943		
15-Nov-2018			80		80		1,023
15-May-2019	880		80		960		
15-Nov-2019			62		62		1,022
15-May-2020	915		62		977		
15-Nov-2020			42		42		1,019
15-May-2021	960		42		1,002		
15-Nov-2021			22		22		1,024
15-May-2022	1,000		22		1,022		
							1,022
	\$ 10,300	\$	2,984	\$	13,284	\$	13,284

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2003

(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 1,960	\$	410	\$	2,370	\$	
15-Nov-2010			394		394		2,764
15-May-2011	1,995		394		2,389		
15-Nov-2011			375		375		2,764
15-May-2012	2,035		375		2,410		
15-Nov-2012			354		354		2,764
15-May-2013	2,075		354		2,429		
15-Nov-2013			331		331		2,760
15-May-2014	2,125		331		2,456		
15-Nov-2014			307		307		2,763
15-May-2015	2,175		307		2,482		
15-Nov-2015			280		280		2,762
15-May-2016	2,230		280		2,510		
15-Nov-2016			253		253		2,763
15-May-2017	2,285		253		2,538		
15-Nov-2017			222		222		2,760
15-May-2018	2,350		222		2,572		
15-Nov-2018			190		190		2,762
15-May-2019	2,415		190		2,605		
15-Nov-2019			156		156		2,761
15-May-2020	2,485		156		2,641		
15-Nov-2020			120		120		2,761
15-May-2021	2,560		120		2,680		
15-Nov-2021			82		82		2,762
15-May-2022	2,635		82		2,717		
15-Nov-2022			42		42		2,759
15-May-2023	2,720		42		2,762		
							2,762
	\$ 32,045	\$	6,622	\$	38,667	\$	38,667

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2004
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 595	\$	139	\$	734	\$	
15-Nov-2010			134		134		868
15-May-2011	605		134		739		
15-Nov-2011			129		129		868
15-May-2012	620		129		749		
15-Nov-2012			122		122		871
15-May-2013	630		122		752		
15-Nov-2013			115		115		867
15-May-2014	645		115		760		
15-Nov-2014			107		107		867
15-May-2015	660		107		767		
15-Nov-2015			99		99		866
15-May-2016	680		99		779		
15-Nov-2016			91		91		870
15-May-2017	695		91		786		
15-Nov-2017			81		81		867
15-May-2018	715		81		796		
15-Nov-2018			72		72		868
15-May-2019	735		72		807		
15-Nov-2019			61		61		868
15-May-2020	760		61		821		
15-Nov-2020			50		50		871
15-May-2021	780		50		830		
15-Nov-2021			39		39		869
15-May-2022	805		39		844		
15-Nov-2022			27		27		871
15-May-2023	830		27		857		
15-Nov-2023			14		14		871
15-May-2024	855		14		869		
							869
	<u>\$ 10,610</u>	<u>\$</u>	<u>2,421</u>	<u>\$</u>	<u>13,031</u>	<u>\$</u>	<u>13,031</u>

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2004-A
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 1,370	\$	480	\$	1,850	\$	
15-Nov-2010			462		462		2,312
15-May-2011	1,410		462		1,872		
15-Nov-2011			441		441		2,313
15-May-2012	1,450		441		1,891		
15-Nov-2012			419		419		2,310
15-May-2013	1,495		419		1,914		
15-Nov-2013			394		394		2,308
15-May-2014	1,550		394		1,944		
15-Nov-2014			368		368		2,312
15-May-2015	1,600		368		1,968		
15-Nov-2015			341		341		2,309
15-May-2016	1,660		341		2,001		
15-Nov-2016			311		311		2,312
15-May-2017	1,720		311		2,031		
15-Nov-2017			280		280		2,311
15-May-2018	1,785		280		2,065		
15-Nov-2018			247		247		2,312
15-May-2019	1,855		247		2,102		
15-Nov-2019			211		211		2,313
15-May-2020	1,925		211		2,136		
15-Nov-2020			174		174		2,310
15-May-2021	2,000		174		2,174		
15-Nov-2021			134		134		2,308
15-May-2022	2,085		134		2,219		
15-Nov-2022			92		92		2,311
15-May-2023	2,170		92		2,262		
12-Nov-2023			48		48		2,310
12-May-2024	2,265		48		2,313		
							2,313
	<u>\$ 26,340</u>	<u>\$</u>	<u>8,324</u>	<u>\$</u>	<u>34,664</u>	<u>\$</u>	<u>34,664</u>

