

UPDATED OFFERING MEMORANDUM

October __, 2023



\$500,000,000
CITY OF SAN ANTONIO, TEXAS
WATER SYSTEM COMMERCIAL PAPER NOTES,
SUBSERIES A-1 (TAX-EXEMPT) AND SERIES B (TAX-EXEMPT)

INTRODUCTION

This Updated Offering Memorandum, which includes the Appendices hereto, furnishes general information in connection with the issuance and sale of the captioned series of notes (as further described herein, the “Notes”). The Notes were authorized by the City of San Antonio, Texas (the “City” or “San Antonio”) pursuant to an amended and restated ordinance adopted and approved by the City Council (the “City Council”) of the City on September 13, 2018 (such ordinance, as amended, the “Note Ordinance”). Capitalized terms used, but not defined herein, shall have the meanings set forth in the Note Ordinance and the applicable Credit Agreement as hereinafter described and defined. The City is authorized to issue the Notes pursuant to the Note Ordinance in an aggregate principal amount not to exceed \$500,000,000, and the Credit Agreements (described herein) together provide liquidity and credit support in the amount of \$500,000,000. The issuance of the Notes is further supported by the following agreements and related participants:

- Dealer Agreements, as amended (as applicable), with J.P. Morgan Securities LLC, Goldman, Sachs & Co. LLC, and Ramirez & Co., Inc. (each, a “Dealer” and, collectively, the “Dealers”).
- Revolving Credit Agreement, dated as of September 13, 2018 (but effective as October 4, 2018), as amended from time to time (the “Subseries A-1 Credit Agreement”), with JPMorgan Chase Bank, National Association (the “Series A Bank”), pursuant to which the Series A Bank provides credit and liquidity support for the hereinafter-defined Subseries A-1 Notes in the principal amount of \$400,000,000 (but which amount of credit and liquidity of support is reduced by the principal amount of the hereinafter-defined Subseries A-2 Notes from time to time outstanding and purchased by the Series A Bank pursuant to the hereinafter-defined Subseries A-2 Purchase Agreement).
- Revolving Credit Agreement, dated and effective as October 31, 2023, as may be amended from time to time (the “Series B Credit Agreement”), with Truist Bank (the “Series B Bank”), pursuant to which the Series B Bank provides credit and liquidity support for the hereinafter-defined Series B Notes in the principal amount of \$100,000,000.
- Issuing and Paying Agency Agreement, with The Bank of New York Mellon Trust Company, N.A.

The Note Ordinance authorizes the issuance of the City’s commercial paper notes in multiple series, as further described herein. The City has provided for the issuance of tax-exempt commercial paper notes designated as Subseries A-1, Subseries A-2, Series B, and Series C; however, the Subseries A-1 and the Series B commercial paper notes are the “Notes” defined and described above, being the Series or Subseries (hereinafter-defined) authorized to be publicly marketed and sold as herein described, and are the subject of this Updated Offering Memorandum.

There follows in this Updated Offering Memorandum a description of the San Antonio Water System (“SAWS” or the “System”) and its finances, the Notes, the Note Ordinance, and related provisions, and certain other applicable information. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the System’s co-financial advisors, PFM Financial Advisors LLC, Arlington, Virginia, and Estrada Hinojosa & Company, Inc., San Antonio, Texas, by electronic mail or upon payment of reasonable handling, delivery, and copying charges.

The Series A Bank has no responsibility for the form and content of this Updated Offering Memorandum, other than solely with respect to the information describing the Series A Bank in Appendix B under the heading “Certain Information Concerning JPMorgan Chase Bank, N.A.” and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Updated Offering Memorandum or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing itself in Appendix B under the heading “Certain Information Concerning JPMorgan Chase Bank, N.A.”. Accordingly, the Series A Bank disclaims responsibility for the other information in this Updated Offering Memorandum or otherwise made in connection with the Series A-1 Notes.

The Series B Bank has no responsibility for the form and content of this Updated Offering Memorandum, other than solely with respect to the information describing the Series B Bank in Appendix B under the heading “Certain Information Concerning Truist Bank” and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Updated Offering Memorandum or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing itself in Appendix B under the heading “Certain Information Concerning Truist Bank”. Accordingly, the Series B Bank disclaims responsibility for the other information in this Updated Offering Memorandum or otherwise made in connection with the Series B Notes.

THE INFORMATION AND EXPRESSIONS OF THE OPINION IN THIS UPDATED OFFERING MEMORANDUM ARE SUBJECT TO CHANGE WITHOUT NOTICE AFTER THE DATE HEREOF, AND FUTURE USE OF THIS UPDATED OFFERING MEMORANDUM

SHALL NOT OTHERWISE CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE SINCE THE DATE HEREOF, IN THE MATTERS REFERRED TO IN THIS UPDATED OFFERING MEMORANDUM. IN CONNECTION WITH THE INFORMATION DESCRIBED IN THE UPDATED OFFERING MEMORANDUM, BOND COUNSEL REPRESENTS ONLY THE SYSTEM AND THE CITY.

THIS UPDATED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES, OTHER THAN THE NOTES.

COMMERCIAL PAPER NOTES

GENERAL

Commercial Paper Notes Authorization. The City is authorized, pursuant to Chapter 1371, Texas Government Code, as amended (the “Act”) and the Note Ordinance to issue commercial paper notes thereunder in an aggregate principal amount not to exceed \$500,000,000 outstanding at any one time. Commercial paper notes are issued to provide interim financing for additions, improvements, and extensions to the System and to refinance, renew, or refund maturing commercial paper notes of the same Series or Subseries.

The Note Ordinance authorizes the issuance of the City’s commercial paper notes in three series (designated Series A, Series B, and Series C), as subseries (a “Subseries”) within a series (a “Series”), and as tax-exempt or taxable obligations (i.e., the interest on which obligations is or is not includable in the gross income calculation of the holder thereof for federal income tax purposes). Commercial paper notes of any Series, Subseries, or tax treatment designation issued pursuant to this Note Ordinance authorization are referred to herein as “Commercial Paper Notes”. The City provided for the issuance of tax-exempt Commercial Paper Notes designated as Subseries A-1, Subseries A-2, Series B, and Series C. The City has at this time made no provision for any other issuance of Series or Subseries of Commercial Paper Notes under the Note Ordinance. As further described below, the City maintains \$400,000,000 in credit and liquidity support for the Series A Commercial Paper Notes and combined credit and liquidity support for the Series B Commercial Paper Notes (the “Series B Notes”) in the amount of \$100,000,000. As a result, the City is currently permitted to issue Commercial Paper Notes in a combined principal amount equal to the \$500,000,000 maximum amount authorized under the Note Ordinance. There is currently no liquidity support available for the Series C Commercial Paper Notes (the “Series C Notes”), and such obligations are not currently eligible to be publicly marketed and sold. In addition, the Subseries A-2 Notes are not currently eligible to be publicly marketed and sold. As a result, this Updated Offering Memorandum describes only the Subseries A-1 Notes and the Series B Notes, and not the Subseries A-2 Notes or the Series C Notes.

Commercial Paper Notes Terms. The Commercial Paper Notes will be offered and sold at par, will mature not more than 270 days from the date of issue, will pay interest at maturity calculated on the basis of a 365 or 366 day year, as appropriate, for the actual number of days elapsed, and will be issued in minimum denominations of \$100,000 and integrals of \$1,000 in excess of such amount. The net effective interest rate on the Commercial Paper Notes may not exceed the lesser of 10% per annum or the maximum net effective interest rate permitted by Chapter 1204, Texas Government Code, as amended, to be paid on obligations issued or incurred by the City in the exercise of its borrowing power. The Commercial Paper Notes will be payable at the offices of The Bank of New York Mellon Trust Company, N.A., Houston, Texas, acting as the issuing and paying agent for the Commercial Paper Notes (the “Issuing and Paying Agent”).

Series A Commercial Paper Notes. The Series A Notes are authorized to be issued in Subseries, as Subseries A-1 Commercial Paper Notes (the “Subseries A-1 Notes” and heretofore defined as one of the Subseries of “Notes” to which this Updated Offering Memorandum relates) and the Subseries A-2 Commercial Paper Notes (the “Subseries A-2 Notes”), being Commercial Paper Notes that are directly placed with the Series A Bank by private sale pursuant to the terms of a note purchase agreement (the “Subseries A-2 Purchase Agreement”) whose term runs concurrently with the Subseries A-1 Credit Agreement. The principal amount of Subseries A-2 Notes at any one time outstanding and placed with and held by the Series A Bank directly impacts the amount of liquidity support available to the Notes, as the combined amount of liquidity support available from the Series A Bank under the Subseries A-1 Credit Agreement and the Subseries A-2 Purchase Agreement, respectively, totals \$400,000,000 (of which amount none is available to pay interest on the particular Commercial Paper Notes to which such credit agreement relates, including the Notes under the Subseries A-1 Credit Agreement). Under the terms of the Subseries A-2 Purchase Agreement, maturing Subseries A-2 Notes can be exchanged for new Subseries A-2 Notes in a non-cash transaction. The Subseries A-1 Credit Agreement and the Subseries A-2 Purchase Agreement, effective March 10, 2023, have a stated expiration date of October 4, 2026.

Series B Commercial Paper Notes. The Series B Commercial Paper Notes (heretofore defined as one of the Series of “Notes” to which this Updated Offering Memorandum relates) are authorized to be publicly issued from time to time pursuant to the Series B Credit Agreement under which the Series B Bank provides combined liquidity support for the Series B Notes in the form of a commitment to purchase and hold up to \$100,000,000 in principal amount thereof. The Series B Credit Agreement, effective October 31, 2023, has a stated expiration date of October 31, 2028. There are currently no Series B Notes outstanding.

Series C Commercial Paper Notes. There is no liquidity associated with the Series C Notes, and there are currently no Series C Notes outstanding.

SECURITY

The Notes are payable from and equally and ratably secured by a lien on and pledge of (i) the proceeds from (a) the sale of other Notes issued for such purpose and (b) the sale of a Series or Subseries of Commercial Paper Notes to be issued by the City for such purpose, (ii) Loans under and pursuant to the Subseries A-1 Credit Agreement and the Series B Credit Agreement (together, the “Revolving Credit Agreements”); provided, however, that the proceeds from advances under the Revolving Credit Agreements (referred to therein and elsewhere in this Updated Offering Memorandum as “Loans”) may only be used to pay the principal (but not interest on) of the Notes, (iii) the amounts held in the applicable accounts and subaccounts of the Note Payment Fund (as defined in the Note Ordinance) until the amounts deposited therein are used for authorized purposes; provided, however, that amounts in the Note Payment Fund attributable to and derived from Loans shall be used only to pay, prior to any application to the payment of the Loan Note (as defined in the Revolving Credit Agreements), the principal (but no redemption premium) of the Notes in full,

and (iv) the amounts remaining on deposit in the applicable accounts and subaccounts of the Note Construction Fund (as defined in the Note Ordinance) after the payment of all Project Costs. To provide additional security for the payment of the principal of and interest on the Commercial Paper Notes (including the Notes), the Loan Notes, and other amounts due under the Revolving Credit Agreements (as the same shall become due and payable), the Note Ordinance grants a lien on and pledge of the Net Revenues on parity with the currently outstanding Subordinate Lien Obligations. Such pledge is subordinate only to the lien on and pledge of the Pledged Revenues securing the payment of the Senior Lien Obligations and the lien on and pledge of Net Revenues securing the payment of the Junior Lien Obligations issued from time to time by the City. The City has the right to issue Additional Senior Lien Obligations and Additional Junior Lien Obligations without limitation as to principal amount which may be secured by a lien on and pledge of the Net Revenues superior to the lien securing the Commercial Paper Notes.

The Commercial Paper Notes (including the Notes) do not constitute a general indebtedness of the City, of the System, the State, or any political subdivision of the State within the meaning of any constitutional, statutory, or charter provision or limitation. Neither the faith and credit nor the taxing power of the City, the State, or any other political subdivision of the State is pledged to the payment of the Notes.

As described above, the City, in order to provide credit and liquidity support for the Notes, has entered into the Subseries A-1 Credit Agreement, dated as September 13, 2018 (but effective as of October 4, 2018), with the Series A Bank, under which the Series A Bank provides liquidity support for the principal of matured Subseries A-1 Notes in the amount of \$400,000,000 (but which amount is reduced by the principal amount of Subseries A-2 Notes issued by the City and directly purchased by the Series A Bank pursuant to the Subseries A-2 Purchase Agreement). The Subseries A-2 Notes are directly purchased and held by the Series A Bank pursuant to the Subseries A-2 Purchase Agreement.

The amount of credit and liquidity support for the Subseries A-1 Notes under the Subseries A-1 Credit Agreement may be adjusted from time to time as follows (as so adjusted, the "Available Commitment"): (a) downward in an amount equal to the principal amount of any Loan made under the Subseries A-1 Credit Agreement and the principal amount of Subseries A-2 Notes purchased by the Series A Bank from time to time pursuant to the related Subseries A-2 Purchase Agreement; (b) downward by the amount of any permanent reduction thereto pursuant to the terms of the Subseries A-1 Credit Agreement; and (c) so long as the Revolving Credit Period (as defined in the Subseries A-1 Credit Agreement) has not terminated, upward in an amount equal to the principal amount of any Loan that is repaid pursuant to the provisions of the Subseries A-1 Credit Agreement and the principal amount of any Subseries A-2 Notes repaid pursuant to the related Subseries A-2 Purchase Agreement; provided, that, after giving effect to any such adjustment the Available Commitment shall never exceed \$400,000,000. Any adjustments pursuant to clause (a), (b), or (c) above shall occur simultaneously with the event requiring such adjustment.

No amount is available under the Revolving Credit Agreements to pay accrued interest on the Notes.

PERFECTION OF SECURITY FOR THE NOTES

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

SUBSTITUTION OF LIQUIDITY FACILITY

Liquidity enhancement for (i) the Subseries A-1 Notes is provided by the Series A Bank pursuant to the Subseries A-1 Credit Agreement, which such Subseries A-1 Credit Agreement expires in accordance with its terms on October 4, 2026, and (ii) the Series B Notes is provided by the Series B and Series C Bank pursuant to the Series B Credit Agreement, which such Series B Credit Agreement expires in accordance with its terms on October 31, 2028. Notes currently and from time to time outstanding will remain supported by the Revolving Credit Agreements until such times that they mature and the principal thereof is paid with the proceeds from new Commercial Paper Notes marketed and sold in reliance upon the liquidity enhancement provided by an Alternative Credit Facility, if any. Until then, such "predecessor" Revolving Credit Agreements represents the sole source of liquidity enhancement for those outstanding Notes, and the holders thereof may, in addition to Net Revenues, only look to such "predecessor" Revolving Credit Agreements in the event of an inability to market new Notes as described above.

The City may not provide an Alternate Credit Facility unless the City shall have received written evidence from Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings, Inc. ("Fitch"), respectively, that any outstanding ratings then assigned to the Notes by each agency will not be reduced or withdrawn as a result of the replacement or substitution of the Revolving Credit Agreements. The City will give the Issuing and Paying Agent at least fifteen (15) days written notice of any proposed substitution or replacement by the City of the Revolving Credit Agreements and, if applicable, the identity of the provider of any substituted amount or replaced Revolving Credit Agreements. Upon receipt of such notice, the Issuing and Paying Agent shall promptly give a copy of such notice to DTC (defined herein) and, if the Issuing and Paying Agent is provided with the names and addresses of the beneficial owners of the Notes to such beneficial owners of the Notes.

CREDIT AGREEMENTS

General

The City has entered into the Subseries A-1 Credit Agreement with the Series A Bank and the Series B Credit Agreement with the Series B Bank (together with the Series A Bank, the "Lender") as herein described. Under the Subseries A-1 Credit Agreement, the City, provided it has satisfied certain hereinafter described conditions, may borrow up to \$400,000,000 (with respect to the Subseries A-1 Credit Agreement minus the amount of Commercial Paper Notes purchased by the Subseries A Bank under the Subseries A-2 Purchase Agreement) in immediately available funds on a revolving basis until, with respect to the Subseries A-1 Credit Agreement, October 4, 2026 (unless such Subseries A-1 Credit Agreement is

terminated earlier pursuant to their terms, and under the Series B Credit Agreement, the City, provided it has satisfied certain hereafter described conditions, may borrow up to \$100,000,000 (with respect to the Series B Credit Agreement minus the amount of Commercial Paper Notes purchased by the Series B and Series C Bank under the Series C Credit Agreement) in immediately available funds on a revolving basis, until, with respect to the Series B Credit Agreement, October 31, 2028; see “COMMERCIAL PAPER NOTES – Events of Default” and “COMMERCIAL PAPER NOTES – Remedies”) to pay the principal amount of maturing Subseries A-1 Notes and Series B Notes, respectively.

Reduction in Commitment

As set forth in the Revolving Credit Agreements, the City may, upon the prescribed time period set forth in the Revolving Credit Agreements, provide notice to the applicable Lender and any rating agency which has issued a rating on the Notes, reduce from time to time by an aggregate amount of \$1,000,000 or any integral multiple of \$100,000 in excess thereof, the aggregate unused portion of the Commitment under the Revolving Credit Agreements at the time; *provided* that the City may not reduce the Commitment under the Revolving Credit Agreements if the unused portions of the Commitment under the Revolving Credit Agreements as proposed to be reduced would be less than the aggregate principal of all outstanding Notes.

Obligation to Lend

The obligation of a Lender to make any Loans under the Revolving Credit Agreements is subject to receipt by such Lender of a written borrowing request and a determination at such time that no Special Event of Default or Suspension Event (each as defined in the Revolving Credit Agreements) has occurred and is continuing. See “COMMERCIAL PAPER NOTES – Events of Default”.

Under the Revolving Credit Agreements, the Lender may deliver a notice (a “No-Issuance Notice”) at any time that such Lender shall have determined that (a) a Default (as defined in the Revolving Credit Agreements) shall have occurred and be continuing; or (b) the representations and warranties of the City set forth in Article IV of the Revolving Credit Agreements are not true and correct in all material respects on and as of the date of the No-Issuance Notice. Upon receipt of a No-Issuance Notice, the City must not issue any additional Notes unless and until the No-Issuance Notice is rescinded by the Lender in writing. Such No-Issuance Notice in and of itself will not render the Revolving Credit Agreements ineffective with respect to Notes outstanding prior to the instance of such No-Issuance Notice. THE LENDER IS NOT REQUIRED TO MAKE ANY LOAN UNDER THE REVOLVING CREDIT AGREEMENTS WITH RESPECT TO NOTES ISSUED IN VIOLATION OF A NO-ISSUANCE NOTICE.

For information on the Lender, refer to APPENDIX B.

Events of Default

The events set forth below shall be considered Events of Default (as defined and further described in the Revolving Credit Agreements) under the Revolving Credit Agreements. The descriptions below are intended to summarize the substance of Events of Default made under the Revolving Credit Agreements. Reference is made to the Revolving Credit Agreements for actual Events of Default.

