April 19, 2023

To the Honorable Mayor, City Council, and City Manager:

It is my pleasure to present the City of San Antonio's (City) Annual Comprehensive Financial Report (ACFR) and Other Reports for the fiscal year-ended September 30, 2022. These financial statements were prepared by the City's Finance Department and audited by the public accounting firm of FORVIS, LLP. As reflected in the Independent Auditor's Report, the City's financial statements are presented fairly in all material respects in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City.

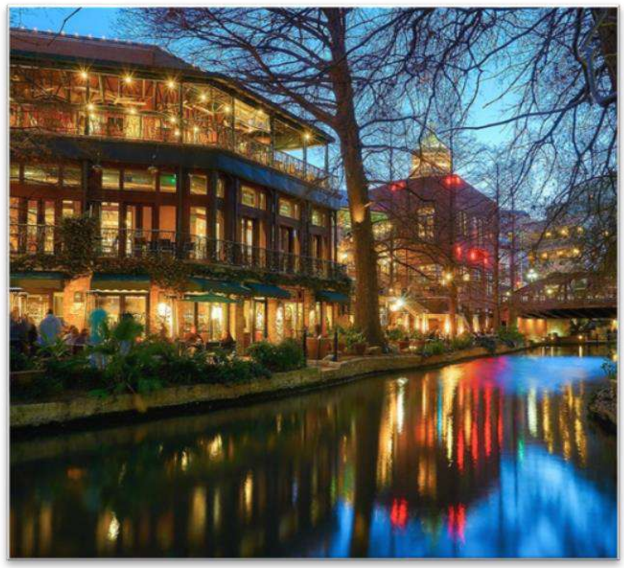
Management's Discussion and Analysis (MD&A), beginning on page one, provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter complements the MD&A and should be read in conjunction with it.

**CITY PROFILE**

The City provides a vast array of municipal services. The full range of services provided to its constituents includes ongoing programs to provide health, welfare, education, sanitation, cultural, and recreational services; maintenance and construction of streets and drainage; public safety through police and fire protection and ambulatory services; and urban redevelopment and affordable housing. The City also considers the promotion of convention and tourism and participation in economic development programs as high priorities. The funding sources from which these services are provided include ad valorem, sales and use, and hotel occupancy tax receipts; revenue payments from the City's municipally owned utilities; grants; user fees; debt proceeds; tax increment financing; and other sources.

## CITY PROFILE (Continued)

The City is a home rule city that was incorporated in 1837 and chartered in 1951. The City Charter provides for a Council-Manager form of government, subject only to the limitations imposed by the Texas Constitution and the City Charter. All powers of the City are vested in an elective Council (the City Council), which enacts legislation, adopts budgets, and determines policy. The City Council is comprised of 11 members, with ten members elected from single-member districts, and the Mayor elected at-large. The term of the Mayor or a member of the City Council is limited to four full two-year terms. The City Council also appoints a City Manager who executes the laws and administers the government of the City and serves as the City's Chief Executive Officer. The City Manager is limited to a term of eight years. The most recent election for the offices of the Mayor and all ten Councilmembers occurred in May of 2021.



The City is in South Central Texas, approximately 80 miles south of the state capital of Austin and serves as the county seat for Bexar County. San Antonians enjoy first-rate medical services, a convenient and efficient airport, an excellent highway system, mild weather, and superb recreation choices, including championship golf courses, 86 miles of linear greenway trails, theme parks, historical attractions, museums, professional sporting attractions, and a lively performing arts environment. Geographically, the City covers more than 507 square miles. The United States Census Bureau cites the City as the second most populated city in the State of Texas with over 1.4 million citizens and is additionally ranked as the seventh most populated city in the country. Since 2010, the City's metropolitan area grew 9.5% and is projected to grow by an additional 1.0 million people through the year 2040. Bexar County is one of the fastest growing regions in the state. Major employers in and around the San Antonio area include the Department of Defense through Joint Base San Antonio (Lackland, Fort Sam & Randolph), H.E.B. Food Stores, United Services Automobile Association, City of San Antonio, Northside, North East, and San Antonio Independent School Districts, Methodist Healthcare System, UT Health Science Center, and Baptist Health Systems.

## ECONOMIC CONDITIONS AND OUTLOOK

Though impacted by the unforeseen COVID-19 global pandemic, the City demonstrated its resiliency through the positive change in economic growth indicators. The pandemic's impact upon our community was most greatly felt in 2020 when the City experienced a surge in unemployment along with significant effects throughout the community. Since then, the City has been able to rebound from the devastating toll it had on our economy. According to the Bureau of Labor Statistics, national unemployment for October 2022 was 3.4%, significantly reduced from a national unemployment rate peak of 14.4% during the pandemic. At a local level, the San Antonio area unemployment rate for October 2022 was 3.5% as compared to the peak during the pandemic of 12.5%. Recognizing that the pandemic will have a lasting effect on our community for years to come, there is focused effort to rebuild our job sector and strengthen businesses and our local workforce. This continues to be carried out through economic incentives, regional strategic partnerships, and Ready to Work, San Antonio's premier training, education, and employment program. Efforts to expand and bring new industries promises to bring over 2,500 new target industry jobs to San Antonio and over $2 billion in new investments. Such initiatives include the DeLorean Motor Company's new global headquarters that will be based out of Port San Antonio and is anticipated to create 450 jobs and over $18.4 million in capital investment.

## ECONOMIC CONDITIONS AND OUTLOOK (Continued)

Many businesses in the leisure and hospitality industry saw significant impacts to revenue, which suffered an approximate 24% decline. From fiscal year 2020 to fiscal year 2021, COVID-19 caused unprecedented economic disruption to the tourism and hospitality sector, resulting in substantial decreases in the City's Hotel Occupancy Tax, airport operations, convention center, Alamodome, and parking operations revenues. With restrictions lifted, the industry experienced a resurgence of visitors with 93% of pre-pandemic figures having returned to San Antonio.

Although visitor levels year-round are not expected to rebound to full pre-pandemic levels until 2024, the City and its partners remain committed to rebuilding this vital sector and promoting San Antonio to new and outside businesses and tourists. Throughout calendar year 2022, San Antonio hosted 252 events at the Convention Center. Of these events, 85 were booked through Visit San Antonio, which generated an estimated economic impact of $337.3 million.

## COVID-19 RESPONSE

The first appearance of the coronavirus occurred late 2019 in Wuhan, China. Since that time, the novel virus has spread quickly. On March 11, 2020, the novel Coronavirus Disease, COVID-19, was declared a pandemic by the World Health Organization. Two days later, a national emergency was declared in the United States. From the remainder of 2020 through 2022, the United States went through various levels and lengths of business shutdowns, travel controls, closures or remoting of businesses and schools, and health impacts. As of January 4, 2023, the World Health Organization reported over 655.6 million confirmed COVID-19 cases and over 6 million deaths. According to a historical table of past pandemics, the last time the world saw a pandemic of this magnitude was the Spanish Flu in 1918 that took the lives of 100 million people. During these same time frames, the United States has experienced 99.4 million COVID-19 cases, 1.1 million deaths, and administered 652.4 million vaccines. As of December 21, 2022, 13.0 billion vaccine doses have been administered globally.

The federal government passed legislative aid due to the scale of the public health emergency, business closures, stay at home measures and their resulting financial impacts, which provided funds for governments to continue services, and for families, businesses, and schools to receive funds to survive the economic impact. As part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law March 27, 2020, the City received $270 million in Coronavirus Relief Funding. This funding was used to directly respond to the COVID-19 pandemic in our community and better prepare the City after the pandemic with the development of the COVID-19 Recovery and Resiliency Plan. The plan leveraged more than $340 million in local and other federal funds to provide services and aid to the community. These funds were issued through the CARES Act, and the subsequently issued Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), which was signed into law December 27, 2020.

This plan was developed using the following Guiding Principles:

- **Public Health and Safety:** Ensure continued COVID-19 related public health and safety while building resilience and fostering economic stability for households, non-profits, and businesses.
- **Equity:** Imbed equity in policy decisions and distribution of resources.
- **Braided Funding:** Appropriately integrate local, state, and federal resources to achieve maximum impact.
- **Community Resilience:** Ensure households and businesses affected by COVID-19 have the resources and tools to become financially resilient and better prepared to withstand future economic challenges.
- **Well-Being:** Strengthen generational family well-being built upon a solid foundation of thriving non-profit organizations.

The plan focused on the City's Emergency Response, Health Implementation Plan, and Recovery and Resiliency Plan, of which, the City has spent more than $564.5 million. The Recovery and Resiliency Plan consists of four primary pillars: Workforce Development, Housing Security, Small Business, and Digital Inclusion. Some key results from this funding include:

**COVID-19 RESPONSE (Continued)**

- Approximately $47 million to subsidized training and job placement for residents in high-demand occupations through the Train for Jobs SA workforce program. Participants of Train for Jobs SA received intake, assessment, referral, and wraparound case management services, along with a living-wage stipend while in training;
- Emergency Housing Assistance and Eviction Prevention of over $167 million to over 75 thousand households, relocation assistance to over 270 families, and right to counsel services to nearly 300 households;
- Homeless Sheltering of over $31 million supported individuals experiencing chronic homelessness by providing non-congregate sheltering and assistance to the City's nonprofit community to safely shelter our homeless population with the additional social distancing space required to minimize outbreaks;
- Small Business support of $32 million in microbusiness grants and nearly $14 million to the hospitality sector, which was most severely impacted by the business closures; and
- Provided over $17 million in support to help close the digital divide throughout the community by installing fiber connections, network access and wireless mesh, as well as working with local independent school districts to connect students with Wi-Fi ability at home.

On March 11, 2021, the federal government signed the American Rescue Plan Act of 2021 (ARPA) to aid American families, small businesses, industries, and local governments. The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of ARPA, was issued to deliver $350 billion to governments across the country to support their response to and recovery from the COVID-19 public health emergency. The City was awarded $326.9 million in SLFRF to obligate by December 2024 and spend by December 2026. These funds were designed to provide resources to: 1) fight the negative effects of the pandemic and support families and businesses struggling with its public health and economic impacts; 2) maintain essential public services; and 3) build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

On June 16, 2021, as part of the City's Trial Budget presentation, staff presented to the City Council a two-phased strategy for use of SLFRF, which was later approved in August 2021 as part of the fiscal year 2022 budget process. The City allocated a total of $97.5 million in Phase I, of which $46.5 million was allocated to the General Fund over two years to stabilize the City budget and address community needs exacerbated by the pandemic, including programs and services that support mental health, domestic violence, housing, and community navigators. Additionally, Phase I allocated $51 million to the City's Hotel Occupancy Tax (HOT) Fund over five years to support the City's convention and Alamodome operations, and the arts.

Phase II began on October 20, 2021, with a briefing to City Council, where a spending framework, strategic guiding principles, and a community input plan for the use of SLFRF were presented. In November 2021, City Council approved the allocation of $30 million in SLFRF for residential utility assistance to aid residents who were financially impacted by the COVID-19 crisis and in need of financial assistance with utility payments in arrears. Additionally, in November 2021, the City conducted community engagement to obtain feedback on the use of the remainder of SLFRF. On December 9, 2021, staff presented the results of the community input and Small Business Advisory Commission meetings and obtained feedback from City Council regarding their spending priorities. An updated spending framework was presented to City Council on January 26, 2022, which was revised and adopted on February 3, 2022. Phase II spending priorities for the remaining $199.4 million of SLFRF, as well as $13.1 million in savings reallocated from the Recovery and Resiliency Plan, focus on the following areas:

- Investments in mental health, domestic violence, youth, seniors, nonprofit social services, small business support, digital access/literacy, and the arts - $106.7 million
- Continued COVID-19 Response/Emergency Preparedness - $50.0 million

## COVID-19 RESPONSE (Continued)

- One-time capital investments for improvements at a theme park where children and adults with special needs have access to facilities that enable them to enjoy outdoor recreation fully, electrical grid upgrades at nonprofit research institute specializing in virology and immunology to support energy reliability and resiliency given the critical nature of the research conducted at the facility, and the design and construction of a state-of-art facility for the care of children - $32.0 million
- Infrastructure investments in streets and bridges - $13.8 million
- Employee Retention Program - $10.0 million

## MAJOR INITIATIVES – CAPITAL PROGRAMS

**Airport Terminal Development** In November 2021, City Council unanimously approved the Strategic Development Plan (SDP), a Master Planning process required by the Federal Aviation Administration that provided a comprehensive, long-range study of every physical aspect of an airport to ensure it meets projected demand and serves its designated role within the national airport system. The SDP for the San Antonio International Airport identified need for a new terminal facility to support the forecasted passenger growth for our region.

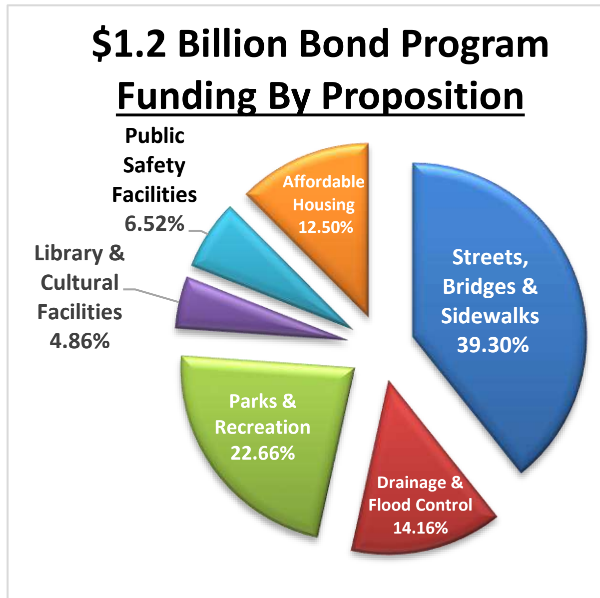
In May 2022, the City Council was presented with the major components of the Terminal Development Program (TDP), which is targeting completion of a new terminal with up to 17 gates and its associated enabling projects by the end of the second quarter of 2028. The new terminal will serve both domestic and international wide-body flights with a new modern Federal Inspection Station (also known as Customs area) and new concession space. The TDP will also include a new ground transportation center and parking garage and terminal roadway realignment for serving all three terminals at the San Antonio International Airport.

**Grand Hyatt San Antonio River Walk Hotel** In 2005, the City supported the issuance of $208.1 million in Revenue Bonds to be used in conjunction with private funding to finance a convention center headquarters hotel in close proximity to the City's Henry B. Gonzalez Convention Center. This project was an important objective to further enhance competitiveness and ability to attract major conventions and events to San Antonio. The City entered into a Ground Lease to allow the hotel to be constructed on City owned land adjacent to the City's Convention Center. The Grand Hyatt San Antonio River Walk Hotel (the "Hotel") opened in March of 2008 and was owned and operated by Hyatt as a premier, full-service, convention center hotel with approximately 1,000 rooms.

In April 2022, $399 million in Hotel Revenue Bonds (the "bonds") were issued by the Public Finance Authority of Wisconsin for the acquisition of the Hotel from Hyatt by CFC-SA, LLC, an Arizona based non-profit. The non-profit, under its charitable purposes, will hold the Hotel in trust for the City and once the bonds have been fully repaid, ownership of the Hotel will transfer from the non-profit to the City. Hyatt continues to operate the Hotel through a thirty-year Qualified Management Agreement with the non-profit. Proceeds of the issuance were used to pay Hyatt for the purchase of the Hotel, pay off the 2005 outstanding bonds, pay amounts owed to the City, fund certain reserves, and pay the costs of issuance.