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2007
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 350	\$	76	\$	426	\$	
15-Nov-2010			73		73		499
15-May-2011	355		73		428		
15-Nov-2011			70		70		498
15-May-2012	360		70		430		
15-Nov-2012			66		66		496
15-May-2013	365		66		431		
15-Nov-2013			63		63		494
15-May-2014	370		63		433		
15-Nov-2014			60		60		493
15-May-2015	380		60		440		
15-Nov-2015			56		56		496
15-May-2016	385		56		441		
15-Nov-2016			53		53		494
15-May-2017	395		53		448		
15-Nov-2017			49		49		497
15-May-2018	400		49		449		
15-Nov-2018			45		45		494
15-May-2019	410		45		455		
15-Nov-2019			41		41		496
15-May-2020	420		41		461		
15-Nov-2020			36		36		497
15-May-2021	430		36		466		
15-Nov-2021			32		32		498
15-May-2022	435		32		467		
15-Nov-2022			27		27		494
15-May-2023	445		27		472		
15-Nov-2023			22		22		494
15-May-2024	455		22		477		
15-Nov-2024			17		17		494
15-May-2025	470		17		487		
15-Nov-2025			11		11		498
15-May-2026	480		11		491		
15-Nov-2026			6		6		497
15-May-2027	490		6		496		
							496
	\$ 7,395	\$	1,530	\$	8,925	\$	8,925

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2007-A
(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 1,400	\$	499	\$	1,899	\$	
15-Nov-2010			480		480		2,379
15-May-2011	1,440		480		1,920		
15-Nov-2011			461		461		2,381
15-May-2012	1,480		461		1,941		
15-Nov-2012			441		441		2,382
15-May-2013	1,520		441		1,961		
15-Nov-2013			420		420		2,381
15-May-2014	1,565		420		1,985		
15-Nov-2014			398		398		2,383
15-May-2015	1,610		398		2,008		
15-Nov-2015			375		375		2,383
15-May-2016	1,655		375		2,030		
15-Nov-2016			351		351		2,381
15-May-2017	1,705		351		2,056		
15-Nov-2017			326		326		2,382
15-May-2018	1,755		326		2,081		
15-Nov-2018			300		300		2,381
15-May-2019	1,810		300		2,110		
15-Nov-2019			272		272		2,382
15-May-2020	1,865		272		2,137		
15-Nov-2020			243		243		2,380
15-May-2021	1,925		243		2,168		
15-Nov-2021			213		213		2,381
15-May-2022	1,985		213		2,198		
15-Nov-2022			181		181		2,379
15-May-2023	2,050		181		2,231		
15-Nov-2023			148		148		2,379
15-May-2024	2,120		148		2,268		
15-Nov-2024			113		113		2,381
15-May-2025	2,190		113		2,303		
15-Nov-2025			77		77		2,380
15-May-2026	2,265		77		2,342		
15-Nov-2026			40		40		2,382
15-May-2027	2,340		40		2,380		
							2,380
	\$ 32,680	\$	10,177	\$	42,857	\$	42,857

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2008

(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 690	\$	464	\$	1,154	\$	
15-Nov-2010			462		462		1,616
15-May-2011	695		462		1,157		
15-Nov-2011			459		459		1,616
15-May-2012	700		459		1,159		
15-Nov-2012			455		455		1,614
15-May-2013	710		455		1,165		
15-Nov-2013			450		450		1,615
15-May-2014	720		450		1,170		
15-Nov-2014			444		444		1,614
15-May-2015	730		444		1,174		
15-Nov-2015			438		438		1,612
15-May-2016	745		438		1,183		
15-Nov-2016			430		430		1,613
15-May-2017	760		430		1,190		
15-Nov-2017			421		421		1,611
15-May-2018	780		421		1,201		
15-Nov-2018			412		412		1,613
15-May-2019	800		412		1,212		
15-Nov-2019			401		401		1,613
15-May-2020	825		401		1,226		
15-Nov-2020			389		389		1,615
15-May-2021	850		389		1,239		
15-Nov-2021			376		376		1,615
15-May-2022	875		376		1,251		
15-Nov-2022			362		362		1,613
15-May-2023	905		362		1,267		
15-Nov-2023			347		347		1,614
15-May-2024	935		347		1,282		
15-Nov-2024			331		331		1,613
15-May-2025	970		331		1,301		
15-Nov-2025			314		314		1,615
15-May-2026	1,005		314		1,319		
15-Nov-2026			296		296		1,615
15-May-2027	1,040		296		1,336		
15-Nov-2027			277		277		1,613
15-May-2028	1,080		277		1,357		
15-Nov-2028			257		257		1,614
15-May-2029	1,120		257		1,377		
15-Nov-2029			236		236		1,613
15-May-2030	1,165		236		1,401		
15-Nov-2030			214		214		1,615
15-May-2031	1,210		214		1,424		
15-Nov-2031			191		191		1,615
15-May-2032	1,255		191		1,446		
15-Nov-2032			167		167		1,613
15-May-2033	1,305		167		1,472		
15-Nov-2033			142		142		1,614
15-May-2034	1,355		142		1,497		
15-Nov-2034			116		116		1,613
15-May-2035	1,410		116		1,526		
15-Nov-2035			89		89		1,615
15-May-2036	1,465		89		1,554		
15-Nov-2036			60		60		1,614
15-May-2037	1,520		60		1,580		
15-Nov-2037			31		31		1,611
15-May-2038	1,580		31		1,611		
							1,611
	29,200	\$	17,598	\$	46,798	\$	46,798