(1) the City shall fail to pay (i) any normally scheduled interest on the Notes when due, (ii) any normally scheduled principal or interest on an advance the related Loan Note (as defined in the Revolving Credit Agreements) when due, (iii) any principal or interest under the related Loan Note which is declared due and payable pursuant to the Revolving Credit Agreements, or (iv) any Commitment Fee (as defined in the Revolving Credit Agreements) or any other amount payable under such Revolving Credit Agreements or related Fee Letter and, with respect to clause (iv) of this paragraph (1) only, such failure shall continue for a period of five Business Days (as defined in the Revolving Credit Agreements) from the date of notice given by the related Lender under the Revolving Credit Agreements;

(2) any representation, warranty, certification, or statement made by the City or the Board in the Revolving Credit Agreements or in any certificate, financial statement, or other document delivered pursuant to the Revolving Credit Agreements shall prove to have been incorrect in any material respect when made;

(3) breach by the City or the Board of certain specified covenants, agreements or conditions contained in the Revolving Credit Agreements;

(4) breach by the City or the Board of any other covenant, agreement, or condition (other than those specified in paragraphs (1), (2) or (3) above under the caption “EVENTS OF DEFAULT”) contained in the Revolving Credit Agreements or the related Loan Note and the continuation thereof for more than ten days after written notice thereof has been given to the City or the Board, as applicable, by the Lender without cure or correction to the satisfaction of the Lender; *provided, however*, such breach shall not constitute an Event of Default after such ten day period of time as, in the sole reasonable judgment of the Lender, the City or the Board, as applicable, is diligently pursuing a cure or correction of such breach; *provided, further*, that such cure period shall not exceed thirty (30) days from the date of such breach without prior receipt of the Lender’s written consent to such extension;

(5) (i) a final unappealable judgment or order for the payment of money in excess of \$25,000,000 payable from the Net Revenues shall be rendered against the City or the Board and such judgment or order shall continue unsatisfied and unstayed for a period of 60 days, or (ii) the City or the Board shall have failed promptly to lift any execution, garnishment, or attachment pursuant to such judgment or order as, in the written opinion of the System’s Chief Executive Officer, or Chief Financial Officer, will impair the ability of the City, acting by and through the Board, to carry on its System business;

(6) (i) default by the City in the payment of any Specified Debt (as defined in the Revolving Credit Agreements) when due or within any applicable grace period or the occurrence of any event under any ordinance, resolution, or instrument giving rise to any Specified Debt, which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to pursue any remedies against the City, including the right to declare the acceleration of any maturity thereof; or upon the lapse of time or the giving of notice or both would entitle the obligee thereof or a trustee on behalf of such obligee to accelerate any maturity thereof in each case, as a result of a payment default of any nature or (ii) default by the City in the payment of any Indebtedness (as defined in the Revolving Credit Agreements) (other than any Specified Debt) in excess of \$5,000,000 when due or within any applicable grace period or the occurrence of any event under any ordinance, resolution, or instrument giving rise to any such Indebtedness (other than any Specified Debt), which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to pursue any remedies against the City, including the right to declare the acceleration of any maturity thereof, or upon the lapse of time or the giving of notice or both would entitle the obligee thereof or a trustee on behalf of such obligee to accelerate any maturity thereof, or which results in the forfeiture by the City of any of its rights under any such ordinance, resolution, or instrument;

(7) the City shall commence a voluntary case or other proceeding seeking (i) liquidation, reorganization, or other relief with respect to the System or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or (ii) the appointment of a receiver, liquidator, custodian, or other similar official with respect to the City or any substantial part of its property, or shall consent to or acquiesce in such relief or the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it;

(8) a receiver, liquidator, custodian, or other official, appointed in an involuntary case or proceeding commenced against the City, appointed without consent or acquiescence of the City, takes charge of a substantial part of the System and such action as to the System is not stayed, discharged, or vacated for a period of 60 days;

(9) the City shall make a general assignment for the benefit of creditors, or declares a moratorium with respect to the System's debts or its debts, or shall fail generally to pay the System's debts or its debts as they become due, or shall take any action to authorize any of the foregoing;

(10) an involuntary case or other proceeding shall be commenced against the City seeking (i) liquidation, reorganization, or other relief with respect to the City's debts under any bankruptcy, insolvency, or other similar law now or thereafter in effect, or (ii) the appointment of a custodian, receiver, liquidator, trustee or other similar official of the System, or any substantial part thereof, and such proceeding or case shall not be dismissed or stayed within 90 days after the filing thereof or an order of relief shall be entered against the City under the federal bankruptcy laws as now or thereafter in effect;

(11) (i) any provision of the Revolving Credit Agreements or any other Related Document (as defined in the Revolving Credit Agreements) relating to the City's ability to repay any Loan Advance (as defined in the Revolving Credit Agreements) or Term Loan (as defined in the Revolving Credit Agreements) to the Lender thereunder, to make payments on the Notes or to raise funds to meet such payment obligations or relating to the validity or enforceability of the lien on and pledge of Net Revenues shall at any time for any reason cease to be valid and binding on the City as a result of federal or state legislative or administrative action, or shall be declared in a final non appealable judgment by any court having jurisdiction over the City to be null and void, invalid, or unenforceable, or (ii) any other material provision of the Revolving Credit Agreements shall at any time for any reason cease to be valid and binding on the City as a result of federal or state legislative or administrative action, or shall be declared in a final non appealable judgment by any court having jurisdiction over the City to be null and void, invalid, or unenforceable, or (iii) the City shall publicly contest any provision of the Revolving Credit Agreements or any other Related Document relating to the City's ability to make payments of principal or interest on the Notes as provided therein or relating to the validity or enforceability of the lien on and pledge of Net Revenues, or the City shall publicly deny that it has any obligation to make payments on the Notes;

(12) the powers of the City or the Board shall be limited in any way or the Note Ordinance shall be modified or amended in any way without the prior written consent of the Lender, in either case, which prevents the City or the Board from fixing, charging or collecting rates and charges for the use and services of the System in an amount sufficient to pay its Debts as they become due;

(13) S&P, Fitch, and Moody's shall have (i) to the extent then rating Specified Debt, assigned any Specified Debt a rating below BBB- (S&P and Fitch) and Baa3 (Moody's), or (ii) suspended or withdrawn their ratings of any Specified Debt for credit related reasons;

(14) S&P, Fitch, or Moody's shall have assigned any Debt secured by a lien on Net Revenues that is senior to or on parity with the Notes a rating below "A-" (S&P and Fitch) or "A3" (Moody's);

(15) any "event of default" under any Related Document (as defined respectively therein) shall have occurred; or

(16) an "event of default" occurs under another Credit Agreement that is effective as of October 4, 2018.

The Events of Default described in paragraph (1)(i), (1)(ii), (5)(i), (6)(i), (7), (8), (9), (10), (11)(i), (12) and (13) above are considered Special Events of Default under the related Revolving Credit Agreements ("Special Event of Default").

REMEDIES

Following the occurrence of the above described Events of Default, the Lender may take any one or more of the following actions, among others.

(a) Upon the occurrence of an Event of Default, other than as specified in paragraphs (7) through (10) above under the caption "EVENTS OF DEFAULT", the Lender may declare the related Loan Note, all accrued interest thereon, and all other amounts payable under the

Revolving Credit Agreements to be forthwith due and payable, whereupon the related Loan Note and such interest and all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the City and the Board under the Revolving Credit Agreements. If any Event of Default specified in paragraphs (7) through (10) under the caption “EVENTS OF DEFAULT” above shall occur, without any notice to the City or the Board or any other act by the Lender the Loan Note, together with accrued interest thereon, and all other amounts payable under the Revolving Credit Agreements, shall become forthwith due and payable, without presentment, demand, protest, or other notice of any kind, all of which have been waived by the City and the Board.

(b) Upon the occurrence of any Special Event of Default, the Commitment shall terminate and the Lender shall have no obligation to make Loans to fund then outstanding Notes.

(c) Upon the occurrence of an Event of Default that is not a Special Event of Default, the Lender may by notice to the City (in conjunction with the delivery of a No-Issuance Notice (as defined in the Revolving Credit Agreements) if one has not been previously delivered to the Issuing and Paying Agent) terminate the related Commitment, if any (except as provided below), and the related Commitment shall thereupon terminate, *provided, however*, the related Commitment shall not terminate, and the right of the Lender to accelerate the maturity of the Loan Note shall not affect the obligation of the Lender to make Loans in the aggregate amount equal to the Commitment in accordance with the terms of the Revolving Credit Agreements to the extent, but only to the extent, necessary for the City to make required payments of principal of the Notes issued and sold prior to the time a No-Issuance Notice is received by the Issuing and Paying Agent, *provided further* that if any Loans are made that would not have been made but for the application of the immediately preceding provision, such Loans shall be immediately due and payable on the date they are made.

(d) Upon the occurrence of an Event of Default under paragraph (11)(iii) under the caption “EVENTS OF DEFAULT” above, the obligations of the Lender to make Loans under the Revolving Credit Agreements shall be suspended from the time of the occurrence of such Event of Default, and in the event any provision of the Revolving Credit Agreements or any other Related Document related to the City’s ability to make payments on the Notes as provided in the Revolving Credit Agreements or relating to the validity or enforceability of the lien on and pledge of Net Revenues shall at any time for any reason cease to be valid and binding on the City as a result of a ruling, finding, decree, order, legislative act or similar action by a Government Authority (as defined in the Revolving Credit Agreements) having jurisdiction over the City, or it is determined that the City has no liability under the Revolving Credit Agreements or any other Related Document, in either case by a court or other Governmental Authority with competent jurisdiction, then the obligations of the Lender under the Revolving Credit Agreements will terminate in accordance with the Revolving Credit Agreements; *provided, however*, that if such provisions are upheld in their entirety, then the Lender’s obligations to make Loans under the Revolving Credit Agreements shall be automatically reinstated and the terms of the Revolving Credit Agreements will continue in full force and effect (unless the Revolving Credit Agreements shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. If the Event of Default which gave rise to the suspension of the obligations of the Lender under the Revolving Credit Agreements have not been cured or does not cease to exist prior to the three-year anniversary of such occurrence, the obligations of the Lender under the Revolving Credit Agreements shall be terminated upon written notice from the Lender, to the City, and thereafter the Lender shall have no further obligations under the Revolving Credit Agreements.

(e) Upon the occurrence of an event that with the giving of notice or lapse of time or both would, unless cured or waived, becomes an Event of Default under paragraphs (8) or (10) under the caption “EVENTS OF DEFAULT” above, the obligations of the Lender to make Loans under the Revolving Credit Agreements shall be suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, the obligations of the Lender to make Loans under the Revolving Credit Agreements shall be reinstated and the terms of the Revolving Credit Agreements will continue in full force and effect (unless the obligations of the Lender to make Loans under the Revolving Credit Agreements shall have otherwise expired or terminated in accordance with the terms of the Revolving Credit Agreements or there has occurred a Special Event of Default) as if there had been no such suspension.

Failure to take action in regard to one or more Events of Default shall not constitute a waiver of, or the right to take action in the future in regard to, such or subsequent Events of Default.

Cross Defaults

If there shall be an Event of Default under any other document evidencing indebtedness by the City, the City shall not issue any additional Notes until such event of default is cured or remedied.

INFECTIOUS DISEASE OUTBREAK – COVID-19

GENERAL

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared the Pandemic a public health emergency for the United States, and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. The national emergency declaration was terminated on April 10, 2023.

The Pandemic negatively affected travel, commerce, and financial markets globally, and could potentially continue to negatively affect economic output worldwide and within the City and the County. Future negative impacts may reduce or otherwise negatively affect Net Revenues of the System which are pledged as security for the Notes. Neither the City nor SAWS, however, can predict the effect of any continued spread of COVID-19 on the finances or operations and maintenance of the City or the System, respectively.

FINANCIAL IMPACT OF COVID-19

In March of 2020, SAWS implemented a number of temporary measures intended to assist SAWS' customers experiencing financial hardship as a result of the Pandemic and the resultant global economic slowdown. These measures included (i) deferring disconnections of water service for non-payment, (ii) waiving the imposition of late fees, and (iii) promoting payment plans with extended terms beyond those normally offered. SAWS began charging late fees again in August 2021, and resumed disconnections in late 2021.

Since the beginning of the Pandemic, SAWS has experienced an increase in past due accounts receivable overall; however, the level of such delinquencies has begun to decline. As of March 31, 2020, receivable balances 30 or more days past due totaled \$16.2 million. This balance steadily increased over the next 18 months, reaching \$57.1 million as of September 30, 2021. Since the resumption of service disconnections for non-payment and the receipt of approximately \$9.0 million in American Rescue Plan Act ("ARPA") funding to provide bill assistance to certain qualifying SAWS customers, the level of delinquent balances has fallen to \$43.9 million as of December 31, 2022. To account for the increased level of delinquencies, SAWS increased its provision for uncollectable accounts from historical levels of approximately 0.7% of operating revenues to an average of 2.9% of operating revenues for 2020 and 3.0% for 2021. As a result, the allowance for doubtful accounts increased from \$8.5 million as of March 31, 2020 to \$44.1 million as of September 30, 2021. Reflecting the receipt of the ARPA assistance and the resumption of service disconnections, the provision for uncollectable accounts returned to more normal levels in 2022 with the allowance for doubtful accounts declining to \$32.7 million or almost 75% of total delinquencies as of December 31, 2022. SAWS believes that with this allowance, the anticipated receipt of additional federal disaster recovery funds, and the resumption of normal customer payment patterns, it has adequately reserved for potentially uncollectable accounts receivable.

While the increase in the provision for uncollectable accounts resulted in operating revenues for both the years ended December 31, 2020 and 2021, falling short of budgeted levels by \$12.2 million and \$21.4 million, respectively, favorable expense variances more than offset both of these revenue shortfalls. Due to unseasonably hot and dry weather conditions in the area, during 2022 operating revenue was \$13.3 million favorable to budget. Through May 2023, the provision of uncollectable accounts improved due to County assistance received under the Low Income Household Water Assistance Program, as well as monthly account write-offs. SAWS is currently favorable to budgeted levels. For additional information concerning SAWS' fiscal year 2022 and 2021 operating results, please see "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION" herein.

The financial and operating data contained herein are for the periods indicated. These results may or may not be indicative of SAWS' future financial and operational performance.

TEXAS 2021 WINTER WEATHER EVENT

GENERAL

During the 2021 Event, the City experienced three consecutive days of record low temperatures and record low daily high temperatures and windchills of -6 degrees Fahrenheit. Almost immediately upon the arrival of the 2021 Event in the region on February 14, 2021, SAWS began experiencing operational challenges due to the sustained below freezing temperatures and accompanying snow and ice. On February 15, 2021, four of SAWS' contracted water suppliers (Vista Ridge, CRWA, GBRA, and SSLGC) suspended the delivery of water into the City. To meet demand, SAWS increased production from its wells in the Edwards Aquifer. Simultaneously, power outages resulting from the Electric Reliability Council of Texas demand reduction requirements began to impact operations. By February 16, 2021, due to the unprecedented power demand reductions required, many of SAWS' pumping stations were included in the rotating brownout cycles and SAWS' ability to maintain water pressure was significantly impacted. The elimination of power for long periods of time at multiple pumping stations resulted in a complete loss of water service for areas served by those stations. SAWS issued a City-wide boil water notice on February 17, 2021 due to low pressures within the distribution system. The rolling brownouts were discontinued on February 18, 2021, and SAWS began to refill and re-pressurize the distribution system. This allowed SAWS to restore service with the first boil water notices lifted on February 20, 2021, and the final areas lifted on February 23, 2021.

The bulk of SAWS' infrastructure resides underground and was adequately protected from the freezing conditions. However, certain portions of the above-ground infrastructure, such as pump stations, air release valves and pipelines were damaged by the expansion of the freezing water, with all repairs complete by year-end 2022.

LEGISLATIVE RESPONSE

On June 8, 2021, the Governor signed Senate Bill 3 ("SB 3") to address issues that arose during the 2021 Event. The new law requires weather emergency preparedness and the identification of critical public utilities facilities, including in the natural gas supply chain and electric utilities.

The new law also creates Section 13.1394 of the Texas Water Code that requires water utilities to ensure the emergency operation of its water system during a power outage that lasts longer than 24 hours at a minimum water pressure of 20 pounds per square inch, or at a water pressure level approved by the TCEQ, as soon as safe and practicable following the occurrence of a natural disaster. This section also requires that a water utility adopt and submit an emergency preparedness plan to the TCEQ for its approval that includes a timeline for implementing the plan. The submitted plan must provide for one, or a combination, of fourteen options and approaches to provide service as required by this section. The options provided include, but are not limited to: backup or on-site power generation; designation of the water system as a critical load facility or redundant, isolated or dedicated electrical feeds; the ability to provide water through artesian pressure; redundant interconnectivity between pressure zones; and any other alternative determined by the TCEQ to be acceptable.

Water utilities were required to submit their emergency preparedness plan ("EPP") to the TCEQ by March 1, 2022. Implementation of emergency plans must begin by the later of July 1, 2022, or upon final approval by the TCEQ. The TCEQ approved SAWS' EPP on June 5, 2023, with SAWS responding with clarifications on July 17, 2023. The implementation of the EPP will take several years. In addition to placing key segments of SAWS' infrastructure on dedicated power circuits and further weatherizing equipment, the Board approved an agreement with CPS Energy on

September 21, 2022 that will result in the use of shared generators at select pump stations, in compliance with SB 3 (the “Resiliency Agreement”). Under the Resiliency Agreement, SAWS will pay an estimated \$97 million to acquire and install the generators for CPS Energy operation. The entirety of these improvements is expected to exceed \$200 million. In order to complete any required work in 2022, SAWS included approximately \$25 million in the 2022 CIP to address its emergency preparedness, with more than \$240 million of additional resiliency related capital improvements planned during the period of years 2023 to 2027. On January 10, 2023, the Board approved the purchase of natural gas generators for the Resiliency Agreement from Enchanted Rock Electric, LLC for \$63 million and a ten-year maintenance services agreement for \$6.2 million.

THE CITY AND SAN ANTONIO WATER SYSTEM

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State of Texas (the “State” or “Texas”) duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1837, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and 10 Councilmembers. The terms of the Mayor and the Councilmembers are two years and subject to four term limitations imposed in the City’s Home Rule Charter. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, gas, water and sanitary sewer utilities, health and social services, culture/recreation and parks, public transportation, public improvements, planning and zoning, and general administrative services. The U.S. Census Bureau ranks the City as the second largest city in Texas and the seventh largest city in the United States. The 2020 Census population for the City was 1,434,625 and for Bexar County (the “County”) was 2,009,324. The City’s Information Technology Services Department estimated the City’s population to be 1,466,837 in 2023. The City covers approximately 518 square miles within the County.

HISTORY AND MANAGEMENT OF THE SYSTEM

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

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

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

The System provides water and wastewater service to the majority of the population within the corporate limits of the City and Bexar County. The System employs approximately 1,700 personnel and maintains over 13,500 miles of water and sewer mains.

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

SAWS’ Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021 which provides the System’s recent audited operating results and is available through SAWS’ website at www.saws.org.

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The present members of the Board are:

| Board | Length of Service | Term Expires | Occupation |
|---|-------------------|--------------|---|
| Jelynn LeBlanc Jamison Chairwoman | 3 Years, 2 Months | May 31, 2026 | President and CEO The Center for Health Care Services |
| David McGee Vice Chair | 9 Years | May 31, 2025 | President/CEO of San Antonio Region Amegy Bank of Texas |
| Eduardo Parra Secretary | 5 Years, 8 Months | May 31, 2025 | CEO – Principal Engineer Parra & Co., LLC. |
| Amy Hardberger Assistant Secretary | 5 Years, 8 Months | May 31, 2025 | McCleskey Professor of Law and Director of the Texas Tech Center for Water Law and Policy Texas Tech School of Law |
| Ed Belmares Trustee | 3 Years | May 31, 2024 | Owner IConnect, LLC |
| Marilu Reyna Trustee | 1 Year, 11 Months | May 31, 2026 | Communications Executive BCFS |
| Ron Nirenberg, Mayor and Ex-Officio Member | 6 Years, 3 Months | May 31, 2025 | Broadcast General Manager |

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

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

EXCEPTIONS

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

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

ADVISORY COMMITTEES

There are three ongoing advisory committees which provide comment and report to the Board and the System staff on System projects and activities: the Customer Experience Committee (“CEC”), the Community Conservation Committee (“CCC”), and the Capital Improvements Advisory Committee (“CIAC”). Members for each of these committees are sought to represent diverse interests from the System’s service area. In addition to these ongoing advisory committees, the Rate Advisory Committee (“RAC”) is a special purpose committee that was implemented in 2019. Similar to the other committees, the membership of RAC is designed to represent diverse viewpoints from the System’s service area.

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

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

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

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

Impact fees are one-time fees charged to developers for new development to pay for general benefit facilities such as treatment plants, tanks, wells, water supply projects, and large transmission mains and outfall mains. Collecting adequate impact fees helps fund construction of infrastructure

needed to support growth with minimum impact on existing ratepayers. The impact fees are required to be updated at least every 5 years, with the most recent update approved May 16, 2019. SAWS has begun the required update of the impact fees and expects to obtain the Board and City Council approval by mid-2024. (See “SAWS’ STATISTICAL SECTION AND MANAGEMENT DISCUSSION – Impact Fees” herein.)

Rate Advisory Committee. During 2019, SAWS began a comprehensive rates, fees, and charges study (the “2019 Rate Design Study”). The purpose of the 2019 Rate Design Study was to provide SAWS with information regarding the rate structures for water delivery, water resource development, recycled water, and wastewater. The RAC, comprised of a cross-section of SAWS’ customers, assisted with and provided input to the Board on the 2019 Rate Design Study. The RAC met a total of eight times from September 2019 to February 2020. During these meetings, the RAC prioritized pricing objectives, reviewed usage characteristics and cost allocation methodologies, and approved the cost of service by customer class recommendations. As a result of the Pandemic, the RAC was indefinitely suspended in March 2020.

In 2022, SAWS began a new comprehensive rates, fees, and charges study (the “2022 Rate Design Study”) which incorporated certain of the findings and accomplishments of the 2019 Rate Design Study. The Board appointed a new RAC to review SAWS existing rate structures and make rate design recommendations for water and wastewater rates. The RAC met seven times from February 2022 through June 2022 and has finalized their rate design recommendations. These recommendations which were designed to be revenue neutral, except for certain recycled water increases, were approved by both the Board and City Council in November 2022 and took effect in early 2023. With the approval of the RAC’s recommendations by both the Board and City Council, the RAC disbanded in 2022.

ADMINISTRATION AND OPERATING PERSONNEL

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

The Executive Vice President/Chief Financial Officer is Douglas P. Evanson. Mr. Evanson joined SAWS in April of 2005. Prior to joining SAWS, Mr. Evanson was the Assistant Treasurer at Black & Veatch. Before that, he was the Chief Financial Officer for United Energy and Multinet Gas, electricity and natural gas distribution companies located in Melbourne, Australia.

The Executive Vice President/Chief Legal and Ethics Officer is Nancy Belinsky. Ms. Belinsky joined the System in 2003. Prior to joining SAWS, Ms. Belinsky practiced commercial real estate law with the law firm of Akin Gump Strauss Hauer and Feld LLP. Ms. Belinsky received her Doctor of Jurisprudence from St. Mary’s University School of Law.

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

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

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

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

The Senior Vice President of Customer Experience & Strategic Initiatives is Mary Bailey. Ms. Bailey joined SAWS in September 2006. Before her promotion to her current role in 2018, Ms. Bailey served as Vice President of Accounting & Financial Planning for the System. Prior to joining SAWS, Ms. Bailey served in various accounting positions at both privately-owned and publicly-traded companies.

The Senior Vice President of Production and Treatment is Jeff Haby. Mr. Haby joined SAWS in July 1997. Prior to joining SAWS, Mr. Haby worked for ten years in the Engineering Consulting industry for Burns & McDonnell, Raba-Kistner, and CH2M Hill.

The Senior Vice President of Engineering & Construction is Andrea Beymer. Ms. Beymer initially joined SAWS in February 1997. She left SAWS in August 2001 to pursue a position in a private engineering consulting firm. She returned to SAWS in October 2002 as a staff engineer and served in various roles within the organization. She has lead the Engineering & Construction group since 2017.