At financial closing of the bonds, the City received: reimbursement of approximately $10.4 million in City hotel tax revenues that had been used to cover debt service shortfalls on the 2005 bonds in fiscal years 2020 and 2021 when the Hotel operating revenues were insufficient due to the impact of the COVID-19 pandemic; and $4.9 million for ground lease payments that had accrued but not been paid to the City based on the 2005 bond indenture. Other benefits to the City include: 1) Hyatt continues to operate the Hotel as a premier, full-service, convention center hotel; 2) City is not providing any support or pledged revenue for the payment of the newly issued bonds; 3) ground lease payments to the City move up significantly in the flow of funds under the new bond indenture increasing the likelihood payments will be made on an annual basis; and 4) the City continues to maintain ownership of the land upon which the Hotel was constructed and ownership of the Hotel transfers to the City once the newly issued bonds have been fully repaid. The land and the Hotel are strategically important assets given the proximity to the City's Convention Center and the Alamodome.

**2022 Bond Program** On May 7, 2022, the citizens of San Antonio voted for and approved the largest bond program in the history of the City. The $1.2 billion General Obligation Bond Program consisted of six propositions and will fund 182 improvement projects throughout the City and include a significant investment in affordable housing. The Bond Program includes projects to improve: existing and construct new local streets; bridges; sidewalks; drainage; parks; community and service center facilities; libraries; and public safety service facilities. In May 2021, the City's Charter was amended through an election which authorized the City to issue bonds for permanent public improvements including affordable housing projects. Pursuant to this authorization, the voters approved as part of the 2022 Bond Program a $150 million affordable housing program. Funding will be used for the acquisition, construction, preservation, and rehabilitation of homes, providing loans and grants for affordable housing programs as permitted by law, and acquiring land and interested in land and property.




**HPARC Civic Park** The City, with the Hemisfair Park Area Redevelopment Corporation (HPARC), continues to work towards the redevelopment of the Hemisfair space, home of the 1968 World's Fair. Working from the Hemisfair Master Plan created in 2012, revitalization of this area is progressing, starting with the Yanaguana Gardens that opened in 2015. Work on the Civic Park project started in 2022 and is expected to be completed in time for the City's hosting of the Men's Final Four tournament in 2025. In December 2021, City Council approved the hiring of contractor Skanska USA to build space in Civic Park for large events that could hold as many as 15 thousand attendees. Amenities include an open lawn, a shaded promenade, water features, and gardens next to the City's Convention Center. On January 26, 2022, a ceremony was held to break ground on Phase One of Hemisfair's Civic Park design development. Based on the Hemisfair Park Master Plan, Civic Park will also have private development to include a 200-room hotel, 565 units of multi-family housing, 870 parking spaces, and 78,000 gross square-foot available for retail and restaurant space. This total private investment is estimated at $340 million. The last phase of the Master Plan, Tower Park, has yet to start, with a timeline to be determined.

**Alamo Plaza** The City, the Texas General Land Office, and the nonprofit Alamo Trust, are partners for the construction of a $388 million preservation of the Alamo Plaza site. These plans will restore reverence to this historic mission, restore the 1836 battlefield footprint, preserve and conserve the sole remaining structures, and construct an Alamo Museum and visitor center that will be the central focus of the collaboration of the Alamo mission and battle site. Two outdoor exhibits were completed in 2021. Construction was completed on the $15 million, 24,000 square-foot exhibit hall and collections building in late 2022 and is set to open to the public in March 2023. In February 2022, tenants agreed to vacate two buildings in the Woolworth and Palace building on the west side of the plaza. This space will eventually house a $140 million Alamo Museum and visitor center. The 100,000 square-foot museum is scheduled for completion in 2026.

**Downtown San Antonio** As part of the City's broader effort to redevelop downtown San Antonio the City purchased the downtown Frost Tower building in 2016 to run City operations more efficiently by consolidating 22 departments with approximately 1.5 thousand employees into one facility. The broader downtown redevelopment led to the construction of a new office tower in downtown San Antonio which houses Frost Bank's headquarters as a long-term tenant. The redevelopment also resulted in several other downtown property improvements to include additional housing and the expansion of higher education facilities. The renovation of Houston Street is scheduled to be completed in September of 2023. The City sold five downtown properties (three buildings, two parking lots). Weston Urban is developing these properties into residential units, adding 265 apartments to the City's Downtown Business District by 2023. One of the properties to be sold is the Municipal Plaza Building, which houses the City Council Chamber. Weston Urban has plans to convert office space into residential units in the Municipal Plaza building above City Council chambers. The City will maintain ownership of the City Council Chamber and the meeting rooms, and Council meetings will continue to take place in the current Chamber.

**MAJOR INITIATIVES – COMMUNITY FOCUS**

**Affordable Housing** The City adopted the Strategic Housing Implementation Plan (SHIP) in December 2021 with a vision to preserve and produce affordable housing in San Antonio over the next ten years to assist 28 thousand households. SHIP's adoption defined affordable housing, set new production and preservation goals, and identified 36 strategies to meet those goals. Successes include developing and implementing a Displacement Impact Assessment, updating the Unified Development Code to remove barriers to affordable housing production, establishing a Demolition Prevention Program (Operation Rebuild), updating the City of San Antonio Fee Waiver Program to prioritize projects with deep affordability, and having guidelines with which to deploy the $150 million Affordable Housing Bond Program. As a result of these efforts, 19 new affordable multifamily housing developments entered the pipeline as of September 30, 2022.

**Alamo Regional Security Operations Center** This new 20,000 square-foot Alamo Regional Security Operations Center (ARSOC), in the heart of Port San Antonio, is the nation's first fully integrated information security space that allows for collaboration between municipal partner organizations to provide essential local threat detection and response, while protecting the networks and digital assets of local utilities, municipalities, and other municipal agencies against the rise in cyberattacks. The ARSOC will allow the Alamo region to monitor, train, defend and respond cohesively to cybersecurity threats facing the community and become the model for collective cyber defense through mutual aid. This mutual-aid concept also supports the Department of Homeland Security national collaborative defense strategy as we partner with them and other national agencies. This cyber mutual aid concept was born from local cyber security professionals here in San Antonio, who were collaborating and sharing limited operational information and ideas. From that, the ARSOC vision developed into a centralized security operations center, providing real-time, collaborative, cyber-security information sharing among municipal and local government entities in the San Antonio Area.

**Electric Utility Bill Assistance** Extremely hot weather in the summer of 2022 coupled with very high natural gas prices resulted in extraordinarily high customer electric bills from CPS Energy, the City's municipally owned utility. This is also resulted in a significant and unexpected increase in the City's revenue payment from CPS Energy. After consideration of the unusual one-time nature of the revenue increase to the City, high inflationary environment being experienced by consumers, high natural gas prices and extreme heat impacting all CPS Energy customers, and the City's overall financial position, the City returned $50 million to CPS Energy customers. The $50 million was allocated to the following: $7.5 million contributed to the Residential Energy Assistance Program (REAP), to assist eligible low-income and critical care residential customers; and $42.5 million, as customer bill credits to all active CPS Energy customers' bills in the month of December 2022, based upon their respective energy usage during the month of July 2022. The average residential customer will receive a credit of approximately $29. Additionally, customers are allowed to opt-out of receiving the credit and redirect it to REAP for either low-income assistance or weatherization of homes to include minor repairs. Any funds remaining after application of customer bill credits are also to be contributed to REAP.

**Military Spouse Fellowship Program** In fiscal year 2022, the City completed an initial 2-year Military Spouse Fellowship Program partnership with the United States Chamber of Commerce's Hiring Our Heroes Foundation. Through this partnership, the City appropriated $150 thousand to fund 30 fellowships for spouses of military members. The partnership was designed as a tool to tackle a pre-pandemic military spouse national unemployment rate of 24%. This partnership was extremely successful as it resulted in a 92% hire rate and an average annual salary of greater than $60 thousand – exceeding the San Antonio-New Braunfels Metropolitan Statistical Area average annual salary of $49.5 thousand and equating to a combined annual income of $4.5 million. The City continued the program by budgeting for fiscal year 2023 to fund another 30 fellowships for military spouses. These types of investments strengthen the City's partnership with the military and is a tangible example of community support of the military, an item which is part of Department of Defense and individual military service branch basing decision criteria.

**Property Tax Relief** Consistent with the City's financial policies, an annual review of property tax relief with a focus on homeowners was completed in fiscal year 2022. During the fiscal year 2023 budget process, the City received the certified tax roll for 2022 which showed substantial growth in property values, especially residential values. To provide property tax relief, the fiscal year 2023 budget included an increase to the City's homestead exemption from 0.01% to 10.0%, the City's Over Age 65 Exemption from $65,000 to $85,000, and the City's Disabled Persons Exemption from $12,500 to $85,000.

In addition to these exemptions, the City is one of the few cities in Texas to freeze the amount of property taxes imposed on residence homesteads owned by persons 65 years of age or older or disabled. In fiscal year 2023, the City will forgo approximately $94.9 million in property tax revenue from senior and disabled homestead exemptions, frozen City tax payments, and the general homestead exemption.

In 2019, Senate Bill 2 reduced the property tax Rollback Rate (now the Voter Approval Rate) from 8% to 3.5% applicable to the Maintenance and Operations (M&O) portion of the tax rate. The City cannot adopt a rate above the 3.5% revenue cap without triggering an automatic election. As a result of this statute the Fiscal Year 2023 Adopted Budget also reduces the City's property tax rate by 1.666 cents from 55.827 to 54.161 cents per $100 in value. This is the 30th consecutive year without a tax rate increase.

**Redistricting** A 23-member citizens advisory committee supported by multiple City departments and outside legal counsel reexamined and redetermined the City Council district boundaries after the 2020 U.S. Census. This process balanced San Antonio's population of 1.43 million across the ten City Council districts. Redistricting is required by the U.S. Constitution and City Charter in preparation for the May 2023 municipal election. The advisory committee thoughtfully engaged with hundreds of community members through 15 public meetings where the public could view and comment on the map drawing sessions and staffed 29 information sessions across San Antonio held jointly with various council offices and neighborhood groups. The Redistricting Advisory Committee presented their proposed plan for new boundaries on June 16, 2022, where the City Council unanimously adopted the plan.

**Resiliency, Energy Efficiency, and Sustainability** As part of the fiscal year 2023 Budget, the City established the Resiliency, Energy Efficiency and Sustainability Fund. The Fund's purpose is to:

1. identify and pursue relevant federal funding opportunities with the Inflation Reduction Act, Bipartisan Infrastructure Law, and other grant opportunities,
2. support Urban Heat Island mitigation,
3. incentivize businesses to participate in, and provide technical assistance for, programs such as energy benchmarking and Property Assessed Clean Energy investments, and
4. provide small grants to community organizations for education and demonstration projects in climate action and resiliency.

Funding is provided through dedicating the portion of the City's Payment from CPS Energy on the recovery of their Sustainable Tomorrow Energy Plan (STEP) expenditures through customer bills. STEP expenditures by CPS Energy are recovered through the fuel adjustment component of CPS Energy customer bills and are subject to the City's 14.0% gross revenue payment calculation. The annual total City Payment on the STEP recovery is projected to be $9.5 million.

**San Antonio Police Collective Bargaining Agreement** On May 12, 2022, City Council approved a five-year collective bargaining agreement with the San Antonio Police Officers Association. The contract is valued at $92.7 million over five years and will end on September 30, 2026. Consistent with the City's financial policy, it maintains public safety spending below 66% of the City's General Fund Budget. Under the new contract, officers will receive a 15% recurring wage increase over five years and a one-time lump sum payment of 2% within 30 days after the contract was approved. It establishes a new family leave benefit, providing officers with up to 160 hours of paid family leave after the birth, adoption, or foster of a child. The evergreen clause remains at eight years, which states that there is no base pay increase for union members; however, union members will continue to see contractually agreed increases to healthcare premiums of 10% annually. In addition, officers will continue to contribute to the cost of healthcare. Another key item from the new contract rebalances the disciplinary process by giving proper weight to the police chief's decision when dealing with officers who have violated department policies and allows an officer's past discipline to be introduced. For non-criminal misconduct, the police chief now has 180 days from the time he knew of or should have known about the incident to issue discipline, and the police chief must discipline within two years of the date of the incident.

## MAJOR INITIATIVES – CONVENTION & TOURISM

The Convention & Sports Facilities Department (CSF) operates the Henry B. Gonzalez Convention Center and Lila Cockrell Theatre, the Alamodome, and the Carver Community Cultural Center. CSF is also responsible for managing several leases including Nelson Wolff Stadium and Toyota Field. During fiscal year 2022, CSF saw major strides in rebounding from the impact of the pandemic, including significant resurgence in attendance. Facilities are on target to reach pre-pandemic levels in events and attendance by 2024.

**Henry B Gonzalez Convention Center** In the wake of the effects of COVID-19 to the meeting and hospitality industry, the City's recovery efforts showed remarkable dividends in fiscal year 2022. Much of that rebound was due to proactive efforts in working closely with Visit San Antonio, the City's sales and marketing organization, in implementing a strategic recovery plan that included utilizing the hosting obligation funds allocated by the City to attract short-term business to the Convention Center. During fiscal year 2022, the Convention Center hosted 231 events with more than 510 thousand attendees, approaching the average during pre-pandemic years in which the Center hosted approximately 280 events and 750 thousand attendees. The Lila Cockrell Theatre saw major progress in the repair of its Arcade Roof and the cleaning and restoration of the historic Juan O'Gorman Mural. In May 2023, the City will host the IPW conference at the Convention Center, which will bring tour operators, travel agents, and media from around the world to San Antonio. Organizers project IPW will increase tourists by 395 thousand visitors and generate approximately $290 million in direct economic impact. The Convention Center is also scheduled to begin its long-range capital improvement plan over the next six years.

**Alamodome** It was a remarkable 2022 for the Alamodome, which saw its rebound include arguably one of the busiest stretches of its history in the second half of the year. A year after making national headlines by hosting the entire NCAA Division I Women's Basketball Tournament, generating nearly $30 million in economic impact, the Alamodome hosted the most successful world stadium tour of the year when Bad Bunny came through in September, breaking the facility mark for gross ticket sales for one show with more than $11 million generated by 54 thousand fans. Earlier in the year, the Motley Crue/Def Leppard stadium tour came through as one of the top ten tours of the year around the globe. In 2023, the Alamodome will host the reconstituted XFL spring football league, co-owned by global superstar Dwayne "The Rock" Johnson. Part of a heavyweight schedule of events in 2023 will include the Valero Alamo Bowl, the Spurs' 50$^{th}$ anniversary game, WWE Royal Rumble, Monster Jam, NBC All-America Bowl, and concerts by the Red Hot Chili Peppers and Pink. Already home of the 2025 NCAA Men's Final Four, the Alamodome was selected to also host the NCAA Women's Final Four in 2029. By that time, a projected $109 million in capital improvements will have been completed at the facility. Home to the University of Texas at San Antonio's football, which plays as an NCAA Football Bowl Division member in Conference USA, the City saw increased revenue from the conference title game in 2022. The renovations planned for fiscal year 2023, to cost $23.2 million, includes the addition of 18 new suites, replacement of elevators and escalators, and new finishes to the upper level. In addition, the Alamodome will renovate the existing 52 suites, concessions and corridors on the club level, restrooms on multiple levels, and make improvements to the top of the Alamodome and Hall of Fame Club.