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2008-A

(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 455	\$	482	\$	937	\$	
15-Nov-2010			478		478		1,415
15-May-2011	460		478		938		
15-Nov-2011			474		474		1,412
15-May-2012	470		474		944		
15-Nov-2012			469		469		1,413
15-May-2013	480		469		949		
15-Nov-2013			463		463		1,412
15-May-2014	495		463		958		
15-Nov-2014			457		457		1,415
15-May-2015	505		457		962		
15-Nov-2015			450		450		1,412
15-May-2016	520		450		970		
15-Nov-2016			442		442		1,412
15-May-2017	540		442		982		
15-Nov-2017			433		433		1,415
15-May-2018	555		433		988		
15-Nov-2018			423		423		1,411
15-May-2019	580		423		1,003		
15-Nov-2019			413		413		1,416
15-May-2020	600		413		1,013		
15-Nov-2020			401		401		1,414
15-May-2021	625		401		1,026		
15-Nov-2021			388		388		1,414
15-May-2022	650		388		1,038		
15-Nov-2022			375		375		1,413
15-May-2023	680		375		1,055		
15-Nov-2023			360		360		1,415
15-May-2024	710		360		1,070		
15-Nov-2024			344		344		1,414
15-May-2025	740		344		1,084		
15-Nov-2025			328		328		1,412
15-May-2026	775		328		1,103		
15-Nov-2026			310		310		1,413
15-May-2027	815		310		1,125		
15-Nov-2027			291		291		1,416
15-May-2028	850		291		1,141		
15-Nov-2028			271		271		1,412
15-May-2029	890		271		1,161		
15-Nov-2029			250		250		1,411
15-May-2030	935		250		1,185		
15-Nov-2030			227		227		1,412
15-May-2031	980		227		1,207		
15-Nov-2031			204		204		1,411
15-May-2032	1,030		204		1,234		
15-Nov-2032			179		179		1,413
15-May-2033	1,080		179		1,259		
15-Nov-2033			153		153		1,412
15-May-2034	1,135		153		1,288		
15-Nov-2034			125		125		1,413
15-May-2035	1,190		125		1,315		
15-Nov-2035			96		96		1,411
15-May-2036	1,250		96		1,346		
15-Nov-2036			66		66		1,412
15-May-2037	1,315		66		1,381		
15-Nov-2037			34		34		1,415
15-May-2038	1,380		34		1,414		
							1,414
	22,690	\$	18,290	\$	40,980	\$	40,980

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2009

(amounts in thousands)