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| Name | Position | Length of Service with System | Total Government Service |
|----------------------------|---|-------------------------------|--------------------------|
| Robert R. Puente | President/Chief Executive Officer | 15 Years, 6 Months | 32 Years, 8 Months |
| Douglas P. Evanson | Executive Vice President/Chief Financial Officer | 18 Years, 6 Months | 18 Years, 6 Months |
| Nancy Belinsky | Executive Vice President/Chief Legal & Ethics Officer | 20 Years, 5 Months | 20 Years, 5 Months |
| Sharon De La Garza | Senior Vice President – Human Resources & Risk Management | 11 Years, 5 Months | 27 Years, 5 Months |
| Donovan Burton | Senior Vice President – Water Resources & Governmental Relations | 16 Years, 10 Months | 31 Years, 2 Months |
| Gavino Ramos | Senior Vice President – Communications & External Affairs | 8 Years, 7 Months | 8 Years, 5 Months |
| Jaime Castillo | Senior Vice President of Operations Support & Innovation/Chief of Staff | 6 Years | 13 Years, 8 Months |
| Mary Bailey ⁽¹⁾ | Senior Vice President – Customer Experience & Strategic Initiatives | 16 Years, 11 Months | 16 Years, 11 Months |
| Jeff Haby | Senior Vice President – Production & Treatment | 26 Years, 2 Months | 26 Years, 2 Months |
| Andrea Beymer | Senior Vice President – Engineering & Construction | 25 Years, 6 Months | 25 Years, 6 Months |

⁽¹⁾ Ms. Bailey announced her plans to retire at the end of calendar year 2023. SAWS is currently evaluating its options to determine her replacement.

SYSTEM STRUCTURE

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

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

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

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

FINANCIAL SERVICES

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

- Accounting and Business Planning:
 - Accounting – Responsible for accurate and timely accounting and financial reporting through the general accounting, property accounting, payroll, and accounts payable departments.
 - Business Planning – Ensures that SAWS’ strategic objectives are financially supported through short and long range financial planning, developing, and implementing the annual budget and developing rates sufficient to fund SAWS’ capital and operating activities.
- Treasury – Responsible for banking relationships, investment and debt management, and remittance (customer payment) processing; and
- Purchasing – Manages the processing and contracting of all procurement requests for materials, supplies, and services. Also manages the inventory control function.

Information Systems

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

- Enterprise Solutions:
 - Geographic Information Systems (“GIS”) – Develops, analyzes, and delivers geographic data and solutions related to SAWS’ infrastructure and activities.
 - Control Systems – Implements, monitors, and maintains supervisory control and data acquisition systems.
 - Enterprise Resource Planning – Responsible for the programming, configuration, implementation, support, and sustainability for all major business support applications.

- Data and Platform Services – Manages the enterprise data warehouse, business intelligence and GIS platforms to provide SAWS timely information for decision making.
 - Innovative Systems – Delivers rapid and effective development of innovative solutions for SAWS with a specific focus on improving customer experience through technology.
- Shared Services – Supports SAWS’ technology initiatives through project life-cycle management, metrics-based tracking, business process re-engineering, quality control/assurance, and organizational change management.
 - Client Services – Supports workstation and related peripheral devices across the System, including desktop support services as well as technology, software orders, and requisitions.
 - Billing and Print Shop – Provides computer operations and bill printing services as well as copy services.
- IT Infrastructure and Operations:
 - Operations – Manages telecommunication services including Internet protocol (IP) telephone, teleconferencing, call center systems, interactive voice response systems, recording systems, digital radio systems and 911 systems.
 - Engineering – Provides network and Internet services, including all aspects of network architecture and engineering, and wired and wireless network infrastructure for SAWS’ facilities.
 - Infrastructure – Responsible for all aspects of System’s administration, database administration, systems software and hardware, the storage area network, backup, and disaster recovery.

Information Security

Information Security is responsible for developing, monitoring, and maintaining cyber security controls to protect the confidentiality, integrity, and availability of enterprise data and information systems assets.

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

- Legal Services – Provides full service, in-house legal support to the Board, Executive Management, and staff; manages the activities of outside legal counsel. The range of legal expertise includes water resources, labor and employment, litigation management, real estate, general transactional, environmental, and public law;
- Contracting – Manages the administration of all construction and professional services contracts and oversees administration of the System’s Award Winning Small, Minority, Women and Veteran Owned Business Program;
- Corporate Real Estate – Manages real property acquisitions, dispositions, and lease management activities and supports all construction and maintenance activities by obtaining all rights of entry and easements; and
- Records Management – Manages all utility records in compliance with Texas Local Government Records Act, Texas Public Information Act, and best records management practices.

Senior Vice President – Human Resources & Risk Management. The Senior Vice President – Human Resources & Risk Management is responsible for all aspects of human resources. Human Resources is committed to attracting, training, and retaining a workforce of qualified employees to achieve the goals and mission of SAWS. Human Resources consists of the following departments:

- Talent Acquisition & Succession – Proactively implements recruitment strategies to attract, secure and retain top talent for SAWS. Recruits employee resources required by all administrative and operational areas. Forecasts and assists organizational areas with succession management;
- Learning & Development – Develops strategies and designs for organizational development, talent and performance management, employee engagement, and change management functions. Manages learning initiatives around a continuous cycle of needs analysis, design, project management, delivery, and evaluation. Helps lead culture change through processes that support organizational learning, including the continual enhancement of the performance evaluation process;
- Employment Relations – Provides proactive assistance to employees and supervisors regarding the interpretation and implementation of policies, procedures, and directives. Provides direction and oversight for a variety of employment matters, including performance and disciplinary issues, investigations into formal complaints, and other workplace concerns;
- Compensation & Benefits – Develops and manages the employees’ compensation, benefit, and wellness programs, balancing competitiveness and cost efficiency for these plans and programs. Responsible for the plan development and fiscal accountability of all medical and prescription plans, pension programs, wellness initiatives, and oversees the administration of these plans and programs;
- Risk Management – Manages all facets of the comprehensive commercial insurance program including administration of premises risk assessments. Administers all workers compensation, casualty, and subrogation claims; and
- Safety & Environmental Health – Coordinates all workplace safety activities to ensure a safe environment for employees. Partners with organizational management in anticipating safety challenges and exploring opportunities for improvement.

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

- Water Resources – Implements SAWS’ long-range Water Management Plan, through proactively managing existing supplies to ensure customer needs are met and leading efforts in the planning and development of new water supply opportunities to meet the City’s population growth. The department also manages the day-to-day obligations and oversight of the contract with Vista Ridge LLC (“Vista Ridge”). Water Resources is also responsible for the marketing of the direct recycled water program as well as directing efforts to minimize non-revenue water and ensuring efficient use of water;

- Governmental Relations – Identifies and manages critical issues that have public impact and manages key strategic policy issues and relationships with elected officials and agencies at the regional, state, and federal levels;
- 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 and oversees the dead end main flushing and backflow testing activities; and
- Laboratory Technical Services – Provides analytical services for all of SAWS’ water quality needs. Performs a wide variety of routine environmental tests to support SAWS’ water and wastewater activities. The lab is accredited by the Texas Commission on Environmental Quality (the “TCEQ”) under the National Environmental Laboratory Accreditation Program.

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

- Communications – Manages and directs mass communications efforts through the following departments:
 - Creative Services – Develops the creative content for all internal and external communication efforts including newsletters, brochures, website, and advertisements.
 - Public Relations – Manages news media relations for accuracy and appropriate messaging in news coverage concerning SAWS. Coordinates community events, manages social media content, and directs advertising to promote awareness of SAWS’ programs, projects, and image.
- External Affairs – Manages outreach efforts with customers, neighborhood and civic leaders, and City Council members. Implements the SAWS Affordability Program that aids economically disadvantaged customers so that they have access to water and sewer service. Develops and conducts adult and youth educational programs to inform and promote water awareness in the community; and
- Conservation – Delivers nationally recognized programs that achieve cost-effective water savings while enhancing quality of life. San Antonio’s cheapest source of water is conservation. To help keep rates affordable, SAWS aggressively promotes efficient commercial and residential water use through education, outreach, incentives, and drought ordinance rules.

Senior Vice President – Operations Support & Innovation/Chief of Staff. The Senior Vice President – Operations Support & Innovation/Chief of Staff oversees the operation of the Distribution and Collection System, Fleet, Chilled Water Operations, and Innovation. The group consists of the following departments:

- Fleet – Provides comprehensive maintenance services for all SAWS’ vehicles and equipment. Fleet also manages vehicle replacement and disposal.
 - Chilled Water Operations provide service to customers in downtown San Antonio and at Port San Antonio.
 - Office of Energy Management manages the process for electric/gas services metering, bill review and payment for SAWS’ activities.
- Continuous Improvement and Innovation – Conducts business performance reviews and process analysis across the organization to streamline operations, maximize budgetary resources, promote efficiencies, enhance customer service, and implement innovative management practices.
- The Distribution and Collection operates, maintains, and repairs the water and wastewater mains, recycled water distribution lines, and chilled water lines ensuring the System’s customers receive uninterrupted, quality potable water and associated wastewater services. This is accomplished by providing:
 - Construction & Maintenance – Repairs and proactively maintains the wastewater collection system, including line cleaning and televising to verify sewer infrastructure condition and pinpoint defects. Hydrant Maintenance and Leak Detection oversees proactive leak detection, valve assessment, and fire hydrant maintenance programs. Contractor Inspections direct external support of water and sewer repairs as well as concrete and asphalt restoration. Field Utility Coordinators also perform emergency and routine field investigations including utility locate services, and oversees proactive manhole inspections;
 - Operations Support – Provides administrative support to departments within the group, including invoice processing, data management, service contract management, materials acquisition, and notification services for maintenance crews;
 - Operation Centers – SAWS’ utility crews are mobilized from five strategically located operations centers throughout the City: Northeast, East Side, North Side, West Side, and Steven M. Clouse Water Recycling Center (formerly Dos Rios) on the South Side. SAWS’ operations centers are staffed with the necessary resources to properly repair and maintain underground water, wastewater, recycled water, and chilled water infrastructure throughout the SAWS’ service area, including surface restoration; and
 - Sewer System Improvements 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:
 - Capacity Assessment – Responsible for evaluating the capacity of the wastewater collection and transmission system through flow monitoring and a series of hydraulic modeling, direct the Inflow/Infiltration Reduction Program to decrease excess flow from entering the WCTS during significant rain events;
 - Capacity, Management, Operation & Maintenance – Executes a comprehensive program encompassing activities to optimize the performance of the wastewater collection and transmission system including a system-wide external cleaning program, Fats, Oils, and Grease Control Program, and Smart Cover/Clean Program;
 - Program Administration – Directs 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 wastewater collection and transmission system; and

- **Structural Sewer Assessment** – Coordinates and executes activities associated with inspecting, assessing, and performing remedial measures associated with condition and capacity constraints in the wastewater collection and transmission system.

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

- **Billing and Customer Care** – Reviews the billing process for accuracy of all the System’s bills printed daily and resolves customer billing issues. Also handles all inbound telephone, electronic, and in-person customer inquiries regarding billing, account information, service problems and payments;
- **Field Operations** – Responsible for all meter related services including setting new meters, replacing existing meters, meter reading, service turn-on/off requests, and service investigations. Manages the Advanced Metering Infrastructure operations department, which is responsible for executing the program to install electronic meters across SAWS’ service area, managing System performance, and responding to meter-related alarms and events. Reduces revenue loss through theft detection efforts;
- **Performance Analysis and Training** – Responsible for data analytics, training, and process improvements throughout Customer Service; ensures quality of customer interactions;
- **Emergency Operations Center** – Manages 24-hour emergency center and reports/dispatches crews for water leaks, main breaks, and overall tactical response to problems with the System;
- **Security** – Manages a proactive security program and associated support contract for all SAWS facilities; and
- **Facilities** – Provides building maintenance and management services at SAWS facilities.

Senior Vice President – Production & Treatment. The Senior Vice President – Production & Treatment is responsible for the essential function of managing the 24-hour-a-day operation of the Waterworks System and Wastewater System (each as defined herein).

Production & Treatment

The Production & Treatment group is responsible for the production and distribution of potable water; the treatment of wastewater for distribution in the recycle system or discharge; the processing of wastewater biosolids for ultimate disposal; the distribution of recycled water for reuse purposes; and management of the City-wide odor control program. The group consists of the following departments:

- **Production** – Manages the production of potable water across the System’s service area. Operates the System’s potable water facilities, recycle water distribution, and the Agua Vista Facility and H₂Oaks Facility operations, including the Aquifer Storage and Recovery (“ASR”) operations. Also manages the Production Mechanical Maintenance unit and associated instrumentation and controls;
- **Treatment Operations Management** – Oversees all operations of the three water recycling centers which includes biosolids processing to ensure proper recycling or disposal in compliance with State and federal regulations. Also manages the Wastehauler program and odor control program and operates the recycle water system outfalls and environmental flows to rivers;
- **Treatment Maintenance Management** – Manages centralized mechanical and electrical maintenance across all the System’s production, treatment, and lift station facilities to include the Agua Vista Facility and H₂Oaks Facility. The department also maintains the recycle water outfalls and special construction and repairs across the System; and
- **Predictive Maintenance** – Manages and plans maintenance functions within the Production and Treatment group, as well as performs analysis to reduce critical infrastructure failures and ultimately improve systems.

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

- **Project Controls** – Oversees the 2022 Capital Improvements Plan (“CIP”) and supports the Sanitary Sewer Overflow Reduction Program compliance through project execution. Project Controls focuses on cost, schedule, document and data management, quality control and compliance audits;
- **Pipelines** – Plans and coordinates design activities and for new and rehabilitated or replacement of the water distribution system and wastewater collection system projects. Coordinates the adjustment of SAWS’ facilities within public right of way (state, county, and city) in accordance with the governmental program;
- **Construction** – Inspects construction projects for water and sewer and water supply projects;
- **Development** – Manages impact fee program, develops water and wastewater master plans, coordinates infrastructure necessary for new development, and provides engineering support to Distribution and Collection Operations and Production and Treatment Operations;
- **Plants and Major Projects** – Plans and coordinates design activities water transmission projects, potable and recycled water production facilities, and wastewater treatment plants; and
- **Asset Management** – Oversees efforts of condition assessment activities in order to maximize usage of SAWS’ assets and infrastructure and operational support.

THE SYSTEM

The System includes all water resources, properties, facilities, and plants owned, operated, and maintained by the City relating to supply, storage, treatment, transmission, and distribution of treated potable water, and chilled water (collectively, the “Waterworks System”); collection and treatment of wastewater (the “Wastewater System”); and treatment and reuse of wastewater (the “Water Reuse System”). The System does not include any “Special Projects” which are declared by the City, upon the recommendation of the Board, not to be part of the System and are financed

with obligations payable from sources other than ad valorem taxes, Pledged Revenues, or Net Revenues or any water or water-related properties and facilities owned by the City as part of the System.

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

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

WATERWORKS SYSTEM

The City acquired its Waterworks System in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. From such time and until 1992, when the System was created, management and operation of the Waterworks System was under the control of the City Water Board. The System’s authority to provide potable water service within a defined area was established by CCN No. 10640 originally issued by the PUC on November 1, 1979, as amended, and updated with substantial expansion as reflected in its certificate currently on file at the TCEQ. The System’s Waterworks System service area currently extends over approximately 934 square miles, making it the largest water purveyor in the County. The System serves approximately 93% of the water utility customers in the County. As of December 31, 2022, the System provided potable water service to approximately 556,100 customer connections. Potable water service is provided to residential, commercial, multifamily, industrial, and wholesale accounts. The System monitors its Waterworks System on a constant basis to ensure compliance with the Safe Drinking Water Act. (See “ENVIRONMENTAL AND REGULATORY MATTERS” herein.)

The Waterworks System currently utilizes 57 elevated storage tanks and 68 ground storage reservoirs, of which 28 act as both, with combined storage capacities of approximately 308 million gallons. As of December 31, 2022, the Waterworks System maintained 7,649 miles of distribution mains, ranging in size from 4 inches to 61 inches in diameter, the majority of which are between 6 inches and 12 inches in diameter.

CONNECT H2O PROGRAM

SAWS’ Connect H2O program is the union of advanced meter infrastructure (“AMI”) technology and a philosophy to empower every City resident to help manage the community’s water in a way that’s sustainable, simple, and secure. The program utilizes the existing AMI network of CPS Energy to communicate with each water meter. SAWS conducted a pilot in 2021, which included 2,500 water services across three test areas. The pilot demonstrated the feasibility of the ConnectH2O program.

In December 2021, the Board approved an amount not to exceed \$215.1 million for the program and authorized proceeding with the full system-wide AMI deployment of more than 550,000 meters beginning in 2022 and carrying through 2026. As of December 31, 2022, more than 38,000 AMI meters have been installed. As total installations are somewhat behind planned levels, SAWS is currently in the process of reviewing various options to move this initiative forward, with one potential option being self-performance.

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

WASTEWATER SYSTEM

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

The System serves a substantial portion of the residents of the City, 12 governmental entities, and other customers outside the corporate limits of the City. As regional agent, the System has certain prescribed boundaries that currently cover an area of approximately 630 square miles. The System also coordinates with the City for wastewater planning for the City’s total planning area, its ETJ, of approximately 1,107 square miles. The population for this planning area is approximately 1.6 million people. As of December 31, 2022, the System provided wastewater services to approximately 497,300 customer connections.

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

The Wastewater System is composed of approximately 5,800 miles of mains and three major treatment plants, Steven M. Clouse (formerly Dos Rios), Leon Creek, and Medio Creek. All three plants are conventional activated sludge facilities. The System holds Texas Pollutant Discharge Elimination System (the “TPDES”) wastewater discharge permits, issued by the TCEQ for 187 million gallons per day (“MGD”) in treatment

capacity and 46 MGD in reserve permit capacity. See “ENVIRONMENTAL AND REGULATORY MATTERS” herein. The permitted flows from the Wastewater System’s three regional treatment plants represent approximately 98% of the municipal discharges within the City’s ETJ.

CHILLED WATER SYSTEM

The System owns, operates, and maintains four thermal energy facilities providing chilled water services to governmental and private entities. Two of the facilities, located in the City’s downtown area, provide chilled water to 21 customers. They include various City facilities such as the Henry B. Gonzalez Convention Center and the Alamodome, which constitute a large percentage of the System’s downtown chilled water annual production requirements. In addition to City facilities, the two central plants also provide chilled water service to a number of major hotels in the downtown area, including the Grand Hyatt, Marriott Riverwalk, and Hilton Palacio Del Rio. The other two thermal energy facilities owned and operated by the System are located at the Port of San Antonio industrial area (formerly Kelly USA) and provide chilled water to large industrial customers that include Standard Aero and Boeing Aerospace. The System’s chilled water producing capacity places it as one of the largest producers of chilled water in South Texas. The chilled water system had operating revenues of \$11.7 million in Fiscal Year 2022.

In connection with its 2022 budget process, SAWS implemented a 10% increase in the demand charge for chilled water customers which is expected to generate approximately \$550,000 in additional revenues and is the first such increase in more than 15 years.

SAWS has recently taken steps to evaluate how best to optimize the value of its investment in chilled water. In order to assist in this initiative, SAWS engaged Jacobs Engineering (“Jacobs”) to assist in charting a path forward for this business unit. As part of this process, Jacobs developed a forward-looking operational and capital plan while also verifying that the existing rates for service are well below market. The results of this analysis, which demonstrated the need to invest approximately \$50 million in needed rehabilitation initiatives, as well as the related rate plan required to support this level of capital investment, were recently approved by both the Board and City Council. The rate plan, which includes a 12% increase in Chilled Water rates that went into effect on January 1, 2023, envisions additional annual rate adjustments totaling up to a combined 38% during the years 2024 to 2027. Even with these projected adjustments, it is expected that SAWS’ chilled water rates will remain below market levels.

RECYCLING WATER SYSTEM

The System is permitted to sell Type I (higher quality) recycled water from its Water Recycling Centers located on the City’s south side and has been doing so since 2000. The water recycling program can produce up to 35,000 acre-feet per year of recycled water to commercial and industrial businesses in the City. The original system was comprised of two major transmission lines, running east and west. In 2008, these two major transmission lines were interconnected at the northern end, providing additional flexibility to this valuable water resource. In 2013, an additional Water Recycling Center and pipeline was connected to the western line, providing further recycled water system redundancy. Currently, approximately 130 miles of pipeline deliver highly treated effluent to approximately 60 customers. Recycled water is being delivered for industrial processes, cooling towers, and irrigation of golf courses and parks, all of which would otherwise rely on potable-quality water. Aside from supporting the local economy, this water recycling system also releases water into the upper San Antonio River and Salado Creek to sustain base flows. The result has been significant and lasting environmental improvements for the aquatic ecosystems in these streams.

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

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

STORMWATER SYSTEM

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

In September of 1997, the City established a Stormwater Utility by ordinance. The System is contractually obligated to perform certain program requirements as described in the Stormwater Permit. The City has the overall responsibility for the program. The approved annual budget for the System’s share of program responsibilities for Fiscal Year 2023 was approximately \$5.5 million for which the System anticipates being reimbursed in full from the stormwater utility fee imposed by the City.

WATER SUPPLY

Water supply and management planning efforts have always been the cornerstone of SAWS’ water resources, including a new era of robust planning as early as 1996. These early planning efforts led to City Council actions, including in October 2000 when the City Council created a permanent

funding mechanism (known as the “Water Supply Fee”) for water supply development and water quality protection through Ordinance No. 92753. The Water Supply Fee provides a specific fund for the development of water resources.