## MAJOR INITIATIVES – EDUCATION

**Early Child Education** In November 2012, City voters approved funding for Pre-K 4 SA with a 1/8 cent sales tax that finances the majority of the early childhood education organization's budget. Pre-K 4 SA is a comprehensive initiative designed to change San Antonio's education and workforce trajectory in one generation through high-quality early education. Pre-K 4 SA achieves its mission through four key program components: 1) four model Education Centers; 2) best-in-class professional learning; 3) family outreach and engagement; and 4) competitive grants. In November 2020, City voters renewed adoption of a sales and use tax at the rate of 1/8 cent for the purpose of continued financing of Pre-K 4 SA, an authorized program of the San Antonio Early Childhood Education Municipal Development Corporation, for another eight years.

**Ready to Work (RTW)** Ready to Work is San Antonio's premier training, education, and employment program. In 2020, as a longer-term investment in San Antonio's workforce ecosystem, voters overwhelmingly approved Ready to Work as an authorized program of the San Antonio Early Childhood Education Municipal Development Corporation. The $200 million program is funded by a separate 1/8 cent sales tax to be collected through December 2025. Eligible participants can earn credentials, certifications, and degrees in targeted industries focused on well-paid jobs in high demand. By 2028, the City anticipates training over 28 thousand residents and providing them with support to help them succeed and find quality employment.

RTW runs through four prime partner agencies, including Workforce Solutions Alamo, Alamo Colleges District, Project Quest, and Restore Education, and many subcontracted community organizations. In its first year, over three thousand people have been served and received resources, with over 100 having completed approved training courses. Over 270 employers have pledged to support RTW by hiring participants when they complete the program.

After December 2025, the one-eighth of one percent sales and use tax proceeds associated with the Ready to Work program, was approved by voters to be reassigned and collected by VIA Metropolitan for advanced public transportation services, operations, passenger amenities, equipment and other innovative advanced transportation purposes or public transportation mobility enhancement purposes.

## MAJOR INITIATIVES – HEALTH SERVICES

**Metro Health Strategic Growth Plan** In response to the pandemic-related lessons learned around health disparities, health equity, and social justice, and to capitalize on additional grant and local funding for public health, Metro Health has developed its Strategic Growth Plan as an expansion to its Strategic Plan. This expansion will include additional programs, initiatives, and services in the areas of Mental Health, Health Justice, Access to Care, and Technology and Infrastructure. These expansion categories identified by various community advocacy groups, the COVID-19 Community Response and Equity Coalition, City Council, national public health experts, and Metro Health staff reflect the grassroots, community-led and driven work Metro Health has been engaged in over the last decade.

**Office of Mental Health & Community Resilience (MHCR)** In 2022, MHCR began the facilitation and coordination of mental health initiatives across City departments and external community partners to bring mental health into the public health space. Major initiatives include:

- San Antonio Community Outreach Resiliency Effort (SACORE): Metro Health partnered with the San Antonio Police and Fire departments, the Southwest Texas Regional Advisory Council (STRAC), the Center for Health Care Services (the local mental health authority), and the Meadows Mental Health Policy Institute to launch and oversee a Multi-Disciplinary Response Team (MDRT) mental health pilot program.
- Increased Access to Mental Health Services for Youth: Metro Health holds contracts with Communities in Schools and the Mobile Mental Wellness Collaborative to bring school and neighborhood-based counseling to children and communities disproportionately experiencing violence and lacking equitable access to mental health services.

**SA Forward** In April 2022, Metro Health launched the SA Forward blueprint to address the public health challenges compounded by the COVID-19 pandemic. SA Forward added Data and Technology Infrastructure, Health Equity & Social Justice, and Mental Health and Community Resilience to Metro Health's past strategic priority areas of Access to Care, Adverse Childhood Experiences/Trauma-Informed Care, Nutrition, and Violence Prevention. Metro Health expanded the Nutrition priority area to Food Insecurity and Nutrition. These strategic priorities incorporated the Metro Health's core strengths, identified areas of improvement, and responded to pandemic-related lessons learned around health disparities, social justice, public health capacity, and the state of the public health workforce.

## MAJOR INITIATIVES – PLANNING AND COMMUNITY DEVELOPMENT

**SA Tomorrow** By 2040, San Antonio's population is expected to increase by approximately 1.0 million people. SA Tomorrow aims to ensure key aspects of growth and development, such as transportation and connectivity, housing, complete neighborhoods, public facilities, community safety, historic preservation, military affairs, natural resources, energy, water supply, jobs, economic competitiveness, education, and more, are addressed in a strategic manner. SA Tomorrow is an innovative effort to guide the City toward smart, sustainable growth through three different plans: comprehensive; sustainability; and multimodal transportation.

**Comprehensive Plan** was developed with support and collaboration from the City's residents, local organizations, the Department of Planning and Community Development, and other City entities. The purpose of this plan is to unify the visions, goals, and policies of San Antonio's other plans and initiatives and identify specific issues, challenges and needs. It presents preliminary concepts, strategies, and recommendations for various elements of the community.

**Sustainability Plan** focuses on enhancing a community's quality of life and overall resilience while balancing the impact of our expected growth with existing economic, environmental, and social resources. As part of implementing the sustainability plan, SA Climate Ready was developed as a community-driven plan to guide San Antonio's commitment to reduce its greenhouse gas emissions contributions to climate change and prepare for current and future climate impacts. The plan lays out a roadmap for the community and municipal organization to reduce carbon emissions, adapt to a changing climate, and ensure San Antonio remains a healthy, vibrant place for generations to come. In October 2019, the City adopted the Climate Action Plan. The plan states that the City as a whole must within three decades be taking in or offsetting more carbon dioxide and other greenhouse gases than its emitting. This target is based on current climate science and would require shifting almost entirely away from fossil fuels in power supply and transportation and use technology to assist in keeping emissions out of the atmosphere. The goal of the Climate Action Plan is to be a net-zero carbon emission City by 2050, making San Antonio the second major Texas City to adopt such a goal.

## MAJOR INITIATIVES – PLANNING AND COMMUNITY DEVELOPMENT (Continued)

The following are key items completed in 2022 with the intent to pursue net-zero carbon emissions by 2050:

- CPS Energy will shut down one of its coal power plants by 2028 while converting another to natural gas by 2027, while pledging to phase in renewable resources as technology improves. This will allow the City to hit its 40 percent carbon reduction target by 2030 and offers increased reliability, affordability, and retains the experienced workforce to support lower-carbon transition.
- Research shows asphalt collects and retains heat during the day and releases it at night, which leads to more energy consumption, greenhouse gas emissions, air pollution, and harmful effects. In an attempt to cool pavement temperatures, the City is piloting a project in the Dignowity Hill neighborhood, which uses a water-based treatment applied on top of the existing asphalt pavement to reflect the sun's rays while protecting and preserving asphalt pavements.
- On August 31, 2022, the City released a Request for Proposal to pursue solutions to deploy additional solar energy projects across on city-owned facilities. The sites were vetted for technical feasibility led by the Office of Sustainability with support from the American Cities Climate Challenge.

**Multimodal Transportation Plan** effort will explore how to preserve the San Antonio culture and increase livability through ensuring housing and transportation choices as the City grows. The Plan covers the entire City including its extraterritorial jurisdictions. It also considers all modes of transportation: auto; freight; rail; transit; biking; and walking. The plan will communicate the City's transportation strategy for the future, develop proposed improvements that address all modes, and provide for a method of prioritizing projects.

## FINANCIAL INFORMATION

The management of the City is responsible for establishing a system of internal controls that is designed to provide reasonable assurance that assets are protected from loss, theft, or misuse. The City's accounting system supports the internal controls and procedures, which provide reliable financial records for preparing financial statements in conformity with generally accepted accounting principles. The internal control structure provides reasonable assurance that the City's assets are safeguarded as well as the reliability of financial records for preparing financial statements. The concept of reasonable assurance first recognizes that the cost of a control should not exceed the benefits likely to be derived. Secondarily, the evaluation of costs and benefits require estimates and judgments by management.

Budgetary compliance is a significant tool for managing and controlling governmental activities, as well as ensuring conformance with the City's budgetary limits and specifications. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Levels of budgetary control, that is the levels at which expenditures cannot legally exceed appropriated amounts, are established at the department level within individual funds. The City utilizes an encumbrance system of accounting as one mechanism to accomplish effective budgetary control. Another budgetary control is the generation of a monthly revenue and expenditure report summarizing by department budget and actual balances with variances which are reviewed by the City's Office of Management and Budget (OMB), Finance, and the City Manager's Office.

Each quarter, OMB and Finance meet with department representatives to assess departments' revenues and expenditures based on actual results to date and projected revenue and expenditures for the remainder of the fiscal year. The projected revenue and expenditures are compared against the legally adopted budget for analysis and are presented to the City Manager's Office and City Council. During the mid-year budget review, an additional step is added related to formal budget adjustment recommendations that are made to City Council for adoption to modify the original budget. At fiscal year-end, as part of the subsequent year's budget adoption, Council is provided information regarding the current year's estimated final amounts and recommendations to again approve desired budget adjustments and carryforwards for the next fiscal year. The City further implemented available budget controls within its system of record for capital projects and grants. The system warns when cumulative expenditures are within 75.0% of total budget and will not allow the processing of non-payroll transactions which exceed the budget.

**Annual Budget Process** The annual budget serves as the foundation for the City's financial planning and control. The development of the City's annual budget begins in April. It is a comprehensive effort that involves input from residents, the Mayor and City Council, outside governmental agencies, private organizations, all City departments and offices, and City employees. There are several major components to the process, including gathering input from the community on priorities, the annual policy and goal setting session with the Mayor and City Council, presentation of the proposed budget, public comment on the proposed budget, City Council budget work sessions, and budget adoption.

**Five-year Financial Forecast and Trial Budget** At the beginning of the budget process, the City prepares a five-year financial forecast (Forecast). The Forecast is a financial and budgetary planning tool that provides a current and long-range assessment of financial conditions and costs for City services. The Forecast includes the identification of service delivery policy issues that will be encountered in the next five years and that will have a fiscal impact upon the City's program of services. The Forecast also examines the local and national economic conditions that have an impact on the City's economy and, ultimately, its budget. The Forecast serves as a foundation for development of the proposed budget by projecting revenues and anticipated expenditures under a defined set of assumptions. To give City Council and the community an opportunity to provide feedback on the budget, prior to the proposed budget in August, a Trial Budget was also presented to the City Council. The Trial Budget included certain revenue and expenditure assumptions, as well as proposing targeted improvements for the fiscal year 2022 Budget.

**Goal – Setting Session** A budget goal-setting session was held on June 25, 2021, with the Mayor and City Council. At this session, the City Council discussed financial policies and community input on the fiscal year 2022 Trial Budget, highlighting topics on public health, public safety, streets and transportation, and affordable housing.

**Public Input** A major component of the budget process is community input. Through the City's public outreach campaign, SASpeakUp, residents had the opportunity to provide feedback through a wide variety of channels in both English and Spanish, with an emphasis on reaching residents where they are, whether online, at community-wide events, or at City facilities in their neighborhoods.

**Proposed Budget** After obtaining the priorities of City Council and the community, the City Manager reviews department budgets to ensure they are in line with priorities and funding availability. The City Manager then presents the proposed budget to the City Council for review in early August. The proposed budget represents the City staff's recommendation of utilizing revenues and expenditures to achieve a balanced budget, while optimizing City service deliveries and addressing priorities of the City Council and residents.

**Public Hearing** After the budget was proposed, the City Council held nine sessions to review the proposed service program details and discuss potential City Council budget amendments. The budget work sessions provided a forum for public discourse on significant policy issues as well as an opportunity to review departmental service plans, service enhancement, and revenue changes.

**Adopted Budget** On September 16, 2021, City Council adopted the fiscal year 2022 Operating and Capital Budget. City Council must adopt a final budget each year no later than September 27$^{th}$. The appropriated budget is prepared by fund (e.g., General Fund) and department (e.g., Finance Department). The legal level of budgetary control is approved by City Council at the individual fund and departmental level. Expenditures by department and major category (personnel, non-personnel, and capital outlay) are further defined in the budget document. The City Manager or designee may revise the approved department expenditure allotments during the fiscal year, but in no event shall the aggregate departmental expenditure allotment exceed the appropriation available to the department unless approved by City Council. The City Council may at any time transfer unencumbered appropriation balances or any portion thereof within a department, office, or agency to another as requested in writing by the City Manager.

## FINANCIAL INFORMATION (Continued)

With the adoption of the 2022 Budget, the City continued to follow established Financial Policies. These Financial Policies include:

- Maintain a minimum General Fund ending balance of 15%
- Maintain Public Safety below 66% of the General Fund
- Manage structural balance in the General Fund
- Maintain a $1 million contingency in the General Fund and $3 million in the Capital Budget
- Address Internal Fund deficits within three to five years
- Annually review the impact of the State-imposed 3.5% Property Tax Cap on service delivery and provide a recommendation on whether to adjust the Property Tax Rate
- Annually review property tax relief with a focus on homeowners
- Annually review and periodically adjust Fees and Charges to provide for cost recovery, inflation, consumer relief, and/or alignment with policy goals

The City continues to evaluate financial policies as a means of fiscal prudence in consideration with City operations, implications to the City's credit rating, and City Council priorities to maintain a strong and solid financial position coupled with flexibility to adapt to changing economic conditions.

The City further utilizes a comprehensive debt management financial planning program, which is updated annually and is a major component of the City's financial planning. The model projects financing needs, measuring, and assessing the cost and timing of each debt issuance. It involves comprehensive financial analysis, utilizing computer modeling, and incorporates variables such as interest rate sensitivity, assessed value changes, annexations, and current ad valorem tax collection rates. Use of this financial management tool has assisted the City in meeting its financing needs by facilitating timely and thorough planning, thus allowing the City to capitalize on market opportunities.

San Antonio holds a 'AAA' general obligation bond rating from Standard & Poor's and Moody's and a 'AA+' from Fitch. The 'AAA' bond rating is the highest credit rating an organization can receive and it allows the City to pay the lowest possible interest rates in the market.

## GRANT FUNDS

The City also actively seeks and applies for Federal and State grants that are in line with the City's core operations and initiatives as an additional tool in providing services to the citizens of San Antonio. In 2022, the City was awarded $318.0 million in Federal assistance and $17.0 million in State assistance for a total of $335.0 million.

## AWARDS

OMB received the Annual Distinguished Budget Award from the Government Finance Officers Association of the United States and Canada (GFOA). This award recognizes outstanding achievement in preparation of the 2022 Operating and Capital Budget for the 39th consecutive year.

OMB additionally received the Performance Measurement Certificate of Excellence Award from the International City/County Management Association (ICMA) for the 11th year in a row. San Antonio is one of 31 jurisdictions receiving this highest level of recognition this year.

The Finance Department received the Achievement of Excellence in Procurement (AEP) award for the 25th consecutive year in recognition of organizational excellence in public procurement.

## AWARDS (Continued)

The City received a perfect score for the 5th consecutive year on the annual Municipal Equality Index (MEI) Scorecard for 2022 from the Human Rights Campaign Foundation. Now in its 11th year, the MEI examines how inclusive municipal laws, policies, and services are of LGBTQ+ people who live and work there. Cities are rated based on non-discrimination laws, the municipality as an employer, municipal services, law enforcement, and leadership on LGBTQ+ equality.