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi-Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2010	\$ 1,455	\$	672	\$	2,127	\$	
15-Nov-2010			896		896		3,023
15-May-2011	1,235		896		2,131		
15-Nov-2011			894		894		3,025
15-May-2012	1,240		894		2,134		
15-Nov-2012			890		890		3,024
15-May-2013	1,250		890		2,140		
15-Nov-2013			884		884		3,024
15-May-2014	1,265		884		2,149		
15-Nov-2014			877		877		3,026
15-May-2015	1,280		877		2,157		
15-Nov-2015			868		868		3,025
15-May-2016	1,300		868		2,168		
15-Nov-2016			856		856		3,024
15-May-2017	1,325		856		2,181		
15-Nov-2017			843		843		3,024
15-May-2018	1,355		843		2,198		
15-Nov-2018			828		828		3,026
15-May-2019	1,385		828		2,213		
15-Nov-2019			812		812		3,025
15-May-2020	1,420		812		2,232		
15-Nov-2020			792		792		3,024
15-May-2021	1,460		792		2,252		
15-Nov-2021			771		771		3,023
15-May-2022	1,505		771		2,276		
15-Nov-2022			747		747		3,023
15-May-2023	1,555		747		2,302		
15-Nov-2023			722		722		3,024
15-May-2024	1,605		722		2,327		
15-Nov-2024			695		695		3,022
15-May-2025	1,665		695		2,360		
15-Nov-2025			664		664		3,024
15-May-2026	1,730		664		2,394		
15-Nov-2026			632		632		3,026
15-May-2027	1,795		632		2,427		
15-Nov-2027			597		597		3,024
15-May-2028	1,870		597		2,467		
15-Nov-2028			559		559		3,026
15-May-2029	1,945		559		2,504		
15-Nov-2029			520		520		3,024
15-May-2030	2,025		520		2,545		
15-Nov-2030			479		479		3,024
15-May-2031	2,105		479		2,584		
15-Nov-2031			436		436		3,020
15-May-2032	2,200		436		2,636		
15-Nov-2032			390		390		3,026
15-May-2033	2,300		390		2,690		
15-Nov-2033			342		342		3,032
15-May-2034	2,395		342		2,737		
15-Nov-2034			291		291		3,028
15-May-2035	2,500		291		2,791		
15-Nov-2035			238		238		3,029
15-May-2036	2,610		238		2,848		
15-Nov-2036			183		183		3,031
15-May-2037	2,720		183		2,903		
15-Nov-2037			125		125		3,028
15-May-2038	2,840		125		2,965		
15-Nov-2038			64		64		3,029
15-May-2039	2,965		64		3,029		
							3,029
	54,300	\$	36,462	\$	90,762	\$	90,762

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2009A
(amounts in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi- Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2010	\$ -	\$ -	\$ -	\$ -
15-Nov-2010		-	-	-
15-May-2011	-	-	-	-
15-Nov-2011		-	-	-
15-May-2012	-	-	-	-
15-Nov-2012		-	-	-
15-May-2013	-	-	-	-
15-Nov-2013		-	-	-
15-May-2014	-	-	-	-
15-Nov-2014		-	-	-
15-May-2015	-	-	-	-
15-Nov-2015		353	353	353
15-May-2016	2,240	353	2,593	2,938
15-Nov-2016		345	345	2,938
15-May-2017	2,255	345	2,600	2,936
15-Nov-2017		336	336	2,936
15-May-2018	2,275	336	2,611	2,935
15-Nov-2018		324	324	2,935
15-May-2019	2,305	324	2,629	2,937
15-Nov-2019		308	308	2,937
15-May-2020	2,340	308	2,648	2,937
15-Nov-2020		289	289	2,937
15-May-2021	2,385	289	2,674	2,939
15-Nov-2021		265	265	2,939
15-May-2022	2,430	265	2,695	2,935
15-Nov-2022		240	240	2,935
15-May-2023	2,485	240	2,725	2,936
15-Nov-2023		211	211	2,936
15-May-2024	2,545	211	2,756	2,937
15-Nov-2024		181	181	2,937
15-May-2025	2,605	181	2,786	2,934
15-Nov-2025		148	148	2,934
15-May-2026	2,675	148	2,823	2,938
15-Nov-2026		115	115	2,938
15-May-2027	2,745	115	2,860	2,938
15-Nov-2027		78	78	2,938
15-May-2028	2,820	78	2,898	2,939
15-Nov-2028		41	41	2,939
15-May-2029	2,895	41	2,936	2,936
				2,936
	35,000	\$ 6,468	\$ 41,468	\$ 41,468

San Antonio Water System
REVENUE BOND DEBT COVERAGE RATIO
For the Year Ended December 31, 2009
(\$ in thousands)

Operating Revenues	\$	369,053
Less Revenues from City Public Service Contract		2,721
		366,332
 Nonoperating Revenues		 4,511
Less Interest on Project Funds		379
		4,132
 Gross Revenues		 370,464
Maintenance & Operation Expense before Depreciation		219,523
		219,523
 Pledged Revenues	 \$	 150,941
		150,941
 Maximum Annual Bond Debt service requirement for all Outstanding Bonds ¹	 \$	 123,182
Maximum Annual Combined Debt Coverage Ratio		1.23

¹Maximum annual debt service requirements consist of principal and interest payments prior to the U.S. federal interest subsidy on the Series 2009B revenue bonds.

FEDERAL AWARD SECTION



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*

To the Board of Trustees
San Antonio Water System
San Antonio, Texas

We have audited the balance sheet of San Antonio Water System ("SAWS"), a component unit of the City of San Antonio, Texas, as of December 31, 2009, and the related statements of revenues, expenses, and changes in equity and cash flows for the year then ended, and have issued our report thereon dated March 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SAWS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAWS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SAWS' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAWS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and the Public Funds Investment Act, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

We noted certain matters that we reported to management of SAWS in a separate letter dated March 23, 2010.