The Water Management Plans are updated approximately every five years, with the most recent update having been approved by the Board in October 2017. SAWS initiated the planning effort in March 2022 to develop a new Water Management Plan. The planning process is ongoing as the recent drought has provided valuable real-time data to analyze and consider in the planning process. The analysis is expected to continue throughout 2023 with a new draft Water Management Plan to be submitted for Board consideration in early 2024. The 2017 Water Management Plan outlines a diversified foundation for the System’s water supply. While the Edwards Aquifer will always be the cornerstone of the City’s water supply, the System has already successfully developed several additional groundwater and surface water resources from Canyon Lake, the Trinity Aquifer, the Carrizo Aquifer, the Simsboro Aquifer, and the Wilcox Aquifer. The System’s recycled water program provides highly treated wastewater to CPS Energy and other industrial and commercial customers who would otherwise use potable water. The System’s underground ASR facility allows SAWS to retain excess Edwards Aquifer permitted water supplies during wet years and use in times of drought. In addition, the System began receiving water from the Vista Ridge project in 2020, providing approximately 50,000 acre-feet per year to the SAWS’ distribution system. Over the past 20 years, SAWS has developed one of the most diversified and innovative water supply portfolios in the U.S. In doing so, the System has greatly reduced its reliance on the Edwards Aquifer while enhancing the System’s ability to manage drought and accommodate projected growth.

As of December 31, 2022, the System’s annual unrestricted, permitted contractual water supply includes the following:

| <u>Water Source</u> | <u>Acre-Feet</u> | <u>Percentage of Permitted Supply</u> |
|---|------------------|---------------------------------------|
| Edwards Aquifer | 268,138 | 41% |
| H ₂ Oaks Center Aquifer Storage and Recovery (underground storage) | 189,000 | 29% |
| Vista Ridge | 50,000 | 8% |
| Recycled Water to CPS Energy | 50,000 | 8% |
| Recycled Water to Other Customers | 25,000 | 4% |
| Trinity Aquifer | 20,000 | 3% |
| Regional Carrizo Aquifer | 12,188 | 2% |
| H ₂ Oaks Center Brackish Groundwater Desalination | 11,200 | 2% |
| Local Carrizo Aquifer | 9,900 | 1% |
| Western Canyon | 7,400 | 1% |
| <u>Canyon Regional Water Authority</u> | <u>6,300</u> | <u>1%</u> |
| Total | 649,126 | 100% |

EDWARDS AQUIFER BACKGROUND

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

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

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

EDWARDS AQUIFER REGULATION

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

As a consequence of the EAA’s permitting regime, the System’s access to Edwards Aquifer supplies is now limited to its highest, pre-1996 annual historic use plus any additional permitted withdrawal rights that the System can acquire by lease or purchase. As of December 31, 2022, through permitting, purchases, and leases, the System will have access to 268,138 acre-feet per year of Edwards Aquifer groundwater withdrawal rights, which is approximately 47% of the regional pumping cap. See “THE SAN ANTONIO WATER SYSTEM – Edwards Aquifer Recovery

Implementation Program and the Edwards Aquifer Habitat Conservation Plan” herein. The System owns approximately 245,943 acre-feet, of which a portion is committed to the EAA Regional Water Conservation Program and contractual lease agreements, while the remainder is leased from permit holders. All Edwards Aquifer permitted withdrawal rights are subject to on-going regulation by the EAA, with more stringent use limitations applied during periods of drought.

EDWARDS AQUIFER MANAGEMENT; CITY’S EDWARDS AQUIFER MANAGEMENT PLAN

Edwards Aquifer Authority.

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

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

⁽¹⁾ Measured in cubic feet per second.

⁽²⁾ Measured in mean sea level.

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

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

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

During 2022, San Antonio experienced the second driest year in its recorded history with total annual rainfall of 11.51 inches. Due to the extremely dry conditions, and its impacts on the San Antonio pool of the Edwards Aquifer, SAWS was subject to various stages of EAA withdrawal reductions throughout the year. These reductions totaled approximately 26.7% for the entirety of 2022 with the San Antonio Pool remaining in Critical Period Stage 3 as of December 31, 2022. The San Antonio Pool is currently in Critical Period Stage 3 as of the date hereof but may soon move to Critical Period Stage 4, as dry weather conditions continue to persist in the area.

City’s Edwards Aquifer Management Plan.

In addition, and separate and apart from the EAA’s rules governing withdrawal of Edwards Aquifer water during drought, the City has established a proactive Aquifer Management Plan to manage the region’s water resources during periods of drought. Established by City ordinance, the Aquifer Management Plan also restricts outdoor water use based on specific levels of the Edwards Aquifer. The City approved the following Edwards Aquifer level triggers in 2009 and updated certain revisions to the water use restrictions in 2014.

Year Round – Year round restrictions are in effect when the Edwards Aquifer level is above 660 feet mean sea level at the monitored well (J-17 Index Well). During year round watering restrictions, SAWS’ customers are permitted to water landscape with an irrigation system or sprinkler any day of the week before 11 a.m. or after 7 p.m. Hand watering with a hand-held hose, drip irrigation, soaker hose or bucket is permitted any time of day.

Stage One – Stage One restrictions begin when the 10-day rolling average of the Edwards Aquifer level drops to 660 feet mean sea level at the monitored well (J-17 Index Well). SAWS’ customers are limited to one-day-per week landscape watering with an irrigation system or sprinkler based on the last number of the customer’s street address and are only allowed to water before 11 a.m. or after 7 p.m. Watering with a hand-held hose, drip irrigation, bucket, or watering can is permitted at any time and any day.

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

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

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

Due to the extremely dry conditions in 2022, SAWS customers were subject to the City’s aquifer management plan restrictions from early March through the remainder of the year. Despite these restrictions, SAWS’ total operating revenues for 2022 finished the year more than \$43 million favorable to budget. Favorable budget variances continued throughout the second quarter of 2023 by approximately \$2.3 million, driven primarily by slightly favorable variances in wastewater revenues.

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

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

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

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

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

WATER PRODUCTION

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

| Total Distribution to Customers by Year (acre-feet) | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|----------------|----------------|----------------|----------------|
| Edwards Aquifer | 192,748 | 191,941 | 171,955 | 146,974 | 177,624 |
| Vista Ridge | - | - | 26,392 | 50,939 | 50,778 |
| Aquifer Storage and Recovery Production | 4,460 | 3,930 | 12,184 | 5,215 | 14,876 |
| Trinity Aquifer | 9,047 | 17,141 | 6,601 | 9,685 | 5,780 |
| Regional Carrizo Aquifer | 10,780 | 11,404 | 11,347 | 10,749 | 10,496 |
| Brackish Groundwater Desalination | 4,851 | 4,593 | 6,706 | 6,089 | 4,337 |
| Local Carrizo Aquifer | 7,348 | 6,504 | 6,149 | 6,009 | 4,156 |
| Western Canyon | 8,467 | 8,038 | 8,072 | 7,968 | 6,670 |
| Canyon Regional Water Authority | 3,712 | 7,793 | 6,288 | 6,361 | 4,659 |
| Total Distribution | 241,412 | 246,344 | 255,694 | 249,990 | 279,376 |

H₂OAKS CENTER

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

AQUIFER STORAGE AND RECOVERY

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

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

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

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| H ₂ Oaks Aquifer Storage and Recovery (acre-feet) | | | | |
|--|--------------------|--------------|--------------|-------------------|
| Year | SAWS' ASR Recharge | HCP Recharge | ASR Recovery | Total ASR Storage |
| 2004 | 5,527 | - | 461 | 5,066 |
| 2005 | 13,491 | - | 937 | 17,620 |
| 2006 | 9,056 | - | 6,391 | 20,285 |
| 2007 | 20,200 | - | 432 | 40,053 |
| 2008 | 10,849 | - | 1,250 | 49,652 |
| 2009 | 17,007 | - | 1,448 | 65,211 |
| 2010 | 25,532 | - | 1,706 | 89,037 |
| 2011 | 12,054 | - | 13,223 | 87,869 |
| 2012 | 11,485 | - | 4,436 | 94,917 |
| 2013 | 6,201 | 1,868 | 14,711 | 88,275 |
| 2014 | 783 | 4,031 | 19,562 | 73,527 |
| 2015 | 9,135 | 12,075 | 5,840 | 88,897 |
| 2016 | 987 | 33,259 | 2,139 | 121,004 |
| 2017 | 2,889 | 31,475 | 1,418* | 153,949 |
| 2018 | 3,058 | 16,667 | 4,460 | 169,214 |
| 2019 | - | 13,597 | 3,930 | 178,880 |
| 2020 | - | 6,831 | 12,184 | 173,527 |
| 2021 | 20,909 | 3,096 | 5,215 | 192,317 |
| 2022 | 11,559 | - | 14,876 | 189,000 |
| 2023** | 5,622 | - | 516 | 194,106 |

* Includes operational authorized water use not put in distribution.

** As of April 30, 2023.

In the summer of 2022, SAWS began performing an operational performance test on the ASR system to ensure that the ASR planning assumptions are in line with the actual performance of the facility's wells, treatment, and production. The production levels from the ASR were increased substantially during this performance test to maximize the design capacity of the treatment system and to ensure that the wells did not experience operational problems. Additionally, sampling is being performed to analyze and better understand the hydrology and chemistry of the stored water and whether any changes would be shown at these higher production levels. Data from the test is expected to inform more robust modeling efforts in the future.

LOCAL CARRIZO AQUIFER PROJECT

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

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

BRACKISH GROUNDWATER DESALINATION PROGRAM

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

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

TRINITY AQUIFER PROJECTS

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

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

WESTERN CANYON PROJECT

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

REGIONAL CARRIZO PROGRAM

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

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

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

CANYON REGIONAL WATER AUTHORITY; LAKE DUNLAP AND WELLS RANCH

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

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

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

WATER TRANSMISSION AND PURCHASE AGREEMENT FOR CARRIZO AND SIMSBORO AQUIFER WATER

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

and the pipeline are collectively known as the “Project”) where it connected to the System (being the connection point at which Project Water is deemed to have been “made available”). The Project financed by Vista Ridge is non-recourse to SAWS and the City. SAWS constructed approximately \$220 million in System improvements necessary to accept and integrate the Project Water upon delivery.

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

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

Production and Transportation Permits. Blue Water has received production and transportation permits for the Project Water from the Post Oak Savannah Groundwater Conservation District (“POSGCD”). POSGCD is currently participating with other groundwater districts in Groundwater Management Area 12 (“GMA 12”) in the statutorily required planning process to determine the Desired Future Conditions (“DFCs”) of the Simsboro and Carrizo Aquifers, which includes the Project’s wellfield. The DFCs are the desired aquifer levels at certain future benchmark periods, expressed as maximum aquifer draw-down levels. This planning process allows POSGCD to manage production levels and permits for production. Vista Ridge has also been involved in the GMA 12 meetings to represent the Project’s interest in maintaining the full volume of permitted production. This planning process could result in a regulatory permit reduction at some future date. A ruling by the Post Oak Savannah Groundwater Conservation District in April 2023 granted a temporary amendment to the production permit through August 31, 2023, to increase the instantaneous flow rate from certain Simsboro Aquifer production wells. The temporary amendment grants a change in the production ratio from 70/30 Simsboro/Carrizo to 82/18. The intent of the change in blend of the produced water is to firm up Carrizo Aquifer supplies for local users.

Primary Project Participants. With a majority equity interest therein, Vista Ridge is currently owned and controlled by Ridgewood Infrastructure. The Project is operated by EPCOR Services, Inc. (“EPCOR”) under an operating service agreement having a primary 30-year term (ending contemporaneously with the initial term of the Agreement). EPCOR also owns a minority equity interest in Vista Ridge.

Project Performance. Delivery of Project Water to SAWS commenced on April 15, 2020. At the initial start-up of the integration of Project Water into the System, SAWS did not take delivery of all of the Project Water that Vista Ridge was able to make available on a daily basis. Per the terms of the Agreement, SAWS paid for such Project Water available but not integrated into the System. The volumetric amount of Project Water paid for, but not received, is accounted for, and pursuant to the terms of the Agreement, will be provided to SAWS at a future date at no additional cost. The dollar amount of such “prepaid” Project Water purchases is recorded as a prepaid System asset.

Between April 15, 2020 and March 31, 2023, SAWS has paid for approximately 9,029 acre-feet of Project Water that it was unable to receive. As such, SAWS has recorded a prepaid asset totaling approximately \$3.4 million. Given the priority of water deliveries and payments, it is currently estimated it will take a number of years to fully amortize this prepaid Project Water amount.

From February 14, 2021 through February 19, 2021, the continental United States experienced Winter Storm Uri (the “2021 Event”) resultant from the southern migration of a polar vortex that meteorologists characterized as the most significant in terms of scope and duration since monitoring of these weather phenomenon began in the 1950s. During the 2021 Event (see “TEXAS 2021 WINTER WEATHER EVENT” herein), the Project was shut down from February 15 through February 23, 2021 because of power outages and freezing weather. This shutdown resulted in approximately 1,080 acre-feet of Project Water that was unable to be delivered to SAWS. As provided in the Agreement, SAWS did not pay for water that was not made available. Vista Ridge has the opportunity to make up delivery of the undelivered water, and SAWS will pay for the water when those volumes are actually made available at the times permitted in the Agreement. In response to the 2021 Event, EPCOR has added heat tape to smaller gauges to prevent freezing during future events and has wrap insulation readily available to wrap all meters if needed.

For the year ending December 31, 2022, Vista Ridge made available to SAWS, and SAWS accepted 48,524 acre-feet of Project Water.

Groundwater Lease Litigation. On November 22, 2021, Metropolitan Water Company, LP, the entity that originally signed the groundwater leases, that were then leased to Blue Water, filed for Chapter 11 (business reorganization) bankruptcy protection. The groundwater leases are currently held in trust to insulate their effectiveness from the impacts or results of litigation. SAWS is monitoring the proceedings, and at this time does not believe the proceedings constitute a substantive risk to the Project. The Chapter 11 reorganization plan was approved by the Court on September 13, 2022.

MEDINA LAKE AND RIVER SYSTEM

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

Additionally, under a contract with the Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 (“BMA”), SAWS has a take or pay commitment to purchase 19,974 acre feet of untreated water annually from Medina Lake. If BMA is unable to deliver the water to SAWS when requested, BMA issues a credit for the undelivered water, which can be used to offset payments due to BMA during the next calendar year. During Fiscal Years 2022 and 2021, SAWS paid approximately \$3.3 million and \$3.0 million, respectively, under this agreement. The most

current version of this contract was executed in 2007 and runs through 2049. This surface water right has no minimum downstream flow restrictions. On June 16, 2023, SAWS notified BMA that SAWS was invoking the facilitated mediation process outlined in the contract, and contemporaneously filed an Original Petition for Declaratory Relief pursuant to the Texas Uniform Declaratory Judgment Act. See “LITIGATION AND OTHER MATTERS – SAWS’ Litigation, Potential Controversies and Claims” herein.

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

WESTERN INTEGRATION PIPELINE

The 2012 Water Management Plan addressed the operating challenge of co-locating the Brackish Groundwater Desalination Program, Local Carrizo and ASR projects at a single site (H₂Oaks Center in the southern portion of the County) by recommending the expedited construction of the Western Integration Pipeline to bring water to the western half of the City.

Construction was divided into two phases. Phase I construction commenced in 2014 and became operational in September 2016. Phase I construction consisted of 28 miles of pipeline, a high service pump station, and a ground storage tank and distribution pumps capable of delivering up to 50 million gallons per day of water from the H₂Oaks Center to the System’s distribution system.

Phase II, which has a total budgeted construction cost of approximately \$70.7 million, began construction in 2020. Phase II consists of 16 miles of pipeline, the remaining portion of the high service pump station, and a second ground storage tank and additional high service pumps to increase the total production capacity of water from the H₂Oaks Center to 75 million gallons per day. Construction of the pipeline is essentially complete; however, due to delays in the receipt of required pumps, it is not anticipated that Phase II will be operational until late-2023.

CONSERVATION

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

The City’s long-standing commitment and investment in water conservation and infrastructure improvements has yielded its largest water supply. SAWS’ total per capita water consumption has decreased significantly from 225 gallons per capita per day (“GPCD”) in 1982 to 116 GPCD in 2020, which has resulted in approximately 3.2 million acre-feet of cumulative savings. Using today’s larger population, a total per capita of 225 GPCD would require an additional 214,000 acre-feet of water per year. SAWS has successfully cultivated an ethic of conservation, invested in infrastructure over the past 35 years and effectively reduced GPCD by approximately 50 percent, all while SAWS’ service area population has grown by approximately 150%.

As part of the 2017 Water Management Plan, water conservation continues to be a strategy for long-term water supply. By 2070, conservation investments are projected to result in approximately 4.3 million acre-feet of cumulative water savings since 2017 and would replace the need for approximately 132,000 acre-feet per year of new water projects.

Over the last five years, several initiatives have contributed to SAWS’ progress in extending the City’s water supplies through conservation and innovation:

- Over 2 million square feet of water-intensive grass has been replaced with low water-use plants or permeable patios through WaterSaver Landscape Coupon programs.
- Regional Carrizo Water Project was brought on line in 2013, providing more than 10,000 acre-feet of water from the Carrizo Aquifer in Gonzales County, Texas to the City.
- In January 2017, SAWS held the grand opening of the H₂Oaks Desalination Plant and Water Center, Phase I of which is capable of producing 12 million gallons of drinking water daily from desalination operations.
- WaterSaver Irrigation Consultations providing home irrigation and landscape education visits have reduced household usage by 140 million gallons per year.
- The GardenStyleSA.com website and e-newsletter providing timely City-focused low water use landscape information to reduce outdoor watering.
- SAWS’ ASR at H₂Oaks has reached a record storage volume of 143,000 acre-feet, representing over a half-year of SAWS’ potable demand.
- The public-private partnership with Vista Ridge to provide up to 50,000 acre-feet per year of groundwater from Burleson County, Texas is recognized globally as a benchmark agreement in water projects.
- The System’s 2017 Water Management Plan strives for a reduction of residential consumption to 55 GPCD by 2070 and a total consumption (to include commercial, industrial, and non-revenue water) to 88 GPCD by 2070.

Strategies to Save Water. Conservation results are achieved through a combination of education and outreach, reasonable regulation, and financial incentives. Education is provided through workshops and events offered directly by staff and through partnerships with expert volunteers. Over 100,000 people receive face-to-face education on how to save water through these efforts each year.

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

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

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

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

Conservation Coupons provide instant incentive savings to customers who wish to make changes in their landscape or irrigation system. The coupons offset the upfront costs associated with transforming portions of their traditional landscape to attractive bedding areas comprised of hardy, drought-tolerant plants. The incentives require customers to replace grass with lower water use options in the same space. Coupon packages are offered several times per year and reflect seasonal plant offerings available in locally owned plant nurseries. Some coupons also offset the material costs of replacing grass by installing a patio.

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

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

Plumbers to People provides leak repairs and retrofits to qualified low-income homeowner customers. The System qualifies applicants based on the current Federal Assistance Guidelines. Only leaks that result in a loss of potable water are eligible for repair under the program. Water conservation is achieved by quickly repairing leaks that would otherwise continue due to the cost of repairs. When applicable, special analysis is prepared within low-income housing areas where high water bills and older housing stock indicate the possibility of leaks or high flow fixtures. Identified households are sent letters offering a conservation assessment. Contracted plumbers provide services that include replacement of high flow fixtures and repair of minor potable water leaks.

Garden Style San Antonio website (www.GardenStyleSA.com) is a one stop resource for inspiring designs, information on drought-hardy plants, and regional expert advice to help SAWS' customers transform their landscapes into a water-saving showpiece. The website was launched in May 2014. During 2020, the popular site had 653,306 visits by 211,000 unique users.

GardenStyleSA e-Newsletter is a weekly free newsletter provided to 16,289 individuals who want expert advice on how to take care of their landscape. It includes timely lawn irrigation advice that is based on current weather conditions. Local horticulture experts provide weekly articles on seasonal landscape care featuring plants that thrive in the City. Incentive programs and local educational events are promoted. A gardening expert (the Garden Geek) responds to regularly submitted questions.

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

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

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

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

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

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

SEWER MANAGEMENT PROGRAM

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

As mentioned above, capital requirements could range in total from \$1.2 billion to \$1.3 billion. Through December 31, 2022, capital expenditures related to the Consent Decree totaled approximately \$1.08 billion which includes certain work which was previously planned prior to entry into the Consent Decree. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and management believes SAWS is in material compliance with such terms, conditions, and requirements. Since 2010, SAWS has seen a significant reduction in SSOs, from 538 in 2010 to a record low of 152 SSOs in 2020. From January 2023 through April 2023, 66 SSOs have been recorded.

FINANCIAL OPERATIONS

The following Statistical Section (including certain historical financial information presented in this Updated Offering Memorandum in table format was derived from SAWS' internal financial records and the presentation format itself was not audited) is included in SAWS' Annual Financial Report for the year ended December 31, 2022, which is available in its entirety at www.saws.org/who_we_are/Financial_Reports/CAFR. This audited information, as well as future audits and certain interim financial reports are made available by SAWS (annually and, as applicable, periodically) to the general public and are accessible at <http://www.saws.org>.