Parks and Recreation joins the ranks of elite park and recreation agencies across the country by earning accreditation through the Commission for Accreditation of Park and Recreation Agencies (CAPRA) and the National Recreation and Park Association (NRPA). Among the largest cities in the U.S., San Antonio is the third largest city to receive this national recognition. CAPRA accreditation is the only national accreditation for park and recreation agencies and is a measure of an agency's overall quality of operation, management, and service to the community.

## CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Report for the fiscal year-ended September 30, 2021. This was the 47th consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Report. This report satisfies both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## INDEPENDENT AUDITS

State statutes and the City's Charter require that an annual audit by an independent certified public accountant be conducted. The City selected the accounting firm FORVIS, LLP. In addition to meeting the requirements set forth in State statutes and the City's Charter, the audit was also designed to meet the requirements of the Uniform Guidance, the State of Texas Grant Management Standards, and the Federal Aviation Administration *Passenger Facility Charge Audit Guide for Public Agencies*.

The Independent Auditor's Report on the basic financial statements, Management's Discussion and Analysis, required supplementary information, required disclosures and schedules are included in the Financial Section of this Annual Report. The Federal Single Audit Report has been prepared in accordance with the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* The State Single Audit Report has been prepared in accordance with the State of Texas Grant Management Standards. The Passenger Facility Charges Report has been prepared in accordance with the Federal Aviation Administration *Passenger Facility Charge Audit Guide for Public Agencies*.

The Federal, State and Passenger Facility Charges Report section is comprised of the Schedules of Expenditures of Federal and State Awards, respectively, the Schedule of Revenues and Expenditures of Passenger Facility Charges, Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* – Independent Auditor's Report, Report on Compliance for each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance – Independent Auditor's Report, Report on Compliance for each Major State Program, and Report on Internal Control Over Compliance Required by the State of Texas Grant Management Standards – Independent Auditor's Report, Report on Compliance with Applicable Requirements of the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the Passenger Facility Charge Audit Guide for Public Agencies, the Schedule of Findings and Questioned Costs, Corrective Action Plans, and the Summary Status of Prior Year Findings for both the Federal and State Single Audits and the Passenger Facility Charges Report.

## ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the dedicated services of the entire staff of the Controller's Office in the Finance Department. Much time and effort in preparation of this report lies in the Controller's Office, with support from OMB, Department Fiscal Administrators, other Finance Department personnel, and fiscal staff throughout the City. I would like to express my appreciation to all who assisted in this effort.

In closing, please accept my sincere gratitude to the Mayor and City Council, City Manager, Deputy City Manager, Assistant City Managers, and their staff for their continued support.

Respectfully submitted,

Ben Gorzell Jr., CPA
Chief Financial Officer

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of San Antonio**
**Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

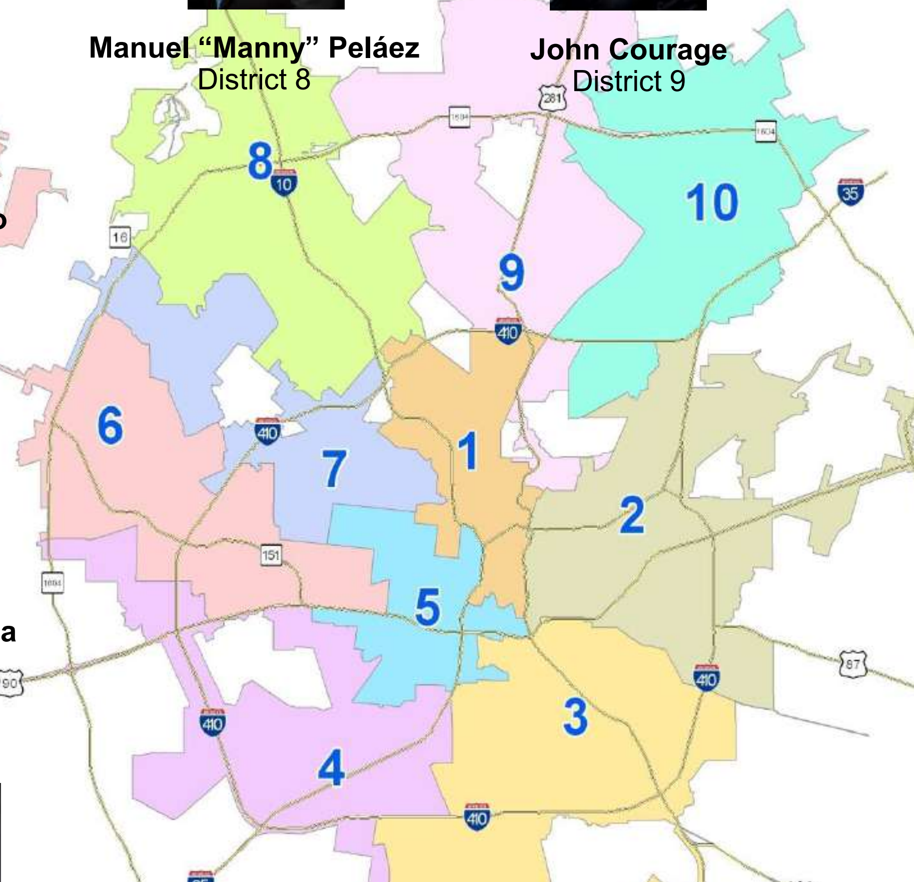
September 30, 2021

Christopher P. Morrill

Executive Director/CEO

# City of San Antonio Mayor and City Council

**Ron Nirenberg**
Mayor




**Manuel “Manny” Peláez**
District 8

**John Courage**
District 9

**Rosie Castro**
District 7

**Clayton Perry**
District 10

**Melissa Cabello Havrda**
District 6

**Mario Bravo**
District 1

**Teri Castillo**
District 5

**Jalen McKee-Rodriguez**
District 2

**Dr. Adriana Rocha Garcia**
District 4

**Phyllis Viagran**
District 3

# CITY OF SAN ANTONIO
## Organizational Chart

- **San Antonio Residents**
  - **Mayor & City Council**
    - **Boards & Commissions**
    - **Carla Obledo** — *Municipal Court Judge*
    - **Erik Walsh** — *City Manager*
      - **John Peterek** — *Assistant to the City Manager*
        - Brian Dillard — *Innovation*
      - **Andy Segovia** — *City Attorney*
        - Jennifer Mata — *Diversity, Equity, Inclusion & Accessibility*
      - **Jeff Coyle** — *Assistant City Manager*
        - Jesus Saenz — *Aviation*
        - Alanna Reed — *Communications & Engagement*
        - Sally Basurto — *Government Affairs*
        - Juan Ayala — *Military & Veterans Affairs*
        - Paula Stallcup — *311*
      - **David W. McCary** — *Assistant City Manager*
        - David Newman — *Solid Waste*
        - Douglas Melnick — *Sustainability*
        - Ramiro Salazar — *Library*
        - Shannon Sims — *Animal Care Services*
        - Homer Garcia — *Parks & Recreation*
      - **Ben Gorzell** — *Chief Financial Officer*
        - Craig Hopkins — *Information Technology Services*
        - Renee Frieda — *Human Resources*
        - Debra Ojo — *Risk Management*
        - Emily McGinn — *Office of City Council*
        - Troy Elliott — *Finance*
        - CPS and SAWS — *Public Utilities*
      - **María Villagómez** — *Deputy City Manager*
        - William McManus — *Police*
        - Charles N. Hood — *Fire*
        - Justina Tate — *Management & Budget*
      - **Lori Houston** — *Assistant City Manager*
        - Melody Woosley — *Human Services*
        - Shanon Miller — *Historic Preservation*
        - Veronica Garcia — *Neighborhood & Housing Services*
        - Krystal Jones — *Arts & Culture*
        - John Jacks — *Center City Development & Operations*
        - Colleen Swain — *World Heritage*
      - **Roderick Sanchez** — *Assistant City Manager*
        - Tomika Monterville — *Transportation*
        - Michael Shannon — *Development Services*
        - Razi Hosseini — *Public Works*
        - Rudy Niño — *Planning (Interim)*
        - Jorge Perez — *Building & Equipment Services*
      - **Alex Lopez** — *Assistant City Manager*
        - Brenda Hicks-Sorensen — *Economic Development*
        - Sarah Baray — *Pre-K 4 SA*
        - Patricia Muzquiz Cantor — *Convention & Sports Facilities*
      - Claude Jacob — *SA Metro Health*
      - Michael Ramsey — *SA: Ready to Work*
      - Mark Carmona — *Chief Housing Officer*
    - **Debbie Racca-Sittre** — *City Clerk*
    - **Kevin Barthold** — *City Auditor*

Last updated March 2, 2023

# FINANCIAL SECTION

# Independent Auditor’s Report

FORV/S

2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056
**P** 713.499.4600 / **F** 713.499.4699
forvis.com

# Independent Auditor's Report

Honorable Mayor and Members of City Council
City of San Antonio, Texas
San Antonio, Texas

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Antonio, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Antonio, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Municipal Golf Association – San Antonio dba Alamo City Golf Trail, San Antonio Early Childhood Education Municipal Development Corporation dba Pre-K 4 SA, San Antonio Economic Development Corporation, Urban Renewal Agency of the City of San Antonio dba Office of Urban Redevelopment of San Antonio, and Visit San Antonio (blended component units), and San Antonio Fire and Police Pension Fund and Retiree Health & Wellness San Antonio Fire and Police Fund (fiduciary component units), which represent 75 percent, 83 percent, and 38 percent, respectively, of the assets, net position/fund balances, and revenues/additions of the aggregate remaining fund information as of and for the year ended September 30, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for those component units, are based solely on the reports of the other auditors. We also did not audit the financial statements of CPS Energy, San Antonio Water System, SA Energy Acquisition Public Facility Corporation, and San Antonio Bexar County Soccer Public Facility Corporation, discretely presented component units, which represent 97 percent, 98 percent and 99 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units as of and for the year ended September 30, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units, are based solely on the reports of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*).

Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of CPS Energy, SA Energy Acquisition Public Facility Corporation and San Antonio Bexar County Soccer Public Facility Corporation, component units included in the financial statements of the aggregate discretely presented component units and City of San Antonio Council Aides Corporation, Municipal Golf Association – San Antonio dba Alamo City Golf Trail, San Antonio Economic Development Corporation and Visit San Antonio, blended component units included in the financial statements of the aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards*.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, in the current year the City adopted GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, pension, and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules, the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* the schedule of expenditures of state awards as required by the *Texas Comptroller of Public Accounts, State of Texas Grant Management Standards,* which includes the State of Texas Single Audit Circular, and the schedule of revenues and expenditures of passenger facility charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies* (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2023, on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

FORVIS, LLP

Houston, Texas
April 19, 2023

# Management's Discussion and Analysis

## (Required Supplementary Information)

## (Unaudited)

# Management's Discussion and Analysis (Unaudited)

The City of San Antonio (City) presents the following discussion and analysis of the City's financial performance during the fiscal year-ended September 30, 2022. This discussion and analysis are intended to assist readers in focusing on significant financial issues and changes in the City's financial position and identifying any significant variances from the adopted budget. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements provided in this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

## Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2022 by $2,983,891 (net position), which is an increase of $524,796 from prior year's net position. A deficit ending balance of $881,203 in unrestricted net position is primarily due to the City's $2,346,908 net pension and Other Postemployment Benefits (OPEB) liability less related net unamortized deferred inflows and outflows of resources.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,723,272, an increase of $198,323 compared to the fiscal year 2021 fund balance. Of this amount, $22,209 is nonspendable, $1,111,742 is restricted in use, $285,465 is committed, $17,655 is assigned, and $286,201 is unassigned. The unassigned fund balance includes the General Fund less $60,453 in deficits reported in other governmental funds.
- The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. The unassigned fund balance includes $346,654 in financial reserves of which $215,240 or 15.1% of budgeted revenues, was reserved for a two-year balanced budget. City Council approved financial policies require the City to maintain a budgeted financial reserve of 15.0% of budgeted revenues. The General Fund available ending balance is $15,035 better than anticipated when compared to re-estimated fiscal year 2022 budget.
- As discussed in Note 1 Summary of Significant Accounting Policies, the City adopted GASB Statement No. *87, Leases*, in fiscal year 2022. Fiscal year 2021 comparative information contained herein has not been restated for the adoption of GASB 87.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as the introduction to the City's basic financial statements, which have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

## Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business financial presentation.

The *statement of net position* reports the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources as net position. Over time, increases or decreases in net position may help determine whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. Changes in net position are recorded when the underlying event giving rise to the change occurs regardless of the timing of the cash flows. Therefore, revenues and expenses reported in this statement for some items will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused annual leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). Governmental activities include general government, public safety, public works, sanitation, health services, culture and recreation, convention and tourism, urban redevelopment and housing, welfare, education, economic development and opportunity, and environmental. The business-type activities of the City include the Airport System, Development Services, Market Square, Parking System, and Solid Waste Management.

In addition, the basic financial statements provide information regarding the City's legally separate discretely presented component units. Discretely presented component unit financial information is reported separately from the primary government in the government-wide financial statements.

## Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although nonmajor funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three categories: governmental, proprietary, and fiduciary. Fund financial statements allow the City to present information regarding fiduciary funds since they are not reported in the government-wide financial statements.

***Governmental Funds*** – Governmental funds are used for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

As the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, COVID-19, and 2017 General Obligation Bonds Funds, all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled as Nonmajor Governmental Funds. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements elsewhere in this report.

***Proprietary Funds*** – The City maintains two types of proprietary funds. *Enterprise Funds* are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Airport System, Development Services, Market Square, Parking, and Solid Waste Management Funds. *Internal Service Funds* are used to accumulate and allocate costs internally among the City's various functions, including self-insurance programs, information services, other internal services, and capital management services. The services provided by these funds predominantly support the governmental rather than the business-type functions. They have been included within the governmental activities in the government-wide financial statements and are reported alongside the enterprise funds in the fund financial statements. Information is presented separately for Airport System and Solid Waste Management Funds, which are considered to be major funds in the proprietary funds' statement of net position and in the proprietary funds' statement of revenues, expenses, and changes in net position. Data from the other enterprise funds, Development Services Department, Market Square, and Parking Funds, are combined into a single, aggregated presentation labeled "Nonmajor Enterprise Funds". Individual fund data for each nonmajor enterprise fund and each internal service fund is provided in the form of respective combining statements elsewhere in this report. The Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements.

***Fiduciary Funds*** – The City maintains two different types of fiduciary funds. The Pension (and Other Employee Benefit) Trust Funds are used to report resources held in trust for retirees and beneficiaries covered by the San Antonio Fire and Police Pension Fund, the Retiree Health & Wellness SA Fire and Police Fund and the City of San Antonio Retiree Health Care Fund. The Custodial Funds report resources, not in a trust, that are held by the City for other parties outside of the City's reporting entity.

Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are not reflected in the government-wide financial statements as the resources of those funds are not available to support the City's programs and operations. The accounting for fiduciary funds is much like that used for the proprietary funds.

***Notes to the financial statements*** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Other information*** – In addition to the basic financial statements and the accompanying notes, this report also presents the required supplementary information of (a) the City's General Fund budgetary comparison schedules that demonstrate compliance with their budget, and (b) pension and other postemployment benefits schedules. The budgets for the Debt Service Fund, various Special Revenue Funds, and a Permanent Fund, which are legally adopted on an annual basis, are also included as supplementary schedules within the Combining Financial Statements and Schedules. Additionally, this document presents the Financial Reporting and Compliance Report on Federal and State Grants, or Single Audit Reports, and the Airport Passenger Facility Charges.