This report is intended solely for the information and use of management, others within SAWS, the Board of Trustees, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
March 23, 2010



Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133

To the Board of Trustees
San Antonio Water System
San Antonio, Texas

Compliance

We have audited the compliance of San Antonio Water System ("SAWS"), a component unit of the City of San Antonio, Texas, with the types of compliance requirements described in the United States Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. SAWS' major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of SAWS' management. Our responsibility is to express an opinion on SAWS' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SAWS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of SAWS' compliance with those requirements.

In our opinion, SAWS complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of SAWS is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered SAWS' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SAWS' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within SAWS, the Board of Trustees, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
March 23, 2010

San Antonio Water System

Schedule of Findings and Questioned Costs

Year Ended December 31, 2009

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____ Yes		_____ <u>X</u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes		_____ <u>X</u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes		_____ <u>X</u> No	

2. Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____ Yes		_____ <u>X</u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes		_____ <u>X</u> None Reported	
Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes		_____ <u>X</u> No	

3. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Environmental Protection Agency passed through Texas Water Development Board – Capitalization Grants for State Revolving Funds
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>630,492</u>
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes _____ No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

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**SAN ANTONIO WATER SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
THROUGH DECEMBER 31, 2009**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA CFDA Number</u>	<u>Program/ Grant Number</u>	<u>Total Program/ Grant Award</u>	<u>Expenditures</u>
Environmental Protection Agency				
Pass Through:				
Texas Water Development Board				
Capitalization Grants for State Revolving Funds (Clean Water State Revolving Fund)				
Series 1999 A Junior Lien Revenue and Refunding Bonds	66.458	-	\$ 47,500,000	\$ -
Series 2002 Junior Lien Revenue Bonds	66.458	-	15,650,000	-
Series 2003 Junior Lien Revenue Bonds	66.458	-	34,000,000	1,284,851
Series 2004 Junior Lien Revenue and Refunding Bonds	66.458	-	10,635,000	1,866,215
Series 2007 Junior Lien Revenue and Refunding Bonds	66.458	-	8,070,000	459,971
Series 2008 Junior Lien Revenue Bonds	66.458	-	30,000,000	16,880,983
Total Passed Through Texas Water Development Board				\$ 20,492,020
 Environmental Protection Agency				
Design & Construction of Water improvements Brooks City Base	66.606	XP-97678901-0	\$ 1,253,600	\$ 190,072
Water Infrastructure Improvements at Kelly USA	66.202	XP-96628201-0	481,100	334,301
Kelly USA Project for Water Infrastructure Improvements (formally Construction of Sewage Collection System for Espada area)	66.202	XP-96626001-1	144,300	-
Rehabilitation of Central Watershed Sewer Relief Line	66.202	XP-00F02701-0	765,000	-
Total Environmental Protection Agency				\$ 524,373
 United States Department of Commerce				
Grants for Public Works and Economic Development Facilities	11.300	08-01-03991	\$ 1,800,000	\$ -
Total United States Department of Commerce				\$ -
 Total Federal Financial Assistance				\$ 21,016,393

**SAN ANTONIO WATER SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

DECEMBER 31, 2009

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the System and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, Audits of States, Local Governments, and Non Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. The System is indebted to the Texas Water Development Board (TWDB) as a result of issuance of the City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2004 and 2007; and Junior Lien Revenue Bonds, Series 2002, 2003, and 2008. The bonds were sold under the federal cross cutter program for financing qualified System improvements related to wastewater and recycled water systems. The amounts reflected in the Schedule of Expenditures of Federal Awards represents expenditures incurred during the year ended December 31, 2009. The following table contains information about these bonds.

Bond	Federal CFDA CFDA Number	Interest Rate	Term - Annual Maturities Through	Outstanding Balance at December 31, 2009 (amounts in thousands)
Series 2002 Junior Lien Bonds	66.458	2.25% - 3.30%	May 15, 2022	\$13,170
Series 2003 Junior Lien Bonds	66.458	1.65% - 3.10%	May 15, 2023	\$32,045
Series 2004 Junior Lien Bonds	66.458	1.65% - 3.20%	May 15, 2024	\$10,610
Series 2007 Junior Lien Bonds	66.458	1.70% - 2.40%	May 15, 2027	\$7,395
Series 2008 Junior Lien Bonds	66.458	0.55% - 3.95%	May 15, 2038	\$29,200



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