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

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**Water Production, Water Usage, and Wastewater Treated
(gallons in millions) – Unaudited**

| Fiscal Year | Gallons of Water Production ^(a) | Gallons of Water Usage | Gallons of Water Unbilled | Average Percent Unbilled | Gallons of Wastewater Treated ^(b) | Total Direct Rate | | | |
|---------------------|---|------------------------------|---------------------------------|--------------------------------|--|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | | | | | | Water | | Sewer | |
| | | | | | | Base Rate ^(c) | Usage Rate ^(d) | Base Rate ^(e) | Usage Rate ^(f) |
| 2022 | 91,035 | 71,194 | 19,841 | 21.79% | 54,474 | \$13.03 | \$30.38 | \$14.59 | \$17.11 |
| 2021 ^(h) | 81,460 | 64,020 | 17,440 | 21.41% | 52,435 | 13.03 | 30.38 | 14.59 | 17.11 |
| 2020 | 83,321 | 67,193 | 16,128 | 19.36% | 49,891 | 13.03 | 30.38 | 14.59 | 17.11 |
| 2019 | 80,271 | 65,655 | 14,616 | 18.21% | 50,142 | 13.02 | 23.92 | 14.59 | 17.11 |
| 2018 | 78,665 | 63,660 | 15,005 | 19.07% | 50,775 | 12.97 | 23.34 | 13.51 | 15.84 |
| 2017 | 79,256 | 65,318 | 13,938 | 17.59% | 50,945 | 11.82 | 22.09 | 13.04 | 15.29 |
| 2016 | 76,857 | 63,394 | 12,923 | 16.81% | 49,282 | 10.90 | 21.18 | 12.35 | 14.48 |
| 2015 ^(g) | 76,227 | 62,896 | 13,331 | 17.49% | 48,563 | 7.75 | 19.73 | 12.75 | 14.04 |
| 2014 | 68,265 | 57,261 | 11,004 | 16.12% | 50,689 | 7.49 | 18.98 | 11.99 | 13.20 |
| 2013 | 66,391 | 55,108 | 11,283 | 16.99% | 50,076 | 7.31 | 17.81 | 11.54 | 12.71 |

^(a) Pumpage is total potable water production less Aquifer Storage and Recovery recharge. In 2020, includes water produced from the Vista Ridge Pipeline Project water, which commenced operations in April 2020.

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

^(c) Rate shown is for 5/8" meters. See Schedule 8 for the rates of other meter sizes. See Schedule 14 for additional information.

^(d) Represents standard (non-seasonal) usage charge for monthly residential water usage of 7,092 gallons per month. Includes water supply and EAA fees.

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

^(f) Represents usage charge for a residential customer based on winter average water consumption of 5,668 gallons per month.

^(g) Increase in water produced and used from 2014 to 2015 is partially due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

^(h) The increase in gallons of water unbilled is primarily due to the 2021 Event, which resulted in significant leak adjustments.

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Sales in Gallons
(gallons billed, in millions)

| | 2022 | 2021 ^(f) | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 ^(a) | 2014 | 2013 |
|---|--------|---------------------|--------|--------|--------|--------|--------|---------------------|--------|--------|
| Water Sales: ^(b) | | | | | | | | | | |
| Residential Class | 39,641 | 35,246 | 38,947 | 36,084 | 35,325 | 36,566 | 35,360 | 35,769 | 29,310 | 29,206 |
| General Class | 26,917 | 24,756 | 23,719 | 25,011 | 24,498 | 24,731 | 24,074 | 23,212 | 20,870 | 20,614 |
| Wholesale Class | 326 | 386 | 347 | 352 | 337 | 344 | 393 | 354 | 3,861 | 1,943 |
| Irrigation Class | 4,310 | 3,632 | 4,179 | 4,208 | 3,500 | 4,000 | 4,107 | 3,561 | 3,220 | 3,345 |
| Total Water | 71,194 | 64,020 | 67,193 | 65,655 | 63,660 | 65,641 | 63,934 | 62,896 | 57,261 | 55,108 |
| Wastewater Sales: | | | | | | | | | | |
| Residential Class | 27,426 | 26,908 | 26,062 | 25,263 | 26,318 | 26,809 | 26,462 | 26,048 | 27,896 | 27,617 |
| General Class | 23,928 | 22,328 | 21,213 | 22,393 | 21,873 | 21,654 | 20,503 | 20,281 | 20,502 | 20,100 |
| Wholesale Class | 3,120 | 3,199 | 2,616 | 2,486 | 2,584 | 2,482 | 2,317 | 2,234 | 2,291 | 2,359 |
| Total Wastewater | 54,474 | 52,435 | 49,891 | 50,142 | 50,775 | 50,945 | 49,282 | 48,563 | 50,689 | 50,076 |
| Conservation - Residential Class ^{(c)(d)(e)} | 10,808 | 7,969 | 10,358 | 9,189 | 8,658 | 9,572 | 6,611 | 2,284 | 2,296 | 2,520 |
| Recycled Water Sales | 19,127 | 17,919 | 18,172 | 18,208 | 18,346 | 18,949 | 18,436 | 18,421 | 18,323 | 18,359 |

^(a) Increase in water usage from 2014 to 2015 is primarily due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

^(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.

^(d) As part of a rate restructuring which took place on January 1, 2016, a portion of all monthly residential water sales in excess of 7,482 gallons is allowed to fund conservation related programs. Prior to 2016, this allocation was limited to monthly sales in excess of 17,205 gallons.

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

^(f) The 2021 Event resulted in significant leak adjustments, which impacted Water Sales, including Conservation Sales.

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Ten Largest Customers – Water
Current Year and Nine Years Ago

| Customer | Principal Business | Usage ^(a) (million gallons) | % | Total Revenue ^(b) (in thousands) | % |
|---|--------------------|--|-------|---|-------|
| Fiscal Year Ended December 31, 2022: | | | | | |
| CITY OF SAN ANTONIO | Municipal Entity | 606 | 0.9 | \$4,884 | 0.9 |
| HEB GROCERY | Grocery | 645 | 0.9 | 4,031 | 0.7 |
| SAN ANTONIO HOUSING AUTHORITY | Public Housing | 517 | 0.7 | 3,189 | 0.6 |
| METHODIST HEALTH CARE SYSTEM | Hospital System | 374 | 0.5 | 2,892 | 0.5 |
| BEXAR COUNTY | County Government | 424 | 0.6 | 2,533 | 0.5 |
| NORTHSIDE INDEPENDENT SCHOOL DISTRICT | School System | 296 | 0.4 | 2,501 | 0.5 |
| MARRIOTT HOTELS | Hotels | 202 | 0.3 | 2,259 | 0.4 |
| UNIVERSITY OF TEXAS AT SAN ANTONIO | Public University | 177 | 0.2 | 1,589 | 0.3 |
| TOWER JAZZ TEXAS, INC. | Semiconductors | 290 | 0.4 | 1,558 | 0.3 |
| NORTH EAST INDEPENDENT SCHOOL DISTRICT | School System | 189 | 0.3 | 1,458 | 0.3 |
| Subtotal (10 largest) | | 3,720 | 5.2 | 26,894 | 4.9 |
| Balance from Other Customers | | 67,474 | 94.8 | 522,389 | 95.1 |
| Total | | 71,194 | 100.0 | \$549,283 | 100.0 |

Fiscal Year Ended December 31, 2013:

| | | | | | |
|--|----------------------|--------|--------|-----------|--------|
| SAN ANTONIO WATER SYSTEM DISTRICT SPECIAL PROJECT ^(c) | Public Water Utility | 1,808 | 3.3 | \$5,062 | 2.1 |
| CITY OF SAN ANTONIO | Municipal Entity | 547 | 1.0 | 2,646 | 1.1 |
| HEB GROCERY | Grocery | 471 | 0.9 | 1,743 | 0.7 |
| SAN ANTONIO HOUSING AUTHORITY | Public Housing | 471 | 0.9 | 1,723 | 0.7 |
| NORTHSIDE INDEPENDENT SCHOOL DISTRICT | School System | 303 | 0.5 | 1,325 | 0.6 |
| BEXAR COUNTY | County Government | 349 | 0.6 | 1,222 | 0.5 |
| CPS ENERGY | Public Power Utility | 271 | 0.5 | 937 | 0.4 |
| MAXIM INTEGRATED PRODUCT, INC. | Electronics | 265 | 0.5 | 837 | 0.4 |
| NORTH EAST INDEPENDENT SCHOOL DISTRICT | School System | 166 | 0.3 | 739 | 0.3 |
| SAN ANTONIO INDEPENDENT SCHOOL DISTRICT | School System | 151 | 0.3 | 727 | 0.3 |
| Subtotal (10 largest) | | 4,802 | 8.7 | 16,961 | 7.1 |
| Balance from Other Customers | | 50,306 | 91.3 | 221,840 | 92.9 |
| Total | | 55,108 | 100.00 | \$238,801 | 100.00 |

^(a) Potable water only.

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

^(c) In 2012, all assets, liabilities, rights, duties and obligations of the former Bexar Metropolitan Water District was transferred into an entity known as the San Antonio Water System District Special Project (DSP). DSP was reported as a discrete component unit of the City of San Antonio until formally merged into SAWS on January 1, 2017. In order to meet DSP customer demands during 2013, SAWS provided DSP with 1.8 billion gallons of water through various interconnects between the two systems.

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Ten Largest Customers – Wastewater*
Current Year and Nine Years Ago

| Customer | Principal Business | Usage (million gallons) | % | Total Revenue (in thousands) | % |
|---|-------------------------|-------------------------------|--------|------------------------------------|--------|
| Fiscal Year Ended December 31, 2022: | | | | | |
| HEB GROCERY | Grocery | 588 | 0.8 | \$2,949 | 1.1 |
| SAN ANTONIO HOUSING AUTHORITY | Public Housing | 510 | 0.7 | 2,224 | 0.8 |
| BEXAR COUNTY | County Government | 411 | 0.6 | 1,839 | 0.7 |
| CITY OF SAN ANTONIO | Municipal Entity | 271 | 0.4 | 1,352 | 0.5 |
| METHODIST HEALTH CARE SYSTEM | Hospital System | 293 | 0.4 | 1,261 | 0.5 |
| TOWER JAZZ TEXAS, INC. | Electronics | 249 | 0.3 | 1,038 | 0.4 |
| NORTHSIDE INDEPENDENT SCHOOL DISTRICT | School System | 170 | 0.2 | 890 | 0.3 |
| TOYOTA | Automobile Manufacturer | 193 | 0.3 | 846 | 0.3 |
| FRITO LAY, INC. | Food Manufacturer | 79 | 0.1 | 630 | 0.2 |
| UNIVERSITY OF TEXAS AT SAN ANTONIO | Public University | 130 | 0.2 | 556 | 0.2 |
| Subtotal (10 largest) | | 2,893 | 4.1 | 13,585 | 4.9 |
| Balance from Other Customers | | 68,301 | 95.9 | 266,092 | 95.1 |
| Total | | 71,194 | 100.00 | \$279,677 | 100.00 |

Fiscal Year Ended December 31, 2013:

| | | | | | |
|---------------------------------------|-------------------------|--------|--------|-----------|--------|
| HEB GROCERY | Grocery | 410 | 0.9 | \$2,026 | 1.1 |
| SAN ANTONIO HOUSING AUTHORITY | Public Housing | 459 | 1.0 | 1,414 | 0.8 |
| BEXAR COUNTY | County Government | 275 | 0.6 | 923 | 0.5 |
| L & H PACKING COMPANY | Beef Processor | 128 | 0.3 | 723 | 0.4 |
| MAXIM INTEGRATED PRODUCT, INC. | Electronics | 230 | 0.5 | 713 | 0.4 |
| TOYOTA | Automobile Manufacturer | 203 | 0.4 | 619 | 0.3 |
| OAK FARMS DAIRY | Dairy Producer | 47 | 0.1 | 611 | 0.3 |
| CITY OF SAN ANTONIO | Municipal Entity | 174 | 0.4 | 569 | 0.3 |
| NORTHSIDE INDEPENDENT SCHOOL DISTRICT | School System | 155 | 0.3 | 543 | 0.3 |
| FRITO LAY, INC. | Food Manufacturer | 58 | 0.1 | 446 | 0.2 |
| Subtotal (10 largest) | | 2,139 | 4.5 | 8,587 | 4.6 |
| Balance from Other Customers | | 45,578 | 95.5 | 176,273 | 95.4 |
| Total | | 47,717 | 100.00 | \$184,860 | 100.00 |

* Excludes Wholesale Wastewater usage and revenues; includes TCEQ wastewater fees.

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**Ten Largest Customers - Wholesale Wastewater
Current Year and Nine Years Ago**

| Customer | Principal Business | Total Revenue (in thousands) | % |
|---|---------------------------|---|----------|
| Fiscal Year Ended December 31, 2022: | | | |
| LACKLAND AIR FORCE BASE | Military | \$5,156 | 37.3 |
| JOINT BASE SAN ANTONIO - FORT SAM HOUSTON | Military | 2,369 | 17.2 |
| LEON VALLEY | Municipal Government | 1,626 | 11.8 |
| ALAMO HEIGHTS | Municipal Government | 1,431 | 10.4 |
| BEXAR COUNTY WATER CONTROL DISTRICT NO. 10 | County Government | 904 | 6.5 |
| KIRBY | Municipal Government | 629 | 4.6 |
| BALCONES HEIGHTS | Municipal Government | 612 | 4.4 |
| OLMOS PARK | Municipal Government | 467 | 3.4 |
| LACKLAND ANNEX | Military | 311 | 2.3 |
| AIR FORCE VILLAGE II | Municipal Government | 120 | 0.9 |
| Subtotal (10 largest) | | 13,627 | 98.6 |
| Balance from Other Customers | | 187 | 1.4 |
| Total | | \$13,814 | 100.00 |

Fiscal Year Ended December 31, 2013:

| | | | |
|--|----------------------|---------|--------|
| JOINT BASE SAN ANTONIO - FORT SAM HOUSTON | Military | \$1,559 | 20.5 |
| LEON VALLEY | Municipal Government | 1,203 | 15.8 |
| LACKLAND AIR FORCE BASE | Military | 1,191 | 15.7 |
| ALAMO HEIGHTS | Municipal Government | 1,150 | 15.1 |
| BEXAR COUNTY WATER CONTROL DISTRICT NO. 10 | County Government | 673 | 8.9 |
| BALCONES HEIGHTS | Municipal Government | 479 | 6.3 |
| KIRBY | Municipal Government | 431 | 5.7 |
| OLMOS PARK | Municipal Government | 395 | 5.2 |
| LACKLAND AIR FORCE BASE/ANNEX @ MEDINA | Military | 212 | 2.8 |
| HOLLYWOOD PARK | Municipal Government | 95 | 1.3 |
| Subtotal (10 largest) | | 7,388 | 97.2 |
| Balance from Other Customers | | 211 | 2.8 |
| | | \$7,599 | 100.00 |

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DEBT INFORMATION

As of the date hereof, the City has outstanding \$ _____ (unaudited) of obligations payable from the revenue of the System (excluding the Notes). The revenue obligations payable as of the date hereof are comprised of \$ _____ (unaudited) of Senior Lien Obligations, and \$ _____ (unaudited) of Junior Lien Obligations (collectively, the “Debt”). The maximum annual bond debt requirement for all outstanding obligations is approximately \$ _____ (net of the federal subsidy of Build America Bonds after giving effect to the automatic reductions in federal spending pursuant to the Budget Deficit Control Act of 2011 (commonly referred to as “Sequestration”), and extensions thereof pursuant to the Bipartisan Budget Act of 2013 signed into law by former President Obama on December 26, 2013 occurring through 2030 and calculated at the current Sequestration rate of 5.70% year). See “DEBT AND OTHER FINANCIAL INFORMATION” in the City’s Official Statement, dated August 2, 2023, relating to the issuance of the obligations designated as “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2023A (No Reserve Fund)”, for information relating to the System’s debt service requirements and other matters which is incorporated by reference by the Rule (hereinafter defined).

INTEREST RATE HEDGE TRANSACTION

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

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

The System still considers the swap agreement to be a valuable variable rate management tool within its debt portfolio. Accordingly, the System negotiated amendments to the swap agreement, effective June 16, 2009, with JPMorgan Chase Bank, N.A. and MBIA to amend the swap agreement to allow the remaining 2003 Subordinate Lien Obligations outstanding to be redeemed with Commercial Paper Notes, while maintaining the swap agreement as an existing obligation to all parties. These amendments provide for the conditional release of MBIA’s swap insurance policy upon the occurrence of certain future events. The System redeemed the remaining 2003 Subordinate Lien Obligations on June 24, 2009 with Commercial Paper Notes. See “COMMERCIAL PAPER NOTE PROGRAM” herein. No such 2003 Subordinate Lien Obligations are currently outstanding; \$59,745,000 in Commercial Paper Notes used to redeem 2003 Subordinate Lien Obligations are currently outstanding.

If the swap agreement is terminated, the City could be obligated to make a substantial payment to the counterparty, depending on market conditions. As of June 30, 2023, the termination payment that the City would be liable for, if the swap agreement were terminated on such date, would be \$3.4 million (unaudited and unverified). Prospective investors should be aware that the value of the termination payments varies day to day and that such valuation herein provided represents an unaudited and unverified estimate provided to SAWS by JPMorgan Chase Bank, N.A., as the swap counterparty. For more information concerning the swap agreement, see Note G to SAWS’ Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022 which provides the System’s recent audited operating results and is available through SAWS’ website at www.saws.org. The City may also enter into other interest rate hedging transactions payable from System revenues in the future, with comparable risks, although no such transactions are currently contemplated.

DEBT COVERAGE

The following schedule sets forth the revenues for debt coverage:

| <u>Year</u> | <u>Gross Revenues^(a)</u> | <u>Operating Expenses^(b)</u> | <u>Net Available Revenue</u> | <u>Revenue Bond Debt Service^(c)</u> | | | | <u>Maximum Annual Debt Service Requirements</u> | | | |
|---------------------|-------------------------------------|---|------------------------------|--|-------------------------------|--------------|-----------------|---|-----------------|---------------------------------------|-------------------------------|
| | | | | <u>Principal</u> | <u>Interest^(d)</u> | <u>Total</u> | <u>Coverage</u> | <u>Total Debt^(e)</u> | <u>Coverage</u> | <u>Senior Lien Debt^(e)</u> | <u>Coverage^(f)</u> |
| 2021 ⁽ⁱ⁾ | \$781,304 | \$436,077 | \$345,227 | \$90,260 | \$113,989 | \$204,249 | 1.69 | \$219,262 | 1.57 | \$33,532 | 10.30 |
| 2020 | 804,258 | 401,961 | 402,297 | 86,445 | 104,566 | 191,011 | 2.11 | 210,885 | 1.91 | 41,548 | 9.68 |
| 2019 | 750,849 | 339,934 | 410,915 | 87,060 | 104,831 | 191,891 | 2.14 | 195,567 | 2.10 | 47,455 | 8.66 |
| 2018 ^(h) | 704,279 | 324,593 | 379,686 | 84,875 | 103,922 | 188,797 | 2.01 | 194,518 | 1.95 | 81,428 | 4.66 |
| 2017 | 668,998 | 318,442 | 350,556 | 82,840 | 102,236 | 185,076 | 1.89 | 185,076 | 1.89 | 81,440 | 4.30 |
| 2016 | 622,947 | 315,395 | 307,552 | 78,570 | 98,158 | 176,728 | 1.74 | 185,149 | 1.66 | 84,009 | 3.66 |
| 2015 | 555,712 | 291,246 | 264,466 | 71,355 | 101,064 | 172,419 | 1.53 | 178,516 | 1.48 | 114,320 | 2.31 |
| 2014 | 498,334 | 245,055 | 253,279 | 57,850 | 91,704 | 149,554 | 1.69 | 160,510 | 1.58 | 117,126 | 2.16 |
| 2013 | 460,776 | 244,348 | 216,428 | 47,315 | 86,058 | 133,373 | 1.62 | 152,496 | 1.42 | 117,126 | 1.85 |
| 2012 | 437,253 | 237,576 | 199,677 | 44,780 | 80,320 | 125,100 | 1.60 | 138,420 | 1.44 | 122,816 | 1.63 |

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

^(b) Gross Revenues are defined as operating revenues plus nonoperating revenues less revenues from the City Public Service contract, interest on Project Funds and federal subsidy on Build America Bonds.

^(c) Operating Expenses reflect operating expenses before depreciation as shown on the Statement of Revenues, Expenses, and Changes in Net Position.

^(d) Interest reported net of the U.S. federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

^(e) Debt service requirements consist of principal and interest payments net of the U.S. federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

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

^(g) The 2019 Maximum Annual Debt Service Senior Lien Debt reflects the senior lien debt payment due for Fiscal Year Ending December 31, 2019.

^(h) In 2018, the pledged revenue calculation began excluding non-cash revenues and expenses.

⁽ⁱ⁾ The 2021 Maximum Annual Debt Service Senior Lien reflects the 2021 senior-lien debt.

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SYSTEM RATES

The City has agreed and covenants to the holders of the Senior Lien Obligations and the Junior Lien Obligations and the Holders of the Notes and the Loan Notes that it will at all times maintain rates and charges for the services furnished, provided, and supplied by the System which shall comply with the provisions of the Senior Lien Obligations Ordinances, and produce income and revenues sufficient:

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

As discussed in “Advisory Committees - Rates Advisory Committee” above, in November 2022, the Board and the City Council approved revisions to the System’s rate structure. The revised rate structure is designed to enhance affordability for essential water use while sending price signals for discretionary water use. The revised rate structure went into effect on or about January 1, 2023.

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

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

| MONTHLY SERVICE AVAILABILITY CHARGE | | MONTHLY VOLUME CHARGE | |
|-------------------------------------|-------------------------------------|---|-------------------------------|
| <u>Meter Size</u> | <u>Service Availability Charge*</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
| 5/8" | \$ 9.00 | Threshold | |
| 3/4" | 11.93 | 4,000 | \$ 0.907 |
| 1" | 17.79 | 7,000 | 1.678 |
| 1-1/2" | 32.44 | 12,000 | 3.039 |
| 2" | 50.02 | 20,000 | 3.991 |
| 3" | 96.90 | Over 20,000 | 5.669 |
| 4" | 149.64 | | |
| 6" | 296.14 | | |
| 8" | 471.94 | | |
| 10" | 589.14 | <u>Water Uplift Assistance Program Fee Rate</u> | |
| 12" | 823.54 | All Volumes | \$ 0.159 |

* Water Service Availability Charge shall be increased by \$2.00 Inside City Limits, if usage exceeds 4,000 gallons.