## Government-Wide Financial Statement Analysis

The following tables, graphs, and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year-ended September 30, 2022.

**Net Position**
**As of September 30, 2022**
**(With Comparative Totals for September 30, 2021)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and Other Assets | $ 2,867,307 | $ 2,543,943 | $ 464,481 | $ 300,943 | $ 3,331,788 | $ 2,844,886 |
| Capital Assets | 5,553,310 | 5,378,985 | 756,880 | 769,848 | 6,310,190 | 6,148,833 |
| Total Assets | 8,420,617 | 7,922,928 | 1,221,361 | 1,070,791 | 9,641,978 | 8,993,719 |
| Total Deferred Outflows of Resources | 429,816 | 454,061 | 40,836 | 42,921 | 470,652 | 496,982 |
| Current and Other Liabilities | 934,705 | 840,051 | 77,735 | 65,053 | 1,012,440 | 905,104 |
| Long-term Liabilities | 4,336,289 | 4,815,606 | 579,315 | 625,926 | 4,915,604 | 5,441,532 |
| Total Liabilities | 5,270,994 | 5,655,657 | 657,050 | 690,979 | 5,928,044 | 6,346,636 |
| Total Deferred Inflows of Resources | 1,004,344 | 619,907 | 196,351 | 65,063 | 1,200,695 | 684,970 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 3,156,106 | 3,086,156 | 304,918 | 304,394 | 3,461,024 | 3,390,550 |
| Restricted | 181,560 | 91,786 | 222,510 | 173,439 | 404,070 | 265,225 |
| Unrestricted (Deficit) | (762,571) | (1,076,517) | (118,632) | (120,163) | (881,203) | (1,196,680) |
| Total Net Position | $ 2,575,095 | $ 2,101,425 | $ 408,796 | $ 357,670 | $ 2,983,891 | $ 2,459,095 |

As of September 30, 2022, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,983,891. Investment in capital assets representing the largest portion of the City's net position, $3,461,024 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Capital assets are used to provide services to the citizens of San Antonio and are not available for further spending. The City's investment in capital assets is reported net of related debt and any related deferred outflows of resources. The resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate liabilities. The restricted portion of the total net position totaling $404,070 represents resources that are subject to external restrictions on how they may be used.

The following schedule provides a detail of the changes to the City's net position:

**Changes in Net Position**
**Year-Ended September 30, 2022**
**(With Comparative Totals for September 30, 2021)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Revenues:** | | | | | | |
| **Program Revenues:** | | | | | | |
| **Charges for Services** | $ 275,966 | $ 195,106 | $ 300,502 | $ 260,855 | $ 576,468 | $ 455,961 |
| **Operating Grants and Contributions** | 466,837 | 425,728 | 36,350 | 24,812 | 503,187 | 450,540 |
| **Capital Grants and Contributions** | 97,368 | 77,902 | 44,588 | 31,777 | 141,956 | 109,679 |
| **General Revenues:** | | | | | | |
| **Property Taxes** | 708,485 | 684,784 | | | 708,485 | 684,784 |
| **Other Taxes** | 642,241 | 544,776 | | | 642,241 | 544,776 |
| **Revenues from Utilities** | 419,985 | 383,127 | | | 419,985 | 383,127 |
| **Investment Earnings (Loss)** | (16,959) | 1,897 | (2,176) | 233 | (19,135) | 2,130 |
| **Miscellaneous** | 130,851 | 117,043 | 2,100 | 2,183 | 132,951 | 119,226 |
| **Total Revenues** | 2,724,774 | 2,430,363 | 381,364 | 319,860 | 3,106,138 | 2,750,223 |
| **Expenses:** | | | | | | |
| **Primary Government:** | | | | | | |
| **Governmental Activities:** | | | | | | |
| **General Government** | 135,351 | 128,496 | | | 135,351 | 128,496 |
| **Public Safety** | 766,295 | 834,517 | | | 766,295 | 834,517 |
| **Public Works** | 347,536 | 355,965 | | | 347,536 | 355,965 |
| **Sanitation** | 11,316 | 10,482 | | | 11,316 | 10,482 |
| **Health Services** | 102,620 | 104,369 | | | 102,620 | 104,369 |
| **Culture and Recreation** | 202,798 | 197,024 | | | 202,798 | 197,024 |
| **Convention and Tourism** | 80,658 | 56,198 | | | 80,658 | 56,198 |
| **Urban Redevelopment and Housing** | 126,328 | 139,752 | | | 126,328 | 139,752 |
| **Welfare** | 260,447 | 204,113 | | | 260,447 | 204,113 |
| **Education** | 79,651 | 73,261 | | | 79,651 | 73,261 |
| **Economic Development and Opportunity** | 70,732 | 100,791 | | | 70,732 | 100,791 |
| **Environmental** | 193 | 197 | | | 193 | 197 |
| **Bond Issuance Costs** | 4,061 | 2,000 | | | 4,061 | 2,000 |
| **Interest on Long-Term Debt** | 63,382 | 81,021 | | | 63,382 | 81,021 |
| **Business-Type Activities:** | | | | | | |
| **Airport System** | | | 135,836 | 129,769 | 135,836 | 129,769 |
| **Development Services** | | | 43,540 | 41,831 | 43,540 | 41,831 |
| **Market Square** | | | 2,232 | 1,979 | 2,232 | 1,979 |
| **Parking System** | | | 7,188 | 8,502 | 7,188 | 8,502 |
| **Solid Waste Management** | | | 138,763 | 128,111 | 138,763 | 128,111 |
| **Total Expenses** | 2,251,368 | 2,288,186 | 327,559 | 310,192 | 2,578,927 | 2,598,378 |
| **Change in Net Position** | | | | | | |
| **Before Transfers** | 473,406 | 142,177 | 53,805 | 9,668 | 527,211 | 151,845 |
| **Transfers, Net** | 431 | (7,908) | (2,679) | (4,630) | (2,248) | (12,538) |
| **Net Change in Net Position** | 473,837 | 134,269 | 51,126 | 5,038 | 524,963 | 139,307 |
| **Beginning, Net Position (Previously Reported)** | 2,101,258 | 1,967,156 | 357,670 | 375,889 | 2,458,928 | 2,343,045 |
| **Other Restatement** | | (167) | | | | (167) |
| **Beginning Net Position** | 2,101,258 | 1,966,989 | 357,670 | 352,632 | 2,458,928 | 2,319,621 |
| **Ending Net Position** | $ 2,575,095 | $ 2,101,258 | $ 408,796 | $ 357,670 | $ 2,983,891 | $ 2,458,928 |

The City's total revenues were $3,106,138 for fiscal year-ended September 30, 2022. Revenues from Governmental Activities totaled $2,724,774 (87.7%) and revenues from Business-Type Activities totaled $381,364 (12.3%). Expenses for the City totaled $2,578,927; Governmental Activity expenses totaled $2,251,368 (87.3%) and Business-Type Activity expenses totaled $327,559 (12.7%).

## Governmental Activities

Overall governmental activities increased the City's net position by $473,837.

Revenues for Governmental Activities were $2,724,774 compared to prior year's revenues of $2,430,363. The increase of $294,411 is due to the following:

- Operating Grants and Contributions revenue increased by $41,109, primarily attributed to the following:
    - General Government increased by $14,012 due to expenses related to employee compensation, benefits, and retention programs in fiscal year 2022, that were funded from the State and Local Fiscal Recovery Funds (SLFRF).
    - Public Safety decreased by $20,648 due to a reduction in the number of COVID-19 related responses by Police and Fire personnel in fiscal year 2022. The City received $14,951 in fiscal year 2022 as compared to $38,924 in fiscal year 2021.
    - Convention and Tourism increased by $5,167 due to increased Hotel Occupancy Tax (HOT) revenue and increased number of events hosted at the Convention Center and Alamodome when compared to fiscal year 2021.
    - Welfare increased by $60,743 due to new funding for Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and Provider Growth Support Childcare Developments Services (CCDS) from ARPA to aid recovery of small businesses in the service industry from the effects of the COVID-19 pandemic.
    - Economic Development Opportunity decreased by $25,001 due to less spending on the COVID-19 Emergency Response and Recovery & Resiliency programs related to Small Business and Workforce Development, which was funded by initial CARES funding, in fiscal year 2022 as compared to fiscal year 2021. Most of the money allocated for these programs were expended in fiscal year 2021. The City has approved in February 2023 its ARPA spending plan related to the economic development support and expects to continue more spending in fiscal year 2023.
- Capital Grant and Contributions revenue increased by $19,466, primarily attributed to the following:
    - Convention and Tourism decreased by $6,745 due to the dissolvement of the Convention Hotel Finance Corporation Fund in fiscal year 2022. This was effectuated with the sale of the Convention Center Hotel to a non-profit who will hold the Hotel in trust for the City. This transaction resulted in the defeasance of the City of San Antonio, Texas Convention Center Hotel Finance Corporation Contract Revenue Empowerment Zone Bonds, Series 2005A and Taxable Series 2005B. New Hotel Revenue Bonds were issued by the Public Facility Authority to finance the acquisition of the Hotel by the non-profit.
    - Culture and Recreation increased by $11,002 in fiscal year 2022 as improvements were made to City owned facilities on the Witte campus to include the Mays Family Center, the Feik Family Pavilion, and the admissions building, together with the adjacent parking lot.
    - Public Works increased by $13,086 driven by real property received by the City from the Federal Governments' General Services Administration for the former John Wood Federal Courthouse and Training Center, valued at $9,000.
- Property Tax Revenues increased by $23,701 due to a 2.1% increase in new construction and a 1.6% increase in taxable property valuation on existing properties when compared to the prior year. The City's property tax rate is at 55.827 cents per $100 of valuation for fiscal year 2022.
- Other Taxes Revenues increased by $97,465. The General Sales and Use Taxes increase of $61,878, is primarily due to retail trade sectors continuing to increase. There continues to be a pandemic-accelerated market share

shift from in-store to online shopping, which caused an increase from retail trade industry that helped drive sales tax revenues and mitigate the financial impact to the City's revenues.

- Revenue from Utilities increased by $36,858, of which approximately $5,901 was related to the CPS Energy base rate increase of 3.85% which took effect on March 1, 2022. An estimated increase of $5,550 was related to higher than historical average temperatures combined with $4,588 from higher electric and gas fuel costs. There were 58 days at or above 100 degrees in fiscal year 2022 compared to three days at or above 100 degrees in fiscal year 2021.
- Charges for Services for Governmental Activities increased by $80,860;
    - Public Safety revenue increased by $38,541 partially due to the payment City received in the amount of 11,036 from the State for the Charity Care emergency medical services supplemental payment. The City also received more revenue in fiscal year 2022 from 3,846 more vehicles related to the tow truck wrecker service contract. In line with the City's residential housing growth 4,137 more alarm permits were issued in fiscal year 2022, increasing revenue.
    - Culture and Recreation increased $31,408. The Alamodome rebounded from the previous year and had one the busiest stretches of its history in the second half of fiscal year 2022, bringing in $18,395 more in revenue than prior year. Events from previously postponed events due to COVID-19 restrictions were held in 2022 along with other major headlines and events. Tourism continues to surge in the City; fiscal year 2022 had $6,101 more in revenues from increased tickets sales from the Riverbarge and Tower of the America's. The Tree Preservation Fund collected $4,000 more in mitigation fees for tree preservation, tree planting, and educational activities.
    - The City received funds in fiscal year 2022 from Texas Department of Transportation (TXDOT) in the amount of $9,391 for plan administration, long-term management, and monitoring of the newly established Crane Bat Cave Habitat Conservation Preserve.
- Investment Earnings reflected a decrease by $18,856 in fiscal year 2022 due to the reduction in market value of securities held in the City's investment portfolio caused by rising interest rates. The City's practice is to hold securities to maturity.
- Miscellaneous revenue increased by $13,808 due to reimbursements from Public Finance Authority of Wisconsin for prior year's Convention Center Hotel debt payments paid by the City and recovery of ground lease payments.

Expenses for Governmental Activities were $2,215,368 compared to prior year's expenses of $2,288,186. The decrease of $36,818 is due primarily to the following:

- The increase of $6,855 in General Government is primarily due to the personnel costs from the newly formed corporation, City of San Antonio Council Aides Corporation, fiscal year 2022 is the first full year of expenses.
- The decrease of $68,222 in Public Safety expenses is primarily due to the uniform pension liability and expenses decreased. Investment income increased in 2022, therefore, reduced the City's liability and expenses. The decrease is also offset by $39,630 from changes in Police and Fire Departments personnel salaries, health insurance, and pension from the Collective Bargaining Agreement.
- The decrease of $8,429 in Public Works expenses is from UTSA Athletics Complex capital project that was expensed and completed in fiscal year 2021.
- The increase of $24,460 in Convention and Tourism expense is due to defeasance of the Convention Center Hotel Finance Corporation Contract Revenue Bonds, Series 2005A and Taxable Series 2005B, which resulted in a payment to Grand Hyatt for the remaining funds previously contributed to the City. Additionally, Community and Visitor's Facilities increased in personnel expenses at the Convention Facilities due to employees transitioning back to the department as the City begins to rebound to pre-pandemic levels and convention center events increase.
- The decrease of $13,424 in Urban Redevelopment and Housing is due to decreased funding from CDBG, HUD, COVID-19 Grant, Emergency Rental Assistance, and other funding appropriated to COVID-19 Pandemic relief as effects of COVID-19 continue to decrease.

- The increase of $56,334 in Welfare is primarily due to increased funding in Provider Growth Support ARPA Grant $38,898 and Child Care Service Payments $18,970 in an increased effort to help small businesses in the service industry recover from the COVID-19 Pandemic.
- The increase of $6,390 in Education is driven by increases in SA Early Childhood Education Municipal Development Corporation's expenses. General Administration Expenses increased by $4,347 due to a $3,549 increase in SA: Ready to Work because fiscal year 2022 was the first full year of activity for the program. Facilities Lease and Maintenance Expenses increased by $2,673, driven by $1,827 in amortization expense per the implementation of GASB Statement No. 87, *Leases.*
- Economic Development Opportunity decreased by $30,059 due to less spending on the COVID-19 Emergency Response and Recovery & Resiliency programs related to Small Biz and Workforce Development, which was funded by initial CARES funding, in fiscal year 2022 as compared to fiscal year 2021. Most of the money allocated for these programs were expended in fiscal year 2021. The City has approved in February 2023 its ARPA spending plan related to the economic development support, and expects to continue more spending in fiscal year 2023.
- Interest on Long-Term Debt decreased by $17,639 due to a partial redemption discharge and defeasance of the Texas Public Facilities Corporation Lease Improvement and Revenue Bonds, Series 2012, resulting in less interest owed in fiscal year 2022. These bonds were issued in 2012 to finance the construction of the Convention Center expansion.

Transfers for Governmental Activities were $431 compared to prior year's expenses of $(7,908). The decrease of $8,339 is due primarily to the following:

- The change of $8,339 in Transfers, Net is primarily due to reduced funding for COVID-19 pandemic related expenses like emergency housing, health plans, emergency response, and workforce development from prior year.

## Business-Type Activities

Business-Type Activities increased the City's net position by $51,126.