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

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

| <u>Meter Size</u> | <u>Service Availability Charge*</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|-------------------|-------------------------------------|---|-------------------------------|
| | | Threshold | |
| 5/8" | \$ 11.70 | 4,000 | \$ 1.180 |
| 3/4" | 15.51 | 7,000 | 2.182 |
| 1" | 23.13 | 12,000 | 3.951 |
| 1-1/2" | 42.18 | 20,000 | 5.189 |
| 2" | 65.03 | Over 20,000 | 7.370 |
| 3" | 125.97 | | |
| 4" | 194.54 | | |
| 6" | 384.99 | | |
| 8" | 613.53 | | |
| 10" | 765.89 | | |
| 12" | 1,070.61 | | |
| | | <u>Water Uplift Assistance Program Fee Rate</u> | |
| | | All Volumes | \$ 0.159 |

- * Water Service Availability Charge shall be reduced by \$2.60 Outside City Limits, if usage exceeds 4,000 gallons.

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

Households at or below 125 percent of the Federal Poverty Level (FPL) are eligible to apply to be subject to the Uplift Assistance Program (UAP) water rates. The Service Availability Charge (minimum bill) is assessed for all UAP residential water service **INSIDE THE CITY LIMITS** of the City exceeding 2,000 gallons per month of usage furnished through meters of the following sizes together with the Monthly Volume Charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

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

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

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

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

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

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

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General Water Service
(Effective for Consumption on or about January 1, 2023.)

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

| MONTHLY SERVICE AVAILABILITY CHARGE | | MONTHLY VOLUME CHARGE | |
|-------------------------------------|------------------------------------|--|-------------------------------|
| <u>Meter Size</u> | <u>Service Availability Charge</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
| 5/8" | \$ 12.70 | Base* | \$ 1.958 |
| 3/4" | 16.48 | >100-125% of Base | 2.252 |
| 1" | 24.04 | >125-175% of Base | 2.937 |
| 1-1/2" | 42.94 | >175% of Base | 3.427 |
| 2" | 65.62 | | |
| 3" | 126.10 | | |
| 4" | 194.14 | | |
| 6" | 383.14 | <u>Water Uplift Assistance Program Fee Rate</u> | |
| 8" | 609.94 | All Volumes | \$ 0.159 |
| 10" | 761.14 | | |
| 12" | 1,063.54 | * 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 the City furnished through meters of the following sizes together with the Monthly Volume Charge and the Water ADP Discount Program Recovery Rate volume charge measured per 1,000 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

| MONTHLY SERVICE AVAILABILITY CHARGE | | MONTHLY VOLUME CHARGE | |
|-------------------------------------|------------------------------------|--|-------------------------------|
| <u>Meter Size</u> | <u>Service Availability Charge</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
| 5/8" | \$ 16.00 | Base* | \$ 2.546 |
| 3/4" | 20.66 | >100-125% of Base | 2.928 |
| 1" | 29.98 | >125-175% of Base | 3.819 |
| 1-1/2" | 53.28 | >175% of Base | 4.456 |
| 2" | 81.23 | | |
| 3" | 155.77 | | |
| 4" | 239.64 | | |
| 6" | 472.59 | <u>Water Uplift Assistance Program Fee Rate</u> | |
| 8" | 752.13 | All Volumes | \$ 0.159 |
| 10" | 938.49 | | |
| 12" | 1,311.21 | * The Base Use is defined as 100% of the Annual Average Consumption. | |

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Wholesale Water Service
(Effective for Consumption on or about January 1, 2023.)

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

MONTHLY SERVICE AVAILABILITY CHARGE

| <u>Meter Size⁽¹⁾</u> | <u>Service Availability Charge</u> |
|---------------------------------|------------------------------------|
| 6" | \$ 298.14 |
| 8" | 473.94 |
| 10" | 591.14 |
| 12" | 825.54 |

MONTHLY VOLUME CHARGE

| <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|------------------------------|-------------------------------|
| Base* | \$ 2.723 |
| Over Base | 5.446 |

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

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

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Irrigation Service Fee
(Effective for Consumption on or about January 1, 2023.)

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

MONTHLY SERVICE AVAILABILITY CHARGE

| <u>Meter Size</u> | <u>Service Availability Charge</u> |
|-------------------|------------------------------------|
| 5/8" | \$ 12.70 |
| 3/4" | 16.48 |
| 1" | 24.04 |
| 1-1/2" | 42.94 |
| 2" | 65.62 |
| 3" | 126.10 |
| 4" | 194.14 |
| 6" | 383.14 |
| 8" | 609.94 |
| 10" | 761.14 |
| 12" | 1,063.54 |

MONTHLY VOLUME CHARGE

| <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|---|-------------------------------|
| <u>Threshold</u> | |
| 8,000 | \$ 3.475 |
| 18,000 | 4.865 |
| 160,000 | 6.255 |
| Over 160,000 | 7.993 |
| <u>Water Uplift Assistance Program Fee Rate</u> | |
| All Volumes | \$ 0.159 |

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

MONTHLY SERVICE AVAILABILITY CHARGE

| <u>Meter Size</u> | <u>Service Availability Charge</u> |
|-------------------|------------------------------------|
| 5/8" | \$ 16.00 |
| 3/4" | 20.66 |
| 1" | 59.98 |
| 1-1/2" | 53.28 |
| 2" | 81.23 |
| 3" | 155.77 |
| 4" | 239.64 |
| 6" | 472.59 |
| 8" | 752.13 |
| 10" | 938.49 |
| 12" | 1,311.21 |

MONTHLY VOLUME CHARGE

| <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|---|-------------------------------|
| <u>Threshold</u> | |
| 8,000 | \$ 4.518 |
| 18,000 | 6.325 |
| 160,000 | 8.132 |
| Over 160,000 | 10.391 |
| <u>Water Uplift Assistance Program Fee Rate</u> | |
| All Volumes | \$ 0.159 |

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**Recycled Water Service – Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2023.)**

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

| MONTHLY SERVICE AVAILABILITY CHARGE | | MONTHLY VOLUME CHARGE | | |
|--|-----------------------------|---|-------------------------------|----------|
| <u>Meter Size</u> | <u>Net Meter Charge</u> | <u>Usage Blocks</u> | <u>Rate Per 1,000 Gallons</u> | |
| 5/8" | \$ 16.92 | Transferred Amount | \$ 0.446 | \$ 0.446 |
| 3/4" | 22.00 | All in Excess of Transferred | 1.670 | 1.774 |
| 1" | 28.69 | Amount | | |
| 1-1/2" | 45.57 | | | |
| 2" | 66.62 | | | |
| 3" | 177.21 | * The Volume Charge "Seasonal" Rate Per 1,000 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 1,000 Gallons shall be utilized. | | |
| 4" | 263.40 | | | |
| 6" | 502.44 | | | |
| 8" | 757.31 | | | |
| 10" | 1,038.52 | | | |
| 12" | 1,281.36 | | | |

**Recycled Water Service – Non-Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2023.)**

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

| MONTHLY SERVICE AVAILABILITY CHARGE | | MONTHLY VOLUME CHARGE | | |
|--|-----------------------------|---|-------------------------------|----------|
| <u>Meter Size</u> | <u>Net Meter Charge</u> | <u>Usage Blocks</u> | <u>Rate Per 1,000 Gallons</u> | |
| 5/8" | \$ 16.92 | First 748,000 | \$ 1.786 | \$ 1.921 |
| 3/4" | 22.00 | Over 748,000 | \$ 1.827 | \$ 1.937 |
| 1" | 28.69 | | | |
| 1-1/2" | 45.57 | | | |
| 2" | 66.62 | | | |
| 3" | 177.21 | * The Volume Charge "Seasonal" Rate Per 1,000 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 1,000 Gallons shall be utilized. | | |
| 4" | 263.40 | | | |
| 6" | 502.44 | | | |
| 8" | 757.37 | | | |
| 10" | 1,038.52 | | | |
| 12" | 1,281.36 | | | |

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

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

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

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

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

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

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

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

| <u>Meter Size</u> | <u>Service Availability Charge*</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|-------------------|-------------------------------------|---|-------------------------------|
| 5/8" | \$ 10.00 | <u>Threshold</u> | |
| 3/4" | 13.89 | 4,000 | \$ 2.539 |
| 1" | 21.66 | Over 4,000 | 4.444 |
| 1-1/2" | 41.08 | | |
| 2" | 64.39 | | |
| 3" | 126.55 | | |
| 4" | 196.48 | <u>Sewer Uplift Assistance Program Fee Rate</u> | |
| 6" | 390.73 | All Volumes | \$ 0.161 |
| 8" | 623.83 | | |
| 10" | 779.23 | | |
| 12" | 1,090.03 | | |

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

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

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

| <u>Meter Size</u> | <u>Service Availability Charge*</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|-------------------|-------------------------------------|---|-------------------------------|
| 5/8" | \$ 12.00 | <u>Threshold</u> | |
| 3/4" | 16.67 | 4,000 | \$ 3.047 |
| 1" | 26.00 | Over 4,000 | 5.333 |
| 1-1/2" | 49.30 | | |
| 2" | 77.27 | | |
| 3" | 151.86 | | |
| 4" | 235.78 | <u>Sewer Uplift Assistance Program Fee Rate</u> | |
| 6" | 468.88 | All Volumes | \$ 0.161 |
| 8" | 748.60 | | |
| 10" | 935.08 | | |
| 12" | 1,308.04 | | |

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

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

Households at or below 125 percent of the Federal Poverty Level (FPL) are eligible to apply to be subject to the Uplift Assistance Program (UAP) sewer rates. Sewer service charge for all metered residential water connections shall be the application of the Sewer Monthly Volume Charges to average monthly water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the schedule below.

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

Over 2,000

2.700

3.240

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

**General Class Sewer Service
(Effective for Consumption on or about January 1, 2023.)**

INSIDE CITY LIMITS ("ICL")

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

| <u>Meter Size</u> | <u>Service Availability Charge*</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|-------------------|-------------------------------------|---|-------------------------------|
| 5/8" | \$ 10.00 | | |
| 3/4" | 13.89 | All Volumes | \$ 4.368 |
| 1" | 21.66 | | |
| 1-1/2" | 41.08 | | |
| 2" | 64.39 | | |
| 3" | 126.55 | <u>Sewer Uplift Assistance Program Fee Rate</u> | |
| 4" | 196.48 | All Volumes | \$ 0.161 |
| 6" | 390.73 | | |
| 8" | 623.83 | | |
| 10" | 779.23 | | |
| 12" | 1,090.03 | | |

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

OUTSIDE CITY LIMITS ("OCL")

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

| <u>Meter Size</u> | <u>Service Availability Charge*</u> | <u>Usage Blocks, Gallons</u> | <u>Rate Per 1,000 Gallons</u> |
|-------------------|-------------------------------------|---|-------------------------------|
| 5/8" | \$ 12.00 | | |
| 3/4" | 16.67 | All Volumes | \$ 5.242 |
| 1" | 26.00 | | |
| 1-1/2" | 49.30 | | |
| 2" | 77.27 | | |
| 3" | 151.86 | <u>Sewer Uplift Assistance Program Fee Rate</u> | |
| 4" | 235.78 | All Volumes | \$ 0.161 |
| 6" | 468.88 | | |
| 8" | 748.60 | | |
| 10" | 935.08 | | |
| 12" | 1,308.04 | | |

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

**Wholesale Sewer Service
(Effective for Consumption on or about January 1, 2023.)**

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

All Meter Sizes: \$ 340.07

Rate Per 1,000 Gallons

All Usage: \$ 4.256

WATER SERVICE INTERCONNECT RATE (EFFECTIVE JANUARY 1, 2006)

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

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

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

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

IMPACT FEES (EFFECTIVE JUNE 1, 2019)

On May 16, 2019, the City Council approved amendments to the System's Impact Fees Land Use Assumption Plan ("LUAP") and Impact Fees Capital Improvements Plan ("IFCIP") based on projections for the 10-year period of 2019-2028. Using these amended plans, at the same time the City Council approved amendments to the water supply, water flow, water system development, wastewater collection, and wastewater treatment impact fees for all areas served by the System. Chapter 395, Texas Local Government Code, as amended ("Chapter 395") requires that the LUAP and IFCIP must be updated at least every five (5) years. The previous impact fees for water delivery, water supply, and wastewater were approved by the City Council in 2014.

Chapter 395 requires that impact fees be calculated for an equivalent dwelling unit ("EDU") based upon a LUAP that projects new demand for a period not to exceed 10 years and IFCIP costs associated with providing service to that new demand. The amended LUAP for 2019-2028 projects 141,770 new water EDUs and 131,840 new wastewater EDUs. The pro-rata cost of existing and future capital improvements projects to serve the 2019-2028 growth is estimated to be \$1.18 billion as set forth in the amended IFCIP.

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

| | |
|-------------------------|----------|
| Water Supply Impact Fee | \$ 2,706 |
| Water Delivery | |
| Flow | \$ 1,188 |
| System Development | |
| High Elevation | \$ 855 |
| Middle Elevation | \$ 1,014 |
| Low Elevation | \$ 1,203 |
| Wastewater | |
| Treatment | |
| Medio Creek | \$ 1,222 |
| Dos Rios/Leon Creek | \$ 651 |
| Collection | |
| Medio Creek | \$ 861 |
| Upper Medina | \$ 1,422 |
| Lower Medina | \$ 520 |
| Upper Collection | \$ 2,800 |
| Middle Collection | \$ 2,013 |
| Lower Collection | \$ 902 |

EDWARDS AQUIFER AUTHORITY PERMIT FEE: SAN ANTONIO WATER SYSTEM

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

| Year | EAA Fee (per 100 gallons) (\$) |
|------|-----------------------------------|
| 2014 | 0.3295 |
| 2015 | 0.3311 |
| 2016 | 0.4259 |
| 2017 | 0.3612 |
| 2018 | 0.3533 |
| 2019 | 0.3561 |
| 2020 | 0.3452 |
| 2021 | 0.3452 |
| 2022 | 0.3385 |

2023

0.2992

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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ) FEE

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

| Service Type (Monthly Fee) | TCEQ Pass-Through Fee | |
|----------------------------|-----------------------|---------------------------|
| | Water Connection Fee | Wastewater Connection Fee |
| 2014 | \$0.18 | \$0.06 |
| 2015 | 0.18 | 0.06 |
| 2016 | 0.18 | 0.06 |
| 2017 | 0.18 | 0.06 |
| 2018 | 0.18 | 0.06 |
| 2019 | 0.20 | 0.06 |
| 2020 | 0.21 | 0.06 |
| 2021 | 0.21 | 0.06 |
| 2022 | 0.21 | 0.06 |
| 2023 | 0.21 | 0.06 |

CAPITAL IMPROVEMENT PROGRAM

The following is a proposed five-year CIP for the System. It is the intention of the System to fund the program with long-term bonds, tax-exempt commercial paper, impact fees, and excess System revenues. The System contemplates the following summary of capital improvement projects during calendar year 2023:

- \$70.5 million is budgeted for the wastewater treatment program to repair/replace/upgrade treatment facilities and provide capacity for future growth;
- \$15.9 million is budgeted for the wastewater collection program to fix deteriorated components of the collection system and provide capacity for future growth;
- \$143.7 million is budgeted to replace sewer and water mains;
- \$58.0 million is budgeted for new sewer and water mains;
- \$52.5 million is budgeted for the governmental replacement and relocation programs;
- \$104.6 million is budgeted to construct new or fix deteriorated components of the production facilities; and
- \$25.2 million is budgeted to repair/replace/upgrade facilities for water supply and recycle water; and
- \$17.8 million is budgeted for the chilled water system.

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

| | Capital Improvement Projections* | | | | | |
|---------------------------|----------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| | Fiscal Year Ended December 31, | | | | | |
| | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
| Water Delivery | \$215,201,148 | \$254,911,752 | \$255,506,349 | \$202,541,319 | \$258,531,858 | \$1,186,692,426 |
| Wastewater | 266,613,675 | 318,436,646 | 338,393,241 | 264,469,508 | 300,839,397 | 1,488,752,467 |
| Chilled Water | 17,769,650 | 22,926,766 | 6,472,700 | 4,483,301 | 5,230,592 | 56,883,009 |
| Water Supply | 25,157,750 | 32,405,700 | 25,398,608 | 19,381,859 | 26,717,725 | 129,061,642 |
| Total Annual Requirements | <u>\$524,742,223</u> | <u>\$628,680,864</u> | <u>\$625,770,898</u> | <u>\$490,875,987</u> | <u>\$591,319,572</u> | <u>\$2,861,389,544</u> |

* Preliminary, subject to change. See "THE SAN ANTONIO WATER SYSTEM – Sewer Management Program" herein for additional information regarding wastewater capital improvement projections.

PROJECT FUNDING APPROACH

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

| | Projected Funding Sources* | | | | | |
|---------------|--------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| | Fiscal Year Ended December 31, | | | | | |
| | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
| Revenues | \$119,519,422 | \$92,113,137 | \$94,419,746 | \$114,170,811 | \$133,706,304 | \$553,929,420 |
| Fees | 50,000,000 | 55,000,000 | 55,000,000 | 55,000,000 | 61,000,000 | 276,000,000 |
| Debt Proceeds | 355,222,801 | 481,567,727 | 476,351,152 | 321,705,176 | 396,613,268 | 2,031,460,124 |
| Total | <u>\$524,742,223</u> | <u>\$628,680,864</u> | <u>\$625,770,898</u> | <u>\$490,875,987</u> | <u>\$591,319,572</u> | <u>\$2,861,389,544</u> |

* Preliminary, subject to change.

DEFAULT AND REMEDIES

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

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

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

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel (defined herein) will note that all opinions relative to the enforceability of the Note Ordinance and the Notes are qualified with respect to the customary rights of debtors relative to their creditors and principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RATINGS

| | Moody’s Investors Services, Inc. | S&P Global Ratings | Fitch Ratings |
|-------------------------|-------------------------------------|--------------------|---------------|
| Senior Lien Obligations | Aa1 | AA+ | AA+ |
| Junior Lien Obligations | Aa2 | AA+ | AA |
| Commercial Paper: | | | |
| Subseries A-1 | P-1 | A-1+ | F1+ |
| Series B | P-1 | A-1+ | F1+ |

An explanation of the significance of such ratings may be obtained from the company furnishing such rating. The ratings reflect only the respective view of such organizations, and the City or the Board make no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Notes. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

TAX EXEMPTION

The delivery of the Notes is subject to the opinion of Bond Counsel, to the effect that interest on the Notes for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (“Code”), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of the opinion is attached hereto as APPENDIX A.

In rendering the foregoing opinions, Bond Counsel relied upon representations and certifications of the City and the Board made in a certificate of even date with the initial delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes assumed continuing compliance with the provisions of the Note Ordinance by the City and the Board subsequent to the issuance of the Notes. The Note Ordinance contains covenants by the City and the Board with respect to, among other matters, the use of the proceeds of the Notes and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage “profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Notes.

Except as described above, Bond Counsel expressed no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City and the Board described above. No ruling has been sought from the Internal Revenue Service (“IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Notes is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer”, and the owners of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the City may have different or conflicting interests from the owners of the Notes. Public awareness of any audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

ANCILLARY TAX CONSEQUENCES

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

TAX CHANGES

Existing law may change to reduce or eliminate the benefit to holders of the exclusion of interest on the Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

ENVIRONMENTAL MATTERS AND REGULATORY MATTERS

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

GENERAL REGULATORY CLIMATE

The election of President Biden in November 2020 resulted and will continue to result in a host of newly appointed administrators to top government agencies, especially those positions affecting the environment. Since inauguration, officials began to amend and enact provisions promulgated through the EPA and other environmental agencies to increase regulation. Consistent with the Biden administration's enhanced focus on environmental regulation, on September 24, 2022, the EPA announced that it is establishing the new Office of Environmental Justice and External Civil Rights that will be charged with advancing environmental justice and civil rights concerns. It is too early to determine how active this new office will be and what impact it may have on the System.

SAFE DRINKING WATER ACT

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

The System is in material compliance with several EPA drinking water rules adopted pursuant to the Safe Drinking Water Act, including the Enhanced Surface Water Treatment Rule, the Long Term 2 Enhanced Surface Water Treatment Rule, the Stage 1 and Stage 2 Disinfectant and Disinfection Byproduct Rules, and the Unregulated Contaminant Monitoring Rule. No increased capital expenditures have been required or are anticipated to be required to maintain compliance with the foregoing rules. In October 2006, the EPA also finalized its Groundwater Rule, a regulation designed to identify and address systems including ground water supplies that are at a high risk of contamination with fecal coliforms. It was anticipated that the EPA's Groundwater Rule could have an impact on the System if it was determined that any individual production well might need additional treatment. To date, the impact has been minimal with only an occasional increase in testing. While the highest estimated cost for compliance with the Groundwater Rule could be up to \$2.00 per gallon at any well that may be affected, this potential worst case would be limited to a very small number of wells.

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

While still awaiting this further guidance, SAWS has recently begun taking steps to quantify the number of water service lines within its System which are of unknown material and may require inspection. Initial estimates are that there are approximately 392,000 such service lines with approximately 292,000 of these being customer owned and approximately 100,000 being SAWS owned. As the testing rates and requirements are still being finalized, it is uncertain as to exactly how many of these service lines SAWS will be required to inspect. However, SAWS currently estimates that the average cost to conduct potholing inspections would be approximately \$1,000 per service line. Additionally, any required service line replacements identified are estimated to cost approximately \$5,000 per service line with this amount projected to increase with inflation in subsequent years. SAWS would be responsible for the cost of replacing any SAWS owned service lines while the cost to replace any customer owned service lines is ultimately the responsibility of the homeowner. SAWS does not currently anticipate needing to replace a significant portion of its SAWS owned service lines but is unable to reasonably estimate until further testing is completed.

SAWS obtained a consultant to assist in preparing an inventory of pipes to submit to the TCEQ by the October 2024 deadline, which SAWS expects to meet. SAWS is working with the consultant to develop strategies on how best to determine the pipe material on the customer's side of the service lateral, including a pilot program to target specific areas of the city to identify pipe material. SAWS recently received approval of a City Council ordinance to amend the City's plumbing code to require plumbers to identify and document the pipe material when exposing a private lateral for submittal to SAWS.

The EPA announced that it will develop a new proposed rulemaking to strengthen key elements of the Lead Rule. The EPA anticipates finalizing the forthcoming Lead and Copper Rule Improvements (the “LCRI”) prior to October 16, 2024. Additional analysis will be necessary when the LCRI is finalized in October 2024 to assess potential changes to the action and trigger levels in the current Lead Rule, and a possible requirement to identify and replace all lead service in the public water systems.

In October of 2021, the EPA issued a Strategic Roadmap to address per- and poly-fluoroalkyl substances (“PFAS”). Since that time, the EPA has utilized a whole-of-agency approach to PFAS by taking multiple actions, including revising non-regulatory health advisory limits for PFOA and PFOS; proposed a rule to include PFAS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), also known as Superfund; and established requirements for monitoring of PFAS in drinking water under the fifth Unregulated Contaminant Monitoring Rule (“UCMR”). The UCMR requires all public water systems in the country to test for 29 PFAS substances between 2023 and 2025. Test results will be reported to the EPA and eventually made available to the public. In March 2023, the EPA announced proposed national primary drinking water regulations and a Maximum Contaminant Limit for PFOA and PFOS of 4 parts per trillion, and a mixed hazard index for PFNA, HFPO-DA, PFHxS, and PFBS. The proposed rule requires monitoring of public water supplies and reports of PFAS levels. It is expected that the EPA will finalize the PFAS rule by the end of 2023. At this time, the PFAS Rule only applies to drinking water and does not address wastewater or its treatment. A compliance date for the PFAS Rule will likely have an effective date three (3) years from promulgation of the final rule. Additionally, in April 2023, the EPA issued an Advance Notice of Proposed Rulemaking asking for public input regarding the designation of an additional seven (7) PFAS substances as hazardous substances under CERCLA. Generally, CERCLA imposes liability on any party responsible for, in whole or in part, the presence of hazardous substances at a specific site. It is unclear how this model of liability applies to passive recipients of contamination from manufacturers and users of products containing PFAS substance.

Continued changes in rules and regulations, specifically the Lead Rule and the rapidly evolving rules regarding PFAS, may continue to cause process modifications, which may increase the cost of the maintenance and operation of the System’s drinking water treatment and distribution facilities. SAWS’ 2023 budget includes \$1.5 million in maintenance and operations costs for the Lead Rule initiative. Additional modifications and upgrades may be required to address modified rules, resulting in increased capital expenditures, which may be financed by the issuance of additional revenue bonds.

FEDERAL AND STATE REGULATION OF THE WASTEWATER FACILITIES

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

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

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

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

On January 13, 2021, the Army revised their Nationwide Permitting (“NWP”) program adding clarity to regulations which decreases compliance risk for obtaining authorization for construction projects with minimal environmental impact. The effective date of the change was March 15, 2021.

The Biden Administration called for a review of the 2021 NWP, and the rule is being challenged legally. On June 9, 2021, EPA Administrator Michael Regan announced the agency's intent to expand the number of waterways that receive protection under the Clean Water Act. On August 30, 2021, a U.S. District Court in Arizona vacated the Navigable Waters Protection Rule and remanded to the EPA and the Army for reconsideration. In light of this order, the Army and the EPA have halted the implementation of the Navigable Waters Protection Rule and are interpreting WOTUS consistent with the pre-2015 regulatory regime until further notice.

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

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

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

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

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

It is anticipated that the EPA and Army will work to draft a new definition for WOTUS consistent with the Supreme Court decision in *Sackett*, with a new rule expected by September 1, 2023. It is premature to anticipate how that new version will specifically seek to address the decision.

While the *Sackett* lawsuit did not specifically address the Final Rule, it is anticipated that the Supreme Court's decision will certainly have an impact on pending litigation regarding the Final Rule. At this time, it is premature to speculate on the potential effects of the Supreme Court's decision on pending lawsuits, and on any revisions that may develop as a result, and their ultimate impact on SAWS' operations.

STATUS OF DISCHARGE PERMITS FOR CITY'S WASTEWATER TREATMENT PLANTS

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

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

The failure by the System to achieve compliance with the Clean Water Act could result in either a private plaintiff or the EPA instituting a civil action for injunctive relief and civil penalties of up to \$56,460 per day per violation. Effective January 12, 2022, the maximum amount of a civil penalty that may be assessed increased to \$59,973 per violation. In addition, the EPA has the power to issue administrative orders compelling compliance with its regulations and the applicable permits. The EPA can also bring criminal actions for recovery of penalties of up to \$50,000 per day for willful or negligent violations of permit conditions or discharge without a permit. Violations of permits or administrative orders may result in the disqualification of a municipality from eligibility for federal assistance to finance capital improvements pursuant to the Clean Water Act. Even though the System will be operating under TPDES permits, it still may be liable for penalties from the EPA under the Clean Water Act.

SAWS recently received an audit report from TCEQ related to SAWS' pre-treatment plan, where the TCEQ identified three violations (two of which have been partially resolved and the third is completely resolved).

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

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

GROUND-LEVEL OZONE

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

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

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

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

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

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

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

In April 2022, the EPA announced a proposed action to move the County from “Marginal” to “Moderate Nonattainment” for ozone. If finalized, this new designation will mean that the City and adjacent areas (the “San Antonio Area”) will be required to comply with new EPA air quality regulations and meet the ozone standard of 70 parts per billion (ppb) by September 24, 2024. A virtual hearing was held on May 9, 2022 regarding this proposed reclassification. The comment period for the EPA’s proposed action closed on June 13, 2022. With the reclassification to Moderate Nonattainment, the TCEQ will have the regulatory role to enforce the EPA’s Clean Air Act regulations. The TCEQ will prepare a SIP for the San Antonio Area by an as yet to be determined deadline set by the EPA. The purpose of the SIP is to provide a comprehensive plan to improve air quality consistent with the federal statutory and regulatory requirements.

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

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

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

It remains to be seen exactly what steps will ultimately be required to meet federal air quality standards, how the EPA may respond to developments as they occur, and what impact such steps and any EPA action have upon the economy and the business and residential communities in the San Antonio Area.

CLEAN POWER PLAN/AFFORDABLE CLEAN ENERGY RULE

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

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

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

On August 20, 2018, the EPA signed the proposed Affordable Clean Energy Rule ("ACER") as a replacement for the Clean Power Plan. The proposed rule was published in the Federal Register on August 31, 2018, with the public comment period closing on October 31, 2018. On June 19, 2019, the EPA issued the final ACER, which involves an effort to provide existing coal-fired electric utility generating units, or EGUs, with standards for reducing greenhouse gas emissions. The final ACER became effective on September 6, 2019 and includes three actions: (1) the repeal of the Clean Power Plan; (2) the promulgation of a new set of emission guidelines for regulations of greenhouse gas emissions under the Clean Air Act; and (3) the promulgation of amendments to regulations governing submission and review of state plans under these and future emission guidelines. A lawsuit was filed in the D.C. Circuit Court that seeks repeal of the ACER. On January 19, 2021, the D.C. Circuit Court vacated the ACER governing emissions controls for power plants and its embedded repeal of the Obama-era Clean Power Plan. On February 12, 2021, the EPA issued a memorandum that clarified that because the court vacated the ACER and did not expressly reinstate the Clean Power Plan, the EPA understands the court's decision as leaving neither rule in effect. The Biden administration and EPA stated that a revised Clean Power Plan would be forthcoming but major elements of the plan were lost in negotiations over the 2021 federal budget. On October 29, 2021, the Supreme Court agreed to hear an appeal of the decision made by the D.C. Circuit Court in January 2021. The appeal was filed by Republican-led states and coal companies seeking to limit the EPA's authority to regulate carbon emissions under the Clean Air Act. The Supreme Court issued an opinion on June 30, 2022 in *West Virginia v. EPA*. The Supreme Court held that Congress did not grant the EPA the authority to devise emissions caps based

on the generation shifting approach the agency took in the Clean Power Plan based on Section 111(d) of the Clean Air Act. This decision represents the Supreme Court's first formal assertion of the "major questions" doctrine, which would be triggered when an agency claims broad authority based on new interpretations of older statutes, or statutes in which a grant of authority is not explicitly stated. The Supreme Court did not address the ACER in its consideration of the case. The decision reversed the D.C. Circuit Court ruling and remanded the proceedings back to the D.C. Circuit Court for further proceedings consistent with the Supreme Court ruling. On October 27, 2022, the D.C. Circuit Court responded to the Supreme Court decision by issuing an order that withdrew the mandate vacating the ACER, thereby reinstating the ACER. Because the EPA had informed the court that it is presently undertaking a rulemaking process to replace the ACER with a new rule governing greenhouse gas emissions from existing fossil-fuel-fired power plants, the court placed the case in abeyance pending completion of that rulemaking, rather than proceed to consider the remaining factual and legal issues raised by petitioners with respect to the ACER.

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

However, it should be noted that the EPA expects to propose the repeal and replacement of the ACER via rulemaking in 2023. If finalized, states would no longer be required to submit state plans to meet the requirements of the ACER, and instead would be required to submit state plans to meet the requirements of the replacement emissions guideline, on the schedule established by that guideline.

It is not currently known what effect the implementation of any new rules may have on the cost of electricity. SAWS is a major consumer of electricity in the operation of its water production wells, water distribution system, sewer treatment operations, and reuse water distributions system. Any increases in the cost of electricity will increase the cost of providing these services. It is also not known whether required conversion to non-fossil fueled electrical generation will affect the provision of electrical capacity required to operate SAWS' current systems. These effects will not be known until the compliance requirements for electrical generating utilities become more certain.

LITIGATION AND OTHER MATTERS

CITY OF SAN ANTONIO GENERAL LITIGATION AND CLAIMS

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

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and promotional practices; various claims from contractors for additional amounts under construction contracts; and property tax assessments and various other liability claims. The amount of damages in most of the pending lawsuits is capped under the Texas Tort Claims Act, Chapter 101, Texas Civil Practice and Remedies Code, as amended (the "TTCA"). Therefore, as of the City's fiscal year ended September 30, 2022, the amount of \$31,064,067 (unaudited) is included as a component of the reserve for claims liability. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund of the City. The status of such litigation ranges from early discovery stage to various levels of appeal of judgments both for and against the City. The City intends to defend vigorously against the lawsuits, including the pursuit of all appeals; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the outcome of such lawsuits.

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

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

Rogelio Carlos III, et al. v. Carlos Chavez, et al. San Antonio Police Department ("SAPD") SWAT officers were assisting High-Intensity Drug Trafficking Areas ("HIDTA") in searching for a fleeing suspect. Plaintiff was misidentified by the HIDTA officer as being the suspect. The HIDTA officer engaged and attempted to physically apprehend the Plaintiff and was assisted by SAPD SWAT officers. The Plaintiff suffered minor injuries as a result of the arrest, although he later complained of neck and shoulder/arm pain. Several months after the incident, the Plaintiff underwent surgery, during which procedure Plaintiff was paralyzed. Plaintiff has filed suit against the City and various officers under 42 U.S.C. § 1983. The Plaintiff has amended his suit to include the physicians involved in the Plaintiff's surgical procedure. Discovery is completed. Motions for summary judgment were filed on behalf of the City and all officers. In April 2020, the Court entered its order dismissing all claims against the City and two officers. Claims against the three remaining officers are pending trial. This case is not currently set for trial.

Patricia Slack, et al. v. City of San Antonio and Steve Casanova. SAPD officers responded to persons complaining they had been assaulted in front of a nearby residence. The officers went to the address provided by the victims and approached the front door, which was behind a security door made of metal bars. The officers knocked, and the door swung open to the living room, although the security door remained closed. At least three individuals were present in the living room. One individual stood and approached the door while reaching his hand into his waistband. Officer Casanova discharged his weapon. A bullet fired by Officer Casanova grazed one individual and fatally struck a second individual. A suit was brought on behalf of the estate of the deceased, the injured individual and another individual on the scene. Plaintiffs have filed suit under 42 U.S.C. § 1983 alleging use of excessive, deadly force. The Court granted the City's motion for summary judgment in part and denied it in part. It denied

the officer's motion for summary judgment. The officer filed an interlocutory appeal currently pending before the Fifth Circuit. No trial date has been set.

Marlo Ondrej, et al. v. City of San Antonio and David Perry. San Antonio Police received a call reporting a female at a local shopping center with an automatic weapon. SAPD officer David Perry arrived on the scene and saw plaintiff's decedent, Hannah Westall, in the parking lot. Officer Perry exited his vehicle and drew his weapon instructing Westall to raise her hands. Westall initially complied, then turned her body to show what appeared to be an automatic weapon in the back waistband of her pants. As Westall turned back, she lowered her hands towards her back waist. Officer Perry discharged his weapon, fatally striking Westall. Subsequent examination of the weapon revealed that it was a toy. Plaintiffs have filed suit under 42 U.S.C. § 1983 alleging use of excessive, deadly force. Plaintiff has agreed to drop the City as a Defendant. Defendant officer is preparing a Motion for Summary Judgement. No trial date has been set.

Angelic Barron, et al. v. City of San Antonio, et al. San Antonio Police received a burglary call from an apartment, and when they arrived at the residence, there was no answer. Upon leaving the scene, the officers heard a gunshot and a woman scream. They returned to the apartment where they discovered decedent Victor Sanchez armed in the apartment with one of the Plaintiffs and her children. One of the Plaintiffs and her children were allowed to leave the apartment. Officers entered the apartment and attempted to calm Sanchez. Sanchez gestured with his weapon and shots were fired. Sanchez was fatally shot. Plaintiffs have filed suit in federal court against the City and several officers individually, alleging use of excessive force in violation of 42 U.S.C. § 1983. This case has recently been filed and no trial date has been set.

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

Alamo Aircraft, Ltd. v. City of San Antonio. Alamo Aircraft, Ltd. owned and/or leased business properties at 2602 SW 36th Street, 2613 SW 36th Street, and 2602 SW 36th Street for the business of buying and selling commercial and military aircraft parts, tools, and ground support equipment. The business required wide street access for tractor-trailers entering and exiting the property. In approximately 2009, the City began a roadway project for the upgrade and widening of SW 36th Street, and acquired portions of multiple properties, including Plaintiff's properties. Plaintiff alleges the project, as built, substantially altered portions of Plaintiff's properties impacting its ability to conduct business, including forcing Plaintiff to relocate its businesses. Plaintiff also claims the City violated a relocation agreement between the parties. Plaintiff filed suit for review of the City's actions and recovery for alleged violations of 42 U.S.C. § 4621 and 49 CFR, Part 24 and the Texas Property Code Section 21.046. Plaintiff seeks an order setting aside and reversing the City's relocation determinations and rulings, an award of an unspecified amount of damages for relocation entitlements and payments due and owing to Plaintiff, and attorneys' fees and costs. This case is not currently set for trial.

Alexander Lance v. City of San Antonio, et al. On May 30, 2020, Plaintiff and two friends were spectators at a George Floyd protest march in downtown San Antonio. As an unidentified SAPD officer walked past, Plaintiff yelled out that the rifle the officer carried "had better have the safety on". Plaintiff alleges the officer shot him at close range in the arm and leg with a rubber bullet. Plaintiff alleges other officers rushed over to surround the officer and used flashlights to prevent other witnesses from taking cell phone video. He also claims he was denied medical assistance. Plaintiff filed suit in federal court under 42 U.S.C. § 1983 alleging use of excessive force, negligent retention, and failure to train and supervise. Plaintiff sued the City and unnamed John Doe Officers. During the course of discovery, the names of the officers were disclosed, and the officers were served and answered. Discovery is ongoing, and the case has not been set for trial.

Anja Contreras, individually and as Representative and Beneficiary to the Estate of Asante Contreras, Deceased v. Mazda Motor Corporation, Mazda Motor of America, Inc., City of San Antonio, Joseph W. Woolard, and Stephen Palade. On May 3, 2020, Defendant Joseph Woolard was wanted on four felony warrants for firing a shotgun at a BCSO deputy. When police officers attempted to contact him at a gas station, he fled for 40 minutes before going the wrong way on IH 35, striking a vehicle and causing the death of Asante Contreras. Plaintiff filed suit in state court alleging violations of 42 USC § 1983, the TTCA, and general negligence. Plaintiffs also asserted claims against Mazda Motor Corp. alleging negligence for the design and safety flaws of the Mazda 3 decedent was driving. Discovery is ongoing. This matter is set for trial on February 5, 2024.

Tyshell Klinedinst, individually and a/n/f of Shyla Klinedinst, Jhase Klinedinst, and Dominik Sally, minor children, and Neco Baker v. City of San Antonio. Tyshell Klinedinst, three minor children, and a passenger were driving east on Rigsby Avenue near W.W. White Road when their vehicle was rear-ended by a City Public Works pickup. Plaintiff suffered a back injury with a recommendation for future surgery. Discovery is ongoing. This matter is set for trial on February 12, 2024.

Morgan Harrison v. City of San Antonio. On July 28, 2021, Plaintiff was attending a convention at the Henry B. Gonzalez Convention Center. Plaintiff was walking across the lobby, which had been recently cleaned with a floor scrubbing machine, when she slipped and fell. Plaintiff suffered a compound fracture to her leg which required surgery. Discovery is on-going. This case is not currently set for trial.

Crystal Bass v. City of San Antonio. On May 4, 2018 Plaintiff was driving on Roosevelt Avenue when she claims a Parks & Recreation vehicle failed to yield to the right of way and collided with her vehicle. Plaintiff suffered significant bodily injuries to her neck and back. Discovery is on-going. This case has not been set for trial.

Jordan Foster Construction v. City of San Antonio. Jordan Foster Construction ("Jordan Foster") entered into a contract with the City to provide construction of a drainage project on McCullough Avenue. Jordan Foster made a claim for underpayment of pay applications and quantities, owner caused delays, and failure to timely designate date of substantial completion. After initial attempts to negotiate a resolution, Jordan Foster filed

suit against the City alleging breach of contract. The City contends that the work performed by Jordan Foster is faulty and must be repaired. Discovery is on-going. No trial date has been set.

Maria Monsibais v. City of San Antonio. Plaintiff alleges she was involved in a hit and run with a City vehicle. She claims to have followed the vehicle and photographed it. The City had no record of any vehicle involved in an accident on the date in question. Recently, facts have developed which indicate a City driver may have been involved. Plaintiff alleges back and neck injuries with a future medical procedure recommendation. This matter is not currently set for trial.

Texas Disposal System v. City of San Antonio. Texas Disposal System (“TDS”) holds a contract with the City to operate the City’s waste transfer station on Starcrest Road. TDS alleges the rates allowed under the contract, even with Consumer Price Index adjustments, does not properly compensate them and sought to change the terms of the contract, which the City denied. TDS brought suit against the City in late 2022 claiming the City breached the terms of the contract and seeks damages in excess of \$250,000. Discovery is on-going. This case is set for trial on December 4, 2023.

City of Houston et al. v. The State of Texas. In a lawsuit filed in July 2023 in state district court in Travis County, certain Texas home-rule cities including the City seek a court declaration that recent legislation in HB 2127, effective September 1, 2023, is unconstitutionally vague. The Texas State Constitution affords Texas home-rule cities broad authority in enacting local laws unless the Texas Legislature specifically legislates a state law that preempts local law. Any statutory language preempting local law must do so with “unmistakable clarity”. In HB 2127, the Texas Legislature broadly enacted “field preemption” in eight state statutory codes without enacting any specific State law. This sort of “field preemption” does not exist between Texas state law and local law. HB 2127 also provides for a private right of action for any person to sue a home-rule city to invalidate any local law with State field preemption under HB 2127 after a 90-day notice period. In a suit under HB 2127, a person suing the City may recover attorneys’ fees from the City. On August 30, 2023, a Travis County judge ruled HB 2127 unconstitutional. The City cannot to predict the ultimate outcome of litigation associated with this matter.

PAID SICK LEAVE ORDINANCE AND LITIGATION

Working Texans for Paid Sick Time, a State-wide coalition of grassroots organizations, submitted to the City on May 24, 2018 a petition seeking a referendum on a City ordinance requiring that businesses operating within the City (being those that annually perform 80 hours or more of work within the City) provide mandatory paid sick leave to their employees or be subject to a civil penalty of \$500 per violation. Under the proposed ordinance, businesses with 15 or more employees would be required to provide eight days of paid sick leave to each employee; those with less than 15 employees would be required to provide six days of paid sick leave per employee. The City Council voted to adopt the proposed ordinance on August 16, 2018 which eliminated the need for an election on the matter. Plaintiff businesses and the State sued to enjoin implementation. Texas Organizing Project (“TOPS”) and MOVE Texas intervened in the suit in support of the ordinance. In August 2019, the court approved an order submitted by the parties delaying the effective date to December 1, 2019 and abating injunction proceedings until the City amended the ordinance. On October 3, 2019, City Council approved amendments recommended by the Paid Sick Leave Commission. Plaintiff’s application for injunction was heard on November 7, 2019 and was granted on November 22, 2019. MOVE Texas filed a notice of appeal of that decision and the City joined in the appeal. Plaintiffs/Appellees filed a motion with the Fourth Court of Appeals (the “Fourth Court”) to abate the matter until the Texas Supreme Court issued a decision in the pending appeal concerning a similar Austin Paid Sick Leave ordinance. On March 4, 2020, the Fourth Court granted the abatement. On June 5, 2020, the Texas Supreme Court refused to review an order from the Third Court of Appeals finding that the Austin Paid Sick Leave Ordinance was unconstitutional and preempted by the Texas Minimum Wage Act. On June 12, 2020, Intervenor/Appellants in the San Antonio matter filed an opposed motion to lift the abatement. On June 26, 2020, the Fourth Court entered an order reinstating the case to the docket. Intervenor/Appellant filed a brief with the Fourth Court on July 16, 2020. On July 16, 2020, the City filed a letter notifying the Fourth Court it was adopting Intervenor/Appellant’s brief and requesting that the court reverse the December 12, 2019 temporary injunction. On September 4, 2020, Plaintiffs/Appellees filed responsive briefs and a partially opposed motion to dismiss for want of jurisdiction and motion to strike. On March 10, 2021, the Fourth Court issued its opinion affirming the temporary injunction. On May 19, 2021, the Fourth Court issued a mandate affirming the trial court’s order and assessing court costs for appeal against the Intervenor/Appellant. The City will be satisfying the costs.