Revenues for Business-Type Activities totaled $381,364 compared to prior year's revenues of $319,860. The increase of $61,504 is due to the following:

- Charges for Services for business-type activities increased $39,647;
    - The San Antonio International Airport revenues increased by $29,404, because of a 37.4% increase in passenger activity compared to fiscal year 2021.
    - Development Services increased by $4,276 due to 45.0% increase in residential permits and 12.0% increase in commercial permits as compared to fiscal year 2021.
    - Solid Waste Management revenues increased by $2,376 driven by increase in recycling processing revenues for aluminum and plastic commodities, average price for commodities increased from $29 to $55 per ton (amount not in thousands).
- Operating Grants and Contributions increase of $11,538, primarily due to increase in funding from ARPA of $27,500 versus none in fiscal year 2021 which is partially offset by decreases in Coronavirus Aid Relief, Economic Security Act (CARES) Draws and Coronavirus Response Relief Supplemental Appropriations (CRRSA). Funding provided to the Airport for reimbursement of allowable expenses including personnel, maintenance, janitorial, and other miscellaneous expenses.
- Capital Grant and Contributions revenue increased by $12,811 largely due to increases in Passenger Facilities Charges of $6,400 and Customer Facilities Charges of $2,200 due to increases in both travel passengers and rental car activity at San Antonio International Airport from the continued COVID-19 Pandemic recovery.
- Investment Earnings reflected a decrease by $2,409 in fiscal year 2022 due to the reduction in market value of securities held in the City's investment portfolio caused by rising interest rates. The City's practice is to hold securities to maturity.

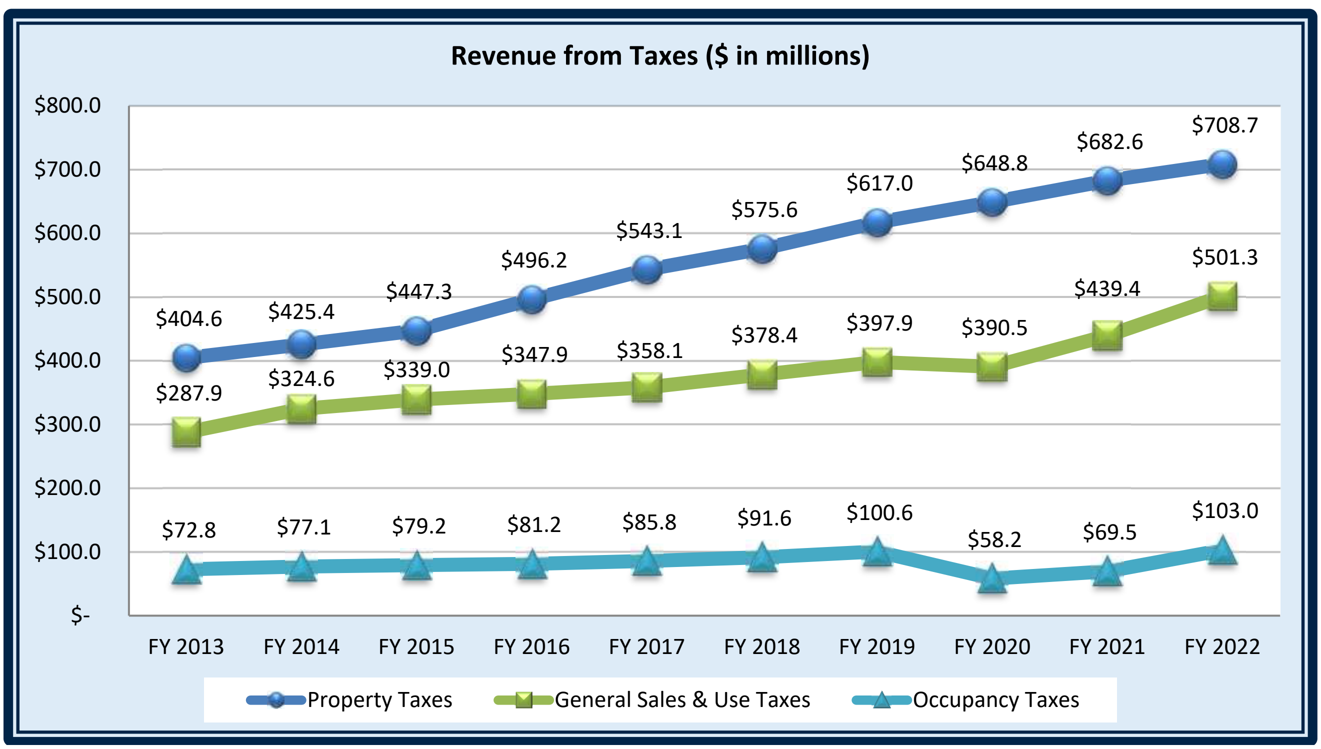
Expenses for Business-Type Activities were $327,559 compared to prior year's expenses of $310,192. The increase of $17,367 is due primarily to the following:

- The increase of $6,067 in Airport System expenses is from an increase in Aviation expenses from fiscal year 2021 due to Airline Competitive Credit accrual.
- The increase of $10,652 in Solid Waste Management expenses is attributed to personnel services from an increase in the number of authorized positions of 19 over last year due to forecasted increases in service level needs due to continued revenue growth. Compensation adjustments were also made to attract and retain personnel.

## Financial Analysis of Governmental Funds

Activities of the Primary Government's General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are considered general government functions. The General Fund is the City's primary operating fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations. The Capital Projects Funds are used to account for financial activity related to the City debt for Capital Projects, other agency contributions, and the operating activities of those projects.

Revenues from taxes increased by $123,484, which is primarily attributable to: (1) a $26,019 increase in property tax revenues (2) a $61,878 increase in general sales and use tax, and (3) a $33,524 increase in occupancy tax revenues. The increase in property taxes is due to a 2.1% increase in value for existing taxable property valuation, while new taxable property valuation increased by approximately 1.6%. The increase in general sales and use taxes is a result of the retail trade sectors continuing to increase over last year and over pre-pandemic levels; with restrictions lifted, federal benefits received by the consumers increasing employment, increased prices for goods and services due to inflation, and consumers are continuing to spend at a higher price point. The increase in occupancy taxes is also due to COVID-19 restrictions being lifted, resulting in an uptick in hotel and travel industry during the summer months.



The total fund balance of the General Fund at year-end was $465,875, an increase of $92,731 from the total fund balance of $373,144 in fiscal year 2021. The fund balance is categorized as follows: $8,048 in nonspendable, $111,165 in committed, $8 in assigned, and $346,654 in unassigned fund balances. The unassigned fund balance includes $130,093 in budgeted financial reserves held by the City, as well as amounts available for additional appropriations at the end of the fiscal year inclusive of a $215,240 reserve for Two-Year Budget Plan.

The total fund balance of the Debt Service Fund at year-end was $45,047, an increase of $2,759 from the total fund balance of $42,288 in fiscal year 2021. The entire fund balance is restricted for payment of debt service.

The COVID-19 Fund has a total deficit fund balance of $26,414 at year-end, a decrease of $3,423 from the total deficit fund balance of $22,991 in fiscal year 2021. The negative fund balance is a result of the timing of reimbursements from the federal government. The COVID-19 Fund is restricted for disbursements related to the City's response to the COVID-19 pandemic.

The total fund balance of the 2017 General Obligation Bonds at year-end was $296,134, a decrease of $146,520 from the total fund balance of $442,654 in fiscal year 2021. The decrease is from the final year of sales of obligation bonds issued to support capital expenditures associated with the $850,000 bond program approved by voters in fiscal year 2017.

## General Fund Budgetary Highlights

**Variances in Budget Appropriations**
**Year-Ended September 30, 2022**
**(Budgetary Basis)**
**General Fund**

| | Original Budget | Final Budget | Actual Results | Variances: Budget | Variances: Final to Actual |
|---|---|---|---|---|---|
| **Resources (Inflows):** | | | | | |
| Taxes | $ 778,710 | $ 822,865 | $ 829,648 | $ 44,155 | $ 6,783 |
| Licenses and Permits | 9,110 | 9,389 | 9,377 | 279 | (12) |
| Intergovernmental | 35,660 | 36,921 | 22,586 | 1,261 | (14,335) |
| Revenues from Utilities | 392,030 | 419,862 | 419,985 | 27,832 | 123 |
| Charges for Services | 55,325 | 70,575 | 71,436 | 15,250 | 861 |
| Fines and Forfeits | 8,306 | 6,200 | 6,931 | (2,106) | 731 |
| Miscellaneous | 12,954 | 19,926 | 25,024 | 6,972 | 5,098 |
| Investment Earnings | 588 | 1,782 | 2,519 | 1,194 | 737 |
| Transfers from Other Funds | 16,348 | 16,649 | 16,895 | 301 | 246 |
| Total | $ 1,309,031 | $ 1,404,169 | $ 1,404,401 | $ 95,138 | $ 232 |
| **Charges to Appropriations (Outflows):** | | | | | |
| General Government | $ 92,704 | $ 95,760 | $ 93,051 | $ 3,056 | $ 2,709 |
| Public Safety | 835,239 | 855,427 | 854,717 | 20,188 | 710 |
| Public Works | 73,869 | 82,547 | 82,444 | 8,678 | 103 |
| Health Services | 43,534 | 45,601 | 43,912 | 2,067 | 1,689 |
| Welfare | 50,841 | 52,775 | 49,437 | 1,934 | 3,338 |
| Culture and Recreation | 128,127 | 135,088 | 134,026 | 6,961 | 1,062 |
| Economic Development and Opportunity | 9,013 | 19,168 | 14,377 | 10,155 | 4,791 |
| Urban Redevelopment and Housing | 33,077 | 35,655 | 35,228 | 2,578 | 427 |
| Transfers to Other Funds | 70,525 | 98,857 | 99,938 | 28,332 | (1,081) |
| Total | $ 1,336,929 | $ 1,420,878 | $ 1,407,130 | $ 83,949 | $ 13,748 |

Changes from the adopted budget revenues to the final amended budget resulted in a net increase of $95,138. This increase can be summarized by the following:

- The final budget for taxes increased by $44,155 due to growth of sales tax receipts from retail trade and an overall increase in cost of goods and services.
- Revenues from Utilities budget was increased by $27,832 to account for the Electric and Gas Fuel Adjustment Factors being 53% higher than projections due to rising fuel costs. The final budget also accounted for higher fuel costs as well as the partial year impact of the CPS rate adjustment approved by City Council which took effect on March 1, 2022.
- Charges for Services budget increased by $15,250 to account for the $9,400 for Ambulance Supplemental Payment from the Charity Care Program and higher than anticipated revenues from the beginning of the year for River Barge fees, EMS Transports, and Tower of Americas revenues.
- Miscellaneous budget increased by $6,972 driven by $3,419 related to the sale of unclaimed vehicles as auctions came in at a higher value per vehicle. The final budget was also increased by $2,055 to account for the incentive reimbursement from USAA due to their failure to meet required agreements. Another $555 increase from Special Inventory Tax from motor vehicle dealers based on the total value of inventory sold. Car values have increased due to inflation as well as supply chain shortages.

Final budgeted revenue appropriations for the General Fund were $1,404,169 while actual revenues on a budgetary basis were $1,404,401, creating a favorable variance of $232. Variance explanations are listed below:

- Tax revenues are $6,783 higher than final budgeted amounts due to surging consumer spending as the COVID-19 wave recedes supported by strong employment and wage growth and savings accumulated during the pandemic. Sales tax receipts from retail trade sectors continue to be the most highly elevated, as resurgent consumer spending following the lifting of pandemic-related restrictions and supported by increasing employment, federal income support policies and continuance of low interest rates.
- Intergovernmental revenue was $14,335 less than budget because reimbursement of expenditures did not occur in fiscal year 2022 as expected, but will occur in fiscal year 2023.

Changes in original expenditure budget appropriations to the final amended budget appropriations resulted in a net $83,949 increase in appropriations. This increase can be summarized by the following:

- Public Safety increased by $20,188 driven by a $5,941 lump sum payment equivalent to 2% for San Antonio Police officers consistent with the Collective Bargaining Agreement. Additionally, an increase of $5,618 for the increased calculated allocation for the general liability assessment. An increase of $4,519 to capture prior year carryforwards related to capital outlay for replacement duty weapons, computer replacements, computer equipment, vehicles and other essential equipment. An increase of $2,553 was for motor fuel due to increased prices and fuel consumption. Another $887 was increased for building maintenance on fire stations.
- Public Works increased by $8,678 to capture prior year carryforwards of $5,069 for streets and $766 for various traffic and transportation programs. Additionally, there was an increase of $1,264 for the increased calculated allocation for the general liability assessment.
- Culture & Recreation budget increased by $6,961 to capture prior year carryforwards of $4,223 for the Inner-City Incentive program. Additionally, there was an increase of $1,909 for the increased calculated allocation for the general liability assessment.
- Economic Development budget increased by $10,155 to capture $6,415 of prior year carryforwards for the Economic Development Incentive Fund, for multi-year incentive agreements with multiple entities, and $1,026 for other economic development initiatives funded from the General Fund.
- Transfers to Other Funds increased by $28,332, primarily to account for funding towards the Recovery and Resilience Program in the amount of $36,631 related to the COVID-19 pandemic, for emergency housing, health plans, emergency services response, and workforce development.

Final budgeted expenditure appropriations for the General Fund were $1,420,878 while actual expenditures on a budgetary basis were $1,407,130, creating a favorable variance of $13,748. There were no significant variances within the program expenditures to highlight.

## Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to $6,310,190 (net of accumulated depreciation). This investment in capital assets includes land, other non-depreciable assets, buildings, improvements, infrastructure, machinery and equipment, intangible assets, and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was $161,357, which is comprised of an increase of $174,325 in governmental activities and a decrease of $12,968 in business-type activities.

**Capital Assets**
**September 30, 2022**
**(With Comparative Totals for September 30, 2021)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | $ 1,441,439 | $ 1,427,106 | $ 15,796 | $ 15,796 | $ 1,457,235 | $ 1,442,902 |
| Construction in Progress | 514,863 | 520,925 | 35,672 | 27,500 | 550,535 | 548,425 |
| Non-Depreciable Intangible Assets | 246,423 | 234,974 | | | 246,423 | 234,974 |
| Depreciable Intangible Assets | 299 | 387 | 9,316 | 5,086 | 9,615 | 5,473 |
| Buildings | 983,347 | 918,962 | 351,421 | 367,488 | 1,334,768 | 1,286,450 |
| Improvements | 600,319 | 602,382 | 324,808 | 324,843 | 925,127 | 927,225 |
| Infrastructure | 1,534,401 | 1,445,147 | | | 1,534,401 | 1,445,147 |
| Machinery and Equipment | 232,219 | 229,102 | 19,867 | 29,135 | 252,086 | 258,237 |
| Total | $ 5,553,310 | $ 5,378,985 | $ 756,880 | $ 769,848 | $ 6,310,190 | $ 6,148,833 |

During fiscal year 2022, the City transferred $371,546 of construction in progress for completed capital projects, mainly comprised of the renovation of City Tower, city-wide streets and drainage projects, parks improvements, and municipal facilities.

The following schedule provides a summary of the City's capital assets:

**Change in Capital Assets**
**Year-Ended September 30, 2022**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Beginning Balance | $ 5,378,985 | $ 769,848 | $ 6,148,833 |
| Additions | 446,942 | 55,409 | 502,351 |
| Deletions | (35,764) | (10,370) | (46,134) |
| Accumulated Depreciation | (236,853) | (58,007) | (294,860) |
| Ending Balance | $ 5,553,310 | $ 756,880 | $ 6,310,190 |

Additional information on the City's capital assets can be found in Note 5 Capital Assets.