SAN ANTONIO PARK POLICE OFFICERS ASSOCIATION LAWSUIT

On September 3, 2019, the San Antonio Park Police Officers Association (“PPOA”), the union representing the park and airport officers, sued the City alleging that State law requires that PPOA receive the same pay and benefits as City police officers. PPOA seeks a declaratory judgment that park and airport officers are entitled to both civil service and collective bargaining rights and benefits bargained for by the SAPOA. The City filed pleadings seeking the dismissal of the suit in November 2019. On February 21, 2020, the court heard the City’s and SAPOA’s pleas to the jurisdiction. The court denied the motions. The City appealed to the Fourth Court. The Fourth Court reversed in part and affirmed in part. The City filed a petition for review to the Texas Supreme Court, who declined to review the jurisdictional issue; consequently, the suit returned to the trial court and is proceeding with discovery on the merits.

COLLECTIVE BARGAINING NEGOTIATIONS

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

Collective Bargaining Agreement between the City of San Antonio and the San Antonio Police Officers Association. The City Council approved a collective bargaining agreement with the SAPOA on May 12, 2022, which provides for a term through September 30, 2026.

Collective Bargaining Agreement between the City of San Antonio and the International Association of Fire Fighters, Local 624 (Local 624). On February 13, 2020, a collective bargaining agreement was awarded pursuant to arbitration. The new contract took effect immediately and concludes on December 31, 2024.

AIRPORT CONCESSION

Background. On March 21, 2019, the City Council considered a recommendation to award a concession contract for the San Antonio International Airport to Paradies Lagadere (“Paradies”). The Paradies proposal included a Chick-fil-A fast food concept as part of the overall package. After deliberation the City Council approved a motion to award the contract to Paradies, with the further instruction to replace the Chick-fil-A concept with a different national fast-food concept.

Patrick Von Dohlen, et al. v. City of San Antonio, et al. On September 26, 2019, the City was served with a lawsuit brought by five individuals (Patrick Von Dohlen, Brian Greco, Kevin Jason Khattar, Michael Knuffke, and Daniel Petri) against the City and Paradies. The lawsuit alleges that the City Council vote taken on March 21, 2019 concerning food vendors at the City’s airport, violated a newly enacted law by the Texas Legislature in the Texas Government Code, Section 2400.002. The law became effective on September 1, 2019 after the City Council action and states: “[A] governmental entity may not take any adverse action against any person based wholly or partly on the person’s membership in, affiliation with, or contribution, donation, or other support provided to a religious organization.” The City filed a motion to dismiss and plea to the jurisdiction, challenging the ex post facto application of the law. The motion to dismiss and plea to the jurisdiction were denied. The City filed an interlocutory appeal to the Fourth Court, which reversed the denial and rendered judgment in favor of the City. Plaintiffs appealed to the Texas Supreme Court. The Texas Supreme Court issued an opinion on April 1, 2022, finding the Plaintiffs failed to plead facts to overcome immunity but reversing and remanding to the trial court to allow the Plaintiffs an opportunity to amend. To date, Plaintiffs have not replead their case.

SAWS LITIGATION AND POTENTIAL LITIGATION

SAWS is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that SAWS caused personal injuries; claims from contractors for additional amounts under construction contracts; employment discrimination claims, and various other liability claims. The amount of damages in some of the pending lawsuits is capped under the TTCA. SAWS intends to defend vigorously against the lawsuits; including the pursuit of all appeals. While no prediction can be made, as of the date hereof, with respect to the liability of SAWS for such claims or the outcome of such lawsuits, in the opinion of SAWS, the outcome of the pending litigation will not have a material adverse effect on SAWS, its operations, or financial position.

Cause No. 2020ED0021; City of San Antonio by and through its San Antonio Water System v. Milberger Landscaping, Inc., et al., in Probate Court No. 1. This is a condemnation suit to acquire a permanent 0.563 acre sewer easement and two temporary construction easements totaling 0.360 acres for the E-4 Bulverde Area Capacity Relief Sewer Project. SAWS’ final offer amount was \$185,100. The landowner did not counter but has objected to the project and rejected SAWS’ final offer. Special commissioners were appointed by the Court and a hearing held on August 27, 2020, and the amount of \$230,000.00 was awarded. SAWS subsequently deposited said award into the Court registry. The landowner objected to the award and the right to take. Several hearings with the Court have since occurred, during which the Court rejected the landowners’ Motion to Dismiss, and issued to SAWS a Writ of Possession, allowing work to proceed pending final resolution of the case. The case was set for a jury trial on September 26, 2022, but at a pre-trial hearing on September 19, 2022, amongst several orders issued in SAWS’ favor, the Judge stayed the case to allow the landowner the right to an interlocutory appeal of his order affirming SAWS’ right to take the property for a public necessity. Construction of the sewer line is now complete, and the line is in service. The landowner failed to timely file an interlocutory appeal, and a hearing has been set for August 10, 2023 on a Motion for Reconsideration of Summary Judgment and to obtain a trial setting. The landowner continues to challenge whether a public necessity exists for SAWS’ taking of the property. If the landowner is successful in its claim about the public necessity for the sewer line, the sewer line may have to be relocated. If the landowner is not successful in its claim, the jury will determine the just compensation owed to the landowner.

Cause No. 2020-CI-05053; JoAnn Rivera, Victoria Rivera, and Philip M. Ross v. Oscar Renda Contracting, Inc., San Antonio Water System, and the City of San Antonio, in the 225th Judicial District Court, Bexar County, Texas. Plaintiffs are property owners and/or occupants adjacent to a SAWS’ construction project. The lawsuit was served on SAWS on August 21, 2020. Plaintiffs filed their third amended Petition on May 4, 2021. Plaintiffs alleged the construction caused damage to their property and interfered with Plaintiffs’ reasonable use and enjoyment of the property. Plaintiffs claimed negligent nuisance, constitutional takings, and negligence. SAWS filed a Plea to the Jurisdiction, which was granted by the trial court, dismissing all Plaintiffs’ claims with prejudice. Plaintiff filed a notice of appeal of the order granting SAWS’ Plea to the Jurisdiction with the Fourth Court on May 20, 2022. The Fourth Court affirmed the District Court’s granting of the plea to jurisdiction and denied Plaintiff’s appeal on May 24, 2023. On July 10, 2023, Plaintiff filed a Petition for Review with the Supreme Court of Texas. The plaintiffs seek damages in excess of \$1,000,000. SAWS denies all allegations against it and will vigorously defend the lawsuit.

Cause No. 04-20-00569-CV; City of San Antonio by and through the San Antonio Water System v. Campbellton Road Ltd., in the Fourth Court of Appeals, Bexar County, Texas. This lawsuit was served on August 10, 2020, seeking specific performance or damages based on an alleged breach of a 2003 contract for sewer services that was for a term of 10 years. The Plaintiff alleged that it is entitled to a total 1,500 equivalent dwellings units of sewer service capacity within the system even though the 10-year term expired in 2013. SAWS filed a plea to the jurisdiction which was denied by the District Court on November 10, 2020. The System appealed that ruling to the Fourth Court, who reversed the trial court’s denial and remanded the case back to the trial court with instructions to render judgment of dismissal and determine whether any fees should be awarded. On August 1, 2022, Campbellton Road Ltd. filed a petition for review with the Texas Supreme Court. The Texas Supreme Court requested briefing on the merits from the parties, which was timely submitted by SAWS on June 19, 2023. SAWS will continue to vigorously defend this lawsuit; however, if a court were to ultimately decide that this Plaintiff has rights to the System’s capacity in perpetuity, then that could

impact the System's ability to manage capacity in relation to other similarly situated developer customers and require the System to incur costs to construct new facilities.

Cause No. D-1-GN-20-007317; In re City of San Antonio, Texas acting by and through the San Antonio Water System Board of Trustees, in the 126th Judicial District Court, Travis County, Texas. On December 10, 2020, the City, acting by and through SAWS, filed an Original Petition for Expedited Declaratory and Injunctive Relief (the "Petition") under Chapter 1205, Texas Government Code, as amended, in Travis County, Texas. In the Petition, the City, acting by and through SAWS, requested action to validate the terms of the ordinances authorizing the issuance of senior lien, junior lien, and commercial paper revenue obligations. The authorizing ordinances terms, including governance and amendment terms, had been brought into question by a charter amendment petition being circulated in the City. The circulators of the charter petition failed to timely obtain the signatures required to be placed on the ballot, and as a result, on January 25, 2021, SAWS elected to voluntarily nonsuit the claims without prejudice to reassertion. Shortly thereafter, certain intervenors in the case brought a motion for sanctions against SAWS and the motion has not been determined. The court never acted on SAWS' proposed order confirming the nonsuit or intervenors' motion for sanctions, and the District Clerk's office has declared the matter closed.

Cause No. 2023CII1920; San Antonio Water System, an agency of the City of San Antonio v. Bexar Medina Atascosa Counties Water Control and Improvement District Number One, in the 407th Judicial District Court, Bexar County, Texas. On June 16, 2023, SAWS notified the BMA that SAWS was invoking the facilitated mediation process pursuant to the terms of a 2007 Amended and Restated Water Supply Agreement between BMA and Bexar Metropolitan Water District ("Bexar Met") (the "BMA Agreement"). Contemporaneously with said mediation notice, SAWS filed its Original Petition and Application for Deposit of Contract Funds into the Registry of the Court, asking the court to construe and interpret the validity of the BMA Agreement. The BMA Agreement is a "take or pay" contract that gave Bexar Met the right to receive up to 19,974 acre-feet of water per year from Medina Lake for a benchmark price. Following years of mismanagement, Bexar Met was dissolved in 2012 after a legislatively-directed vote of its customers, and SAWS assumed Bexar Met's rights and obligations under the BMA Agreement. Due to low lake levels and poor water quality, SAWS has not taken water from Medina Lake since around October of 2015 and has paid around \$3 million per year pursuant to the BMA Agreement. In the event that the facilitated mediation process is not successful, SAWS is seeking a judicial declaration that the BMA Agreement is void because its terms are in violation of public policy and its provisions are in violation of the Texas Water Code Section 11.036(b) requiring that the terms be "just and reasonable, and without discrimination". Mediation occurred on August 24, 2023.

Potential Claims. On March 8, 2021, SAWS received notice of claim ("Claim Notice") for the death of Esequiel Mendoza from attorneys representing the wife and children, individually and as representatives of the estate of Mr. Mendoza. The Claim Notice was also sent to CPS Energy and the City Clerk for the City of San Antonio, claiming collective actual damages of \$25,000,000. Mr. Mendoza was a patient at a dialysis facility that allegedly experienced disruption of electric and water service during the 2021 Event. See "TEXAS 2021 WINTER WEATHER EVENT" herein. The Claim Notice alleges that Mr. Mendoza passed away on February 22, 2021 as a result of the interruption of his dialysis services. A lawsuit for wrongful death and other claims was filed in Bexar County District Court solely against CPS Energy, which has since been consolidated into multi-district litigation in Harris County pertaining to claims related to the 2021 Event. As of the date of this posting, SAWS has not been named as a defendant in the lawsuit or any other lawsuit related to the 2021 Event. If this Claim Notice evolved into a lawsuit against SAWS, SAWS would assert all available defenses, including, without limitation, applicable governmental immunity defenses.

AVAILABLE INFORMATION

The System is not required to file reports with the United States Securities and Exchange Commission (the "SEC") with respect to the Notes, but will make available upon request copies of its most recent Annual Reports. Further and more complete information concerning the City of San Antonio Water System is contained in the most recent official statement of the City pertaining to its System debt, which is available at www.emma.msrb.org.

DISCLOSURE OF INFORMATION

The offering of the Notes is exempt from the continuing disclosure and material event notice requirements of SEC Rule 15c2-12 (the "Rule") pursuant to paragraph (d)(ii) of the Rule, because (1) the Notes are in authorized denominations of \$100,000 or more, and (2) the Notes have a maturity of nine months or less. Accordingly, the City and Board will not contract to provide continuing information to investors after it issues the Notes. However, in connection with its Senior Lien Obligations and Junior Lien Obligations the System does file continuing disclosure information on an annual basis with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule approving the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its continuing disclosure undertakings made for its debt obligations will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the City secured by System revenues issued prior to the EMMA Effective Date, the City (whose obligations have been assumed by the System) remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the City receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the City has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Under Texas law, including but not limited to, Chapter 103, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, the Board must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant, and must file each audit report with the City Clerk within 180 days after the close of the Board's fiscal year. The Board's fiscal records and audit reports are available for public inspection during the regular business hours of the City Clerk. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Public Information Act, Chapter 552, Texas Government Code, as amended. Thereafter, any person may obtain copies of these documents upon submission of a written request to the City Clerk, and upon paying the reasonably copying, handling, and delivery charges for providing this information.

This Notice is being provided by the System, pursuant to the requirement of the Rule, as notification regarding the filing of annual financial information pursuant to paragraph(b)(5)(i)(D) of the Rule.

FORWARD-LOOKING STATEMENTS

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

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

MISCELLANEOUS

NO DEALER, BROKER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS UPDATED OFFERING MEMORANDUM OR THE MOST RECENT OFFICIAL STATEMENT WITH RESPECT TO THE SYSTEM OR THE CITY IN CONNECTION WITH THE OFFERING DESCRIBED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS UPDATED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES OFFERED HEREBY, NOR SHALL THERE BE ANY OFFER OR SOLICITATION OF SUCH OFFER OR SALE OF NOTES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION, OR SALE. NEITHER THE DELIVERY OF THIS UPDATED OFFERING MEMORANDUM NOR THE SALE OF ANY OF THE NOTES IMPLIES THAT THE INFORMATION HEREIN IS CORRECT AS OF A TIME SUBSEQUENT TO THE DATE HEREOF. THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM PUBLISHED SOURCES AND OTHER DATA FURNISHED BY THE CITY AND THE BOARD. THE DEALERS MAKE NO REPRESENTATION AND ACCEPT NO LIABILITY AS TO EITHER THE ACCURACY OR COMPLETENESS OF THE INFORMATION HEREIN. A COPY OF THIS UPDATED OFFERING MEMORANDUM CAN BE OBTAINED AT THE MUNICIPAL SECURITIES RULEMAKING BOARD'S ELECTRONIC MUNICIPAL MARKET ACCESS WEBSITE, WWW.EMMA.MSRB.ORG OR UPON REQUEST FROM YOUR DEALER REPRESENTATIVE, J.P. MORGAN SECURITIES LLC (212) 834-7224; GOLDMAN SACHS & CO. LLC (212) 902-6633 OR BY EMAIL AT PROSPECTUS-NY@NY.EMAIL.GS.COM; OR RAMIREZ & CO., INC. (212) 248-3870.

The Dealers have provided the following sentence for inclusion in this Updated Offering Memorandum. The Dealers have reviewed the information in this Updated Offering Memorandum in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Dealers do not guarantee the accuracy or completeness of such information. The date of this Updated Offering Memorandum is October __, 2023.

The Series A Bank and its affiliates (collectively, "J.P. Morgan") together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such activities may involve or relate to assets, securities and/or instruments of the City (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the City. J.P. Morgan and its affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses. Under certain circumstances, J.P. Morgan and its affiliates may have certain creditor and/or other rights against the City and any affiliates thereof in connection with such transactions and/or services. In addition, J.P. Morgan and its affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the City and any affiliates thereof. J.P. Morgan and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Additionally, J.P. Morgan Securities LLC, serving as Dealer for the Notes, and JPMorgan Chase Bank, N.A., as the Series A Bank providing liquidity support to the Subseries A-1 Notes, are affiliates of one another.

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

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APPENDIX A
FORM OF LEGAL OPINION

APPENDIX B

CERTAIN INFORMATION CONCERNING JPMORGAN CHASE BANK, N.A.

JPMorgan Chase Bank, National Association, a national banking association (“JPMorgan Chase Bank, N.A.”), is the principal bank subsidiary of JPMorgan Chase & Co. JPMorgan Chase Bank, N.A., offers a wide range of banking services to its customers both in the United States and internationally, including investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. JPMorgan Chase Bank, N.A. is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency, a bureau of the U.S. Department of the Treasury. As of December 31, 2022, JPMorgan Chase Bank, N.A. had total assets of \$3.2 trillion and total stockholder’s equity of \$303.6 billion.

JPMorgan Chase Bank, N.A. files quarterly Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices (“Call Reports”) with the Federal Financial Institutions Examinations Council (the “FFIEC”). The non-confidential portions of the Call Reports can be viewed on the FFIEC’s website at <https://cdr.ffiec.gov/public>. The Call Reports are prepared in accordance with regulatory instructions issued by the FFIEC and do not in all cases conform to U.S. generally accepted accounting principles (“GAAP”).

Additional information concerning JPMorgan Chase Bank, N.A., including the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by JPMorgan Chase & Co. with the Securities and Exchange Commission (the “SEC”), as they become available, can be viewed on the SEC’s website at www.sec.gov. Those reports and additional information concerning JPMorgan Chase Bank, N.A. can also be viewed on JPMorgan Chase & Co.’s investor relations website at <https://www.jpmorganchase.com/corporate/investor-relations/investor-relations.htm>.

The information contained in this Appendix relates to and has been obtained from JPMorgan Chase Bank, N.A. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank, N.A. since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

APPENDIX B

CERTAIN INFORMATION CONCERNING TRUIST BANK

Truist Bank (“Truist”) is a wholly-owned subsidiary of Truist Financial Corporation (the “Holding Corporation”), a financial holding company organized under the laws of North Carolina. Truist is chartered under the laws of the State of North Carolina to engage in a general banking business.

Truist provides a full range of commercial banking, consumer banking and trust and investment services through its branch network located in North Carolina, Georgia, Virginia, Florida, Maryland, South Carolina, Alabama, West Virginia, Kentucky, Tennessee, Texas, Indiana, Pennsylvania, New Jersey, Ohio and Washington D.C., as well as through digital and other national delivery channels. As of March 31, 2023, Truist had total assets of approximately \$564,837 billion, and total deposits of approximately \$416,852 billion.

Truist submits quarterly to the Federal Deposit Insurance Corporation (the “FDIC”), its primary federal regulator, certain information regarding its financial condition entitled “Consolidated Reports of Conditions and Income for a Bank with Domestic and Foreign Offices” (“Call Reports”). All Call Reports may be obtained online at <https://cdr.ffiec.gov> or by calling the FDIC at (877) 275-3342.

Additionally, the Holding Corporation is subject to certain reporting requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC’s website is <http://www.sec.gov>. The Holding Corporation’s SEC filings are also available through its website at <https://ir.truist.com/sec-filings>. Information on the Holding Corporation’s website is not part of or incorporated by reference into this Offering Memorandum. Truist will provide copies of the Holding Corporation’s most recent Annual Report on Form 10-K, in each case as filed with the SEC, free of charge to any recipient of this document, upon written request of such person delivered in writing to: Truist Financial Corporation, 214 North Tryon Street, Charlotte, North Carolina 28202, Attention: Investor Relations (telephone: (704) 499-5375).

The information concerning the Holding Corporation and Truist contained herein is furnished solely to provide limited introductory information, is not intended to be comprehensive and is qualified in its entirety by the detailed information appearing in the documents and filings (including all financial statements) referenced above.

PAYMENTS OF PRINCIPAL OF THE SERIES B NOTES WILL BE MADE FROM DRAWINGS UNDER THE SERIES B CREDIT AGREEMENT. ALTHOUGH THE SERIES B CREDIT AGREEMENT IS A BINDING OBLIGATION OF TRUIST, THE SERIES B NOTES ARE NOT DEPOSITS OR OBLIGATIONS OF THE HOLDING CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE SERIES B NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED. THE SERIES B CREDIT AGREEMENT IS AN OBLIGATION OF TRUIST AND NOT AN OBLIGATION OF THE HOLDING CORPORATION.

APPENDIX C

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes. is subject to the unqualified approval of the Attorney General of the State of Texas. In addition, these matters are initially subject to approval of certain legal matters by Norton Rose Fulbright US LLP (as original co-bond counsel).

In October 2020, as a result of a regularly-occurring, periodic competitive process, McCall, Parkhurst & Horton L.L.P., as lead Bond Counsel and Kassahn & Ortiz, P.C. and Escamilla & Poneck, LLP, as rotating co-counsel, were selected to serve as co-bond counsel to SAWS. McCall, Parkhurst & Horton L.L.P., as sole-Bond Counsel with respect to certain of the Notes, delivered an updated opinion, attached hereto as Exhibit A, as to the legal matters discussed herein.