## Debt Administration

Standard & Poor's, Moody's, and Fitch's underlying ratings for City obligations during fiscal year 2022 were as follows:

| Bond Ratings<br>Year-Ended September 30, 2022 | | | |
|---|---|---|---|
| | Standard & Poor's | Moody's | Fitch |
| General Obligation/Certificates of Obligation/Tax Notes | AAA | Aaa | AA+ |
| Airport System | A | A1 | A+ |
| Airport PFC | A- | A2 | A |
| Airport CFC | BBB+ | A3 | BBB+ |
| Municipal Drainage Utility System Revenue Bonds | AA+ | Aa2 | AA+ |
| Municipal Facilities Corporation Lease Revenue Bonds | AA+ | Aa1 | AA |
| Public Facilities Corporation Lease Revenue Bonds | AA+ | Aa2 | AA |

### *Long-Term Obligations*

At the end of the current fiscal year, the City had a total of $3,442,590 in bonds, certificates, and notes outstanding. Additional information on the City's long-term debt, including descriptions of the new issues, can be found in Note 8 Long-Term Obligations.

| Outstanding Debt<br>September 30, 2022<br>(With Comparative Totals for September 30, 2022) | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Bonds Payable: | | | | | | |
| Tax-Exempt General Obligation Bonds | $ 1,107,015 | $ 1,153,365 | $ 1,325 | $ 1,545 | $ 1,108,340 | $ 1,154,910 |
| Taxable General Obligation Bonds | 508,940 | 428,710 | 3,150 | 4,715 | 512,090 | 433,425 |
| Tax-Exempt Certificates of Obligation | 403,195 | 340,895 | 34,525 | 35,995 | 437,720 | 376,890 |
| Taxable Certificates of Obligation | 140,085 | 145,680 | | | 140,085 | 145,680 |
| Tax Notes | 88,010 | 78,315 | | | 88,010 | 78,315 |
| Revenue Bonds | 715,075 | 875,934 | 351,345 | 370,385 | 1,066,420 | 1,246,319 |
| Bonds from Direct Placements | 27,925 | 30,505 | 62,000 | 62,000 | 89,925 | 92,505 |
| Capital Appreciation Bonds (CAB) | | 16,665 | | | | 16,665 |
| Total | $ 2,990,245 | $ 3,070,069 | $ 452,345 | $ 474,640 | $ 3,442,590 | $ 3,544,709 |

### *Governmental Activities*

On March 3, 2022, City Council approved the acquisition of Grand Hyatt San Antonio River Walk Hotel (Hyatt) by CFC-SA, LLC, an Arizona based non-profit who under its charitable purpose will hold the hotel in trust for the City, and a resolution authorizing the defeasance of the City of San Antonio, Texas Convention Center Hotel Finance Corporation Contract Revenue Empowerment Zone Bonds, Series 2005A and 2005B. Through a 30-year Qualified Management Agreement with the non-profit, Hyatt will continue to be the operator of the hotel with the same brand standards it currently operates. To finance the acquisition of the hotel by the non-profit, Hotel Revenue Bonds were issued by the Public Facility Authority, a Wisconsin governmental entity and a conduit issuer of the non-profit. Proceeds from the sale of the Hotel Revenue Bonds were used to pay Hyatt for the purchase of the hotel, fund reserves, and pay costs of issuance. Hyatt used a portion of the sales proceeds to pay off the Convention Center Hotel Finance Corporation, current outstanding City of San Antonio, Texas

Convention Center Hotel Finance Corporation Contract Revenue Empowerment Zone Bonds, Series 2005A and 2005B in the amounts of $129,930 and $38,410, respectively.

On May 7, 2022, voters approved a $1,200,000 bond program, the largest bond program in the City's history. On August 9, 2022, the City issued a portion of the authorized bond in $57,680 in General Improvement Bonds, Series 2022 and $100,520 in General Improvement Bonds, Taxable Series 2022. The General Improvement Bonds, Series were issued to finance improvements to streets, bridges, and sidewalks; drainage and flood control; parks and recreation; library and cultural facilities; and public safety facilities. The General Improvement Bonds, Taxable Series 2022 proceeds were issued to finance affordable housing. These bonds represent the first installment of the Bond Program approved by voters in May 2022.

Additionally on August 9, 2022, the City issued $79,830 in Combination Tax and Revenue Certificates of Obligation, Series 2022; and $47,910 in Tax Notes, Series 2022. The Combination Tax and Revenue Certificates of Obligation, Series 2022 were issued to finance improvements to municipal facilities; streets, sidewalks and drainage; parks and recreation; and funding for capital contingency. The Tax Notes, Series 2022 were issued to finance improvements for information technology, municipal facilities, parks and recreation, and street maintenance projects.

On August 30, 2022, the City issued $292,880 in Texas Public Facilities Corporation Lease Revenue Refunding and Improvement Bonds, Series 2022 to refinance existing debt for interest cost savings and to fund improvements to Convention Center Facilities. The refunding proceeds and premium were used to fund an escrow account for the partial redemption discharge and defeasance of the Texas Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012.

***Business-Type Activities***

The City did not issue debt under Business-Type Activities in fiscal year 2022.

The Constitution of the State of Texas and the City Charter limit the amount of debt the City may incur. For more information related to these limits see Note 8 Long-Term Obligations.

## Currently Known Facts

For more information on other currently known facts, please see Note 22 Subsequent Events.

## Requests for Information

This financial report is designed to provide a general overview of the City's position for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 839966, San Antonio, TX 78283-3966 or via email at http://www.sanantonio.gov/Finance/about/contactandfeedback.

# Basic Financial Statements

## Statement of Net Position
### As of September 30, 2022
(In Thousands)

| | PRIMARY GOVERNMENT | | | |
|---|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
| **Assets:** | | | | |
| **Current Assets:** | | | | |
| Cash and Cash Equivalents | $ 209,546 | $ 24,416 | $ 233,962 | $ 565,744 |
| Investments | 534,945 | 70,666 | 605,611 | 418,346 |
| Receivables, Net | 190,541 | 13,151 | 203,692 | 540,268 |
| Materials and Supplies, at Cost | 11,319 | 1,098 | 12,417 | 200,301 |
| Internal Balances | 3,146 | (8,987) | (5,841) | |
| Due From Other Governmental Agencies, Net | 2,371 | 79 | 2,450 | 3,391 |
| Deposits | 301 | | 301 | |
| Prepaid Expenses | 7,001 | 449 | 7,450 | 187,035 |
| Lease Receivable | 10,626 | 12,557 | 23,183 | |
| Other Assets | | | | 719 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 479,595 | 91,671 | 571,266 | 389,475 |
| Investments | 988,227 | 158,366 | 1,146,593 | 1,948,024 |
| Receivables, Net | 57,045 | 3,647 | 60,692 | 7,422 |
| Materials and Supplies, at Cost | 3,403 | | 3,403 | |
| Deposits | 1 | | 1 | |
| Prepaid Expenses | 3,394 | 403 | 3,797 | |
| Lease Receivable | 2,351 | | 2,351 | 251 |
| Due From Other Governmental Agencies, Net | 85,316 | 183 | 85,499 | |
| **Total Current Assets** | 2,589,128 | 367,699 | 2,956,827 | 4,260,976 |
| **Noncurrent Assets:** | | | | |
| Capital Assets: | | | | |
| Non Depreciable | 2,202,725 | 51,468 | 2,254,193 | 2,028,336 |
| Depreciable, Net | 3,350,585 | 705,412 | 4,055,997 | 14,382,256 |
| Lease Assets, Net | 89,495 | 128 | 89,623 | |
| Investments | 700 | | 700 | |
| Receivables, Net | 96,490 | | 96,490 | 154,577 |
| Prepaid Expenses | | | | 86,051 |
| Pension Regulatory Asset | | | | 223,819 |
| Lease Receivable | 91,494 | 96,654 | 188,148 | 5,127 |
| Other Noncurrent Assets | | | | 1,079,904 |
| **Total Noncurrent Assets** | 5,831,489 | 853,662 | 6,685,151 | 17,960,070 |
| **Total Assets** | 8,420,617 | 1,221,361 | 9,641,978 | 22,221,046 |
| **Total Deferred Outflows of Resources** | 429,816 | 40,836 | 470,652 | 816,539 |
| **Liabilities:** | | | | |
| **Current Liabilities:** | | | | |
| Accounts Payable and Other Current Liabilities | 132,747 | 29,128 | 161,875 | 570,631 |
| Accrued Interest | 37 | 6 | 43 | |
| Unearned Revenue | 6,056 | 1,768 | 7,824 | 1,369 |
| Current Portion of Long-Term Obligations | 152,517 | 5,780 | 158,297 | 64,346 |
| Due To Other Governmental Agencies | 57 | | 57 | |
| Liabilities Payable From Restricted Assets: | | | | |
| Accounts Payable and Current Liabilities | 119,662 | 9,572 | 129,234 | 46,562 |
| Accrued Interest | 15,812 | 4,836 | 20,648 | 20,088 |
| Unearned Revenue | 252,707 | | 252,707 | |
| Due To Other Governmental Agencies | 374 | | 374 | |
| Current Portion of Long-Term Obligations | 254,736 | 26,645 | 281,381 | 386,530 |
| **Total Current Liabilities** | 934,705 | 77,735 | 1,012,440 | 1,089,526 |
| **Noncurrent Liabilities:** | | | | |
| Noncurrent Portion of Long-Term Obligations | 4,336,289 | 579,315 | 4,915,604 | 13,309,819 |
| **Total Noncurrent Liabilities** | 4,336,289 | 579,315 | 4,915,604 | 13,309,819 |
| **Total Liabilities** | 5,270,994 | 657,050 | 5,928,044 | 14,399,345 |
| **Total Deferred Inflows of Resources** | 1,004,344 | 196,351 | 1,200,695 | 497,520 |
| **Net Position:** | | | | |
| Net Investment in Capital Assets | 3,156,106 | 304,918 | 3,461,024 | 6,064,636 |
| Restricted for: | | | | |
| Debt Service | 41,903 | 38,512 | 80,415 | 84,137 |
| Capital Projects | 42,319 | 183,998 | 226,317 | 816,646 |
| Operating and Other Reserves | 79,179 | | 79,179 | 79,243 |
| Perpetual Care: | | | | |
| Expendable | 11,718 | | 11,718 | |
| Nonexpendable | 6,441 | | 6,441 | |
| Unrestricted (Deficit) | (762,571) | (118,632) | (881,203) | 1,096,058 |
| **Total Net Position** | $ 2,575,095 | $ 408,796 | $ 2,983,891 | $ 8,140,720 |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Activities

**Year-Ended September 30, 2022**

(In Thousands)

| FUNCTION/PROGRAM ACTIVITIES | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS | PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION — PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
|---|---|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | | | |
| **Governmental Activities:** | | | | | | | | |
| General Government | $ 135,351 | $ 17,156 | $ 22,949 | $ 11,093 | $ (84,153) | $ - | $ (84,153) | |
| Public Safety | 766,295 | 75,304 | 34,641 | | (656,350) | | (656,350) | |
| Public Works | 347,536 | 79,460 | 3,961 | 72,764 | (191,351) | | (191,351) | |
| Sanitation | 11,316 | | | | (11,316) | | (11,316) | |
| Health Services | 102,620 | 10,255 | 56,111 | 521 | (35,733) | | (35,733) | |
| Culture and Recreation | 202,798 | 80,882 | 4,693 | 11,002 | (106,221) | | (106,221) | |
| Convention and Tourism | 80,658 | | 18,381 | 1,968 | (60,309) | | (60,309) | |
| Urban Redevelopment and Housing | 126,328 | 1,072 | 84,976 | | (40,280) | | (40,280) | |
| Welfare | 260,447 | | 213,472 | | (46,975) | | (46,975) | |
| Education | 79,651 | 399 | 6,728 | 20 | (72,504) | | (72,504) | |
| Economic Development and Opportunity | 70,732 | 1,144 | 20,925 | | (48,663) | | (48,663) | |
| Environmental | 193 | 10,294 | | | 10,101 | | 10,101 | |
| Bond Issuance Costs | 4,061 | | | | (4,061) | | (4,061) | |
| Interest on Long-Term Debt | 63,382 | | | | (63,382) | | (63,382) | |
| **Total Governmental Activities** | 2,251,368 | 275,966 | 466,837 | 97,368 | (1,411,197) | | (1,411,197) | |
| **Business-Type Activities:** | | | | | | | | |
| Airport System | 135,836 | 109,994 | 36,350 | 42,818 | | 53,326 | 53,326 | |
| Development Services | 43,540 | 47,555 | | | | 4,015 | 4,015 | |
| Market Square | 2,232 | 2,966 | | | | 734 | 734 | |
| Parking System | 7,188 | 8,077 | | | | 889 | 889 | |
| Solid Waste Management | 138,763 | 131,910 | | 1,770 | | (5,083) | (5,083) | |
| **Total Business-Type Activities** | 327,559 | 300,502 | 36,350 | 44,588 | | 53,881 | 53,881 | |
| **Total Primary Government** | $ 2,578,927 | $ 576,468 | $ 503,187 | $ 141,956 | (1,411,197) | 53,881 | (1,357,316) | |
| **Discretely Presented Component Units:** | | | | | | | | |
| CPS Energy | $ 2,812,185 | $ 2,762,548 | $ - | $ 74,403 | | | | $ 24,766 |
| SAWS | 720,572 | 779,332 | | 239,655 | | | | 298,415 |
| Port Authority of San Antonio | 58,966 | 54,200 | | 165 | | | | (4,601) |
| SABC Soccer Public Facility Corporation | 1,195 | 521 | | | | | | (674) |
| SA Energy Acquisition Public Facility Corporation | 93,355 | 41,854 | | | | | | (51,501) |
| **Total Discretely Presented Component Units** | $ 3,686,273 | $ 3,638,455 | $ - | $ 314,223 | | | | 266,405 |
| **General Revenues:** | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | | | | | 708,485 | | 708,485 | |
| General Sales and Use | | | | | 501,259 | | 501,259 | |
| Selective Sales and Use | | | | | 11,698 | | 11,698 | |
| Gross Receipts Business | | | | | 21,015 | | 21,015 | |
| Occupancy | | | | | 103,044 | | 103,044 | |
| Penalties and Interest on Delinquent Taxes | | | | | 5,225 | | 5,225 | |
| Revenues from Utilities | | | | | 419,985 | | 419,985 | |
| Investment Earnings (Loss) | | | | | (16,959) | (2,176) | (19,135) | 77,155 |
| Miscellaneous | | | | | 130,851 | 2,100 | 132,951 | 53,180 |
| Special Item - Adjustment for STP Pension Cost | | | | | | | | 43,415 |
| Transfers, Net | | | | | 431 | (2,679) | (2,248) | |
| **Total General Revenues, Special Items and Transfers** | | | | | 1,885,034 | (2,755) | 1,882,279 | 173,750 |
| **Change in Net Position** | | | | | 473,837 | 51,126 | 524,963 | 440,155 |
| Net Position - Beginning of Fiscal Year (restated) | | | | | 2,101,258 | 357,670 | 2,458,928 | 7,700,565 |
| Net Position - End of Fiscal Year | | | | | $ 2,575,095 | $ 408,796 | $ 2,983,891 | $ 8,140,720 |

The accompanying notes are an integral part of these basic financial statements.

## Balance Sheet
## Governmental Funds
### As of September 30, 2022
(In Thousands)

| | MAJOR FUNDS | | | | | |
|---|---|---|---|---|---|---|
| | GENERAL | DEBT SERVICE | COVID-19 FUNDS | 2017 GENERAL OBLIGATION BONDS | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
| **Assets:** | | | | | | |
| Cash and Cash Equivalents | $ 108,735 | $ - | $ - | $ - | $ 56,230 | $ 164,965 |
| Investments | 255,425 | | | | 106,186 | 361,611 |
| Receivables, Net | 187,269 | | | | 2,315 | 189,584 |
| Materials and Supplies, at Cost | 7,341 | | | | 76 | 7,417 |
| Prepaid Expenditures | 707 | | | | 885 | 1,592 |
| Lease Receivable | 51,137 | | | | 9,388 | 60,525 |
| Due From Other Funds | 69,784 | | | | 2,615 | 72,399 |
| Due From Other Governmental Agencies, Net | 1,449 | | | | 221 | 1,670 |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | 201 | 41,093 | 50,388 | 55,885 | 331,607 | 479,174 |
| Investments | | 2,619 | 196,489 | 239,733 | 548,703 | 987,544 |
| Receivables, Net | 33,044 | 11,856 | 427 | 516 | 107,692 | 153,535 |
| Materials and Supplies, at Cost | | | 22 | | 3,381 | 3,403 |
| Deposits | | | | | 1 | 1 |
| Prepaid Expenditures | | | 574 | | 2,820 | 3,394 |
| Lease Receivable | | | | | 41,764 | 41,764 |
| Due From Other Funds | | 507 | 13,352 | | 28,355 | 42,214 |
| Due From Other Governmental Agencies, Net | 106 | | 38,065 | | 47,145 | 85,316 |
| **Total Assets** | $ 715,198 | $ 56,075 | $ 299,317 | $ 296,134 | $ 1,289,384 | $ 2,656,108 |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):** | | | | | | |
| **Liabilities:** | | | | | | |
| Vouchers Payable | $ 15,767 | $ - | $ - | $ - | $ 1,670 | $ 17,437 |
| Accounts Payable - Other | 69,138 | | | | 21,228 | 90,366 |
| Accrued Payroll | 6,918 | | | | 82 | 7,000 |
| Accrued Leave Payable | 7,354 | | | | | 7,354 |
| Unearned Revenue | 5,609 | | | | 429 | 6,038 |
| Due To Other Funds | 13,859 | | | | | 13,859 |
| Due To Other Governmental Agencies | 57 | | | | | 57 |
| Liabilities Payable From Restricted Assets: | | | | | | |
| Vouchers Payable | 6 | | 9,090 | | 66,342 | 75,438 |
| Accounts Payable - Other | 25 | | 7,205 | | 34,505 | 41,735 |
| Accrued Payroll | 25 | | 334 | | 2,130 | 2,489 |
| Accrued Leave Payable | | | | | 302 | 302 |
| Unearned Revenue | | | 240,539 | | 12,168 | 252,707 |
| Due To Other Funds | | 68 | 42,149 | | 64,210 | 106,427 |
| Due To Other Governmental Agencies | | | | | 374 | 374 |
| **Total Liabilities** | 118,758 | 68 | 299,317 | | 203,440 | 621,583 |
| **Deferred Inflows of Resources** | 130,565 | 10,960 | 26,414 | | 143,314 | 311,253 |
| **Fund Balances (Deficits):** | | | | | | |
| Nonspendable | 8,048 | | 596 | | 13,565 | 22,209 |
| Restricted | | 45,047 | | 296,134 | 770,561 | 1,111,742 |
| Committed | 111,165 | | | | 174,300 | 285,465 |
| Assigned | 8 | | | | 17,647 | 17,655 |
| Unassigned | 346,654 | | (27,010) | | (33,443) | 286,201 |
| **Total Fund Balances (Deficits)** | 465,875 | 45,047 | (26,414) | 296,134 | 942,630 | 1,723,272 |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balances** | $ 715,198 | $ 56,075 | $ 299,317 | $ 296,134 | $ 1,289,384 | $ 2,656,108 |

The accompanying notes are an integral part of these basic financial statements.

## Reconciliation of the Balance Sheet to the Statement of Net Position
## Governmental Funds
### As of September 30, 2022
(In Thousands)

| | | |
|---|---|---|
| **Fund Balances - Total Governmental Funds** | | $ 1,723,272 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | |
| **Governmental Capital Assets:** | | |
| Land | 1,441,439 | |
| Construction In Progress | 514,863 | |
| Non-Depreciable Intangible Assets | 246,423 | |
| Depreciable Intangible Assets | 4,091 | |
| Buildings | 1,572,773 | |
| Improvements | 1,161,287 | |
| Infrastructure | 4,002,482 | |
| Machinery and Equipment | 437,139 | |
| Less: Accumulated Depreciation | (3,951,978) | |
| **Total Governmental Capital Assets** | | 5,428,519 |
| Lease Assets | 67,807 | |
| Less: Accumulated Amortization (Lease Assets) | (8,621) | |
| | | 59,186 |
| Deferred inflows of resources-unavailable revenue not reported in the Statement of Net Position | | |
| Revenues previously recorded as unavailable revenue in the fund financial statements | | 210,658 |
| Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position. | | 149,745 |
| Deferred outflows of resources related to pensions, OPEB, and unamortized debt reacquisition costs not reported in the Governmental Funds | | 404,668 |
| Deferred inflows of resources related to pensions and OPEB not reported in the Governmental Funds | | (848,558) |
| Long-term liabilities are not due and payable in the current year, therefore are not reported in the governmental funds. | | |
| Governmental Bonds Payable | (2,985,665) | |
| Unamortized Discount/(Premium) on Bonds, Net | (204,057) | |
| Lease Liability | (61,764) | |
| Financed Purchases | (3,754) | |
| Net OPEB and Pension Liability | (1,045,471) | |
| Accrued Interest Payable | (15,812) | |
| Pollution Remediation Payable | (2,717) | |
| Accrued Leave Payable | (233,136) | |
| Other Payable | (19) | |
| | | (4,552,395) |
| **Net Position of Governmental Activities** | | $ 2,575,095 |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Revenues, Expenditures, and Changes in Fund Balances
## Governmental Funds
**Year-Ended September 30, 2022**
(In Thousands)

| | MAJOR FUNDS | | | | | |
|---|---|---|---|---|---|---|
| | GENERAL | DEBT SERVICE | COVID-19 FUNDS | 2017 GENERAL OBLIGATION BONDS | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
| **Revenues:** | | | | | | |
| Taxes: | | | | | | |
| Property | $ 413,913 | $ 252,907 | $ - | $ - | $ 41,844 | $ 708,664 |
| General Sales and Use | 382,328 | | | | 118,931 | 501,259 |
| Selective Sales and Use | 11,698 | | | | | 11,698 |
| Gross Receipts Business | 18,774 | | | | 2,241 | 21,015 |
| Occupancy | | | | | 103,044 | 103,044 |
| Penalties and Interest on Delinquent Taxes | 2,935 | 1,799 | | | 491 | 5,225 |
| Licenses and Permits | 9,377 | | | | | 9,377 |
| Intergovernmental | 22,586 | | 231,881 | | 258,979 | 513,446 |
| Revenues from Utilities | 419,985 | | | | | 419,985 |
| Charges for Services | 71,722 | | | | 155,984 | 227,706 |
| Fines and Forfeits | 6,931 | | | | 222 | 7,153 |
| Miscellaneous | 26,067 | 158 | 4,853 | | 71,995 | 103,073 |
| Investment Earnings (Loss) | (3,950) | 578 | (2,383) | (3,419) | (5,882) | (15,056) |
| Contributions | | | | | 60,742 | 60,742 |
| **Total Revenues** | 1,382,366 | 255,442 | 234,351 | (3,419) | 808,591 | 2,677,331 |
| **Expenditures:** | | | | | | |
| Current: | | | | | | |
| General Government | 82,184 | 632 | 22,384 | | 14,248 | 119,448 |
| Public Safety | 844,082 | | 6,361 | | 25,726 | 876,169 |
| Public Works | 73,650 | | 4,000 | | 71,675 | 149,325 |
| Health Services | 41,738 | | 31,873 | | 31,275 | 104,886 |
| Sanitation | | | | | 11,280 | 11,280 |
| Welfare | 43,571 | | 76,990 | | 148,225 | 268,786 |
| Culture and Recreation | 126,234 | | 161 | | 63,499 | 189,894 |
| Convention and Tourism | | | | | 67,475 | 67,475 |
| Urban Redevelopment and Housing | 30,797 | | 74,773 | | 21,627 | 127,197 |
| Education | | | | | 79,596 | 79,596 |
| Economic Development and Opportunity | 9,034 | | 21,103 | | 41,080 | 71,217 |
| Environmental | | | | | 88 | 88 |
| Capital Outlay | | | | | 441,722 | 441,722 |
| Debt Service: | | | | | | |
| Principal Retirement | | 192,300 | | | 8,679 | 200,979 |
| Interest | | 79,820 | | | 24,321 | 104,141 |
| Issuance Costs | | | | 16 | 4,045 | 4,061 |
| Leases: | | | | | | |
| Principal Retirement | 3,072 | | 358 | | 2,546 | 5,976 |
| Interest | 359 | | 4 | | 725 | 1,088 |
| **Total Expenditures** | 1,254,721 | 272,752 | 238,007 | 16 | 1,057,832 | 2,823,328 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 127,645 | (17,310) | (3,656) | (3,435) | (249,241) | (145,997) |
| **Other Financing Sources (Uses):** | | | | | | |
| Issuance of Long-Term Debt | | | | | 313,266 | 313,266 |
| Refunding Debt Issued | | | | | 265,875 | 265,875 |
| Payments to Refunded Bond Escrow Agent | | | | | (297,558) | (297,558) |
| Issuance of Lease Liabilities | 578 | | 9 | | 11,330 | 11,917 |
| Premium on Long-Term Debt | | | | | 54,403 | 54,403 |
| Transfers In | 16,895 | 20,069 | 224 | | 717,804 | 754,992 |
| Transfers Out | (52,387) | | | (143,085) | (563,150) | (758,622) |
| **Total Other Financing Sources (Uses), Net** | (34,914) | 20,069 | 233 | (143,085) | 501,970 | 344,273 |
| **Net Change in Fund Balances (Deficits)** | 92,731 | 2,759 | (3,423) | (146,520) | 252,729 | 198,276 |
| Fund Balances (Deficits) October 1 | 373,144 | 42,288 | (22,991) | 442,654 | 689,901 | 1,524,996 |
| **Fund Balances (Deficits) September 30** | $ 465,875 | $ 45,047 | $ (26,414) | $ 296,134 | $ 942,630 | $ 1,723,272 |

The accompanying notes are an integral part of these basic financial statements.

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

### Year-Ended September 30, 2022

(In Thousands)

| | | | |
|---|---|---|---|
| **Net change in Fund Balances - Total Governmental Funds** | | $ | 198,276 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current year. | | | |
| Expenditures for Capital Assets | 403,514 | | |
| Pollution Remediation Capitalization | 736 | | |
| Donated Capital Assets | 1,573 | | |
| Less: Current Year Depreciation | (220,438) | | |
| Less: Current Year Deletions | (14,798) | | |
| | | | 170,587 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund financial statements. | | | 20,679 |
| The issuance of long-term debt (e.g. bonds, notes and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | | |
| Bond, Note, Loan and Financed Purchases Amounts Issued | (579,141) | | |
| (Premium)/Discount on Long-term Debt | (54,403) | | |
| Payments to Escrow Agent | 297,558 | | |
| Amortization of Bond Premiums/Discounts and Deferred Charges, Net | 40,483 | | |
| Principal Payments | 200,979 | | |
| | | | (94,524) |
| The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | | |
| Interest Expense | 997 | | |
| Accrued Leave Payable | (1,061) | | |
| Net OPEB and Pension Expenses | 150,099 | | |
| Pollution Remediation | 652 | | |
| Principal Amounts on Financed Purchases and Notes | 537 | | |
| Net Effect of Lease Activity | (2,363) | | |
| Other Expenses | (5) | | |
| | | | 148,856 |
| Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The change in net position remaining after allocation of business-type activities of the Internal Service Funds is reported with governmental activities. | | | 29,963 |
| **Change in Net Position of Governmental Activities** | | $ | 473,837 |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Net Position
## Proprietary Funds
### As of September 30, 2022
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|---|
| | AIRPORT SYSTEM | SOLID WASTE MANAGEMENT | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **Assets:** | | | | | |
| **Current Assets:** | | | | | |
| **Unrestricted Assets:** | | | | | |
| Cash and Cash Equivalents | $ 13,234 | $ 2,809 | $ 8,373 | $ 24,416 | $ 44,581 |
| Investments | 27,492 | 10,848 | 32,326 | 70,666 | 173,334 |
| Receivables, Net | 883 | 10,948 | 1,320 | 13,151 | 957 |
| Materials and Supplies, at Cost | 940 | 23 | 135 | 1,098 | 3,902 |
| Deposits | | | | | 301 |
| Prepaid Expenses | | | 449 | 449 | 5,409 |
| Lease Receivable | 10,988 | 122 | 1,447 | 12,557 | 218 |
| Due From Other Governmental Agencies, Net | 79 | | | 79 | 701 |
| **Total Unrestricted Assets** | 53,616 | 24,750 | 44,050 | 122,416 | 229,403 |
| **Restricted Assets:** | | | | | |
| Debt Service Accounts: | | | | | |
| Cash and Cash Equivalents | 38,930 | 926 | 1,515 | 41,371 | 66 |
| Investments | 1,520 | 59 | 396 | 1,975 | 4 |
| Receivables, Net | | | 1 | 1 | |
| Construction Accounts: | | | | | |
| Cash and Cash Equivalents | 3,529 | 33 | 30 | 3,592 | 355 |
| Investments | 11,856 | | 92 | 11,948 | 1,379 |
| Receivables, Net | 30 | | | 30 | |
| Prepaid Expenses | 403 | | | 403 | |
| Improvement and Contingency Accounts: | | | | | |
| Cash and Cash Equivalents | 46,523 | | 185 | 46,708 | |
| Investments | 143,723 | | 720 | 144,443 | |
| Receivables, Net | 2,827 | | 1 | 2,828 | |
| Other Restricted Assets: | | | | | |
| Receivables, Net | 788 | | | 788 | |
| Due From Other Governmental Agencies, Net | 183 | | | 183 | |
| **Total Restricted Assets** | 250,312 | 1,018 | 2,940 | 254,270 | 1,804 |
| **Total Current Assets** | 303,928 | 25,768 | 46,990 | 376,686 | 231,207 |
| **Noncurrent Assets:** | | | | | |
| **Capital Assets:** | | | | | |
| Land | 5,323 | 1,107 | 9,366 | 15,796 | |
| Buildings | 542,468 | 11,147 | 27,136 | 580,751 | 179 |
| Improvements | 626,562 | 15,058 | 14,276 | 655,896 | 715 |
| Machinery and Equipment | 38,984 | 40,817 | 14,101 | 93,902 | 323,227 |
| Depreciable Intangible | 352 | | 14,404 | 14,756 | 250 |
| Construction in Progress | 35,390 | 96 | 186 | 35,672 | |
| **Total Capital Assets** | 1,249,079 | 68,225 | 79,469 | 1,396,773 | 324,371 |
| Less: Accumulated Depreciation | 552,821 | 43,456 | 43,616 | 639,893 | 199,580 |
| **Net Capital Assets** | 696,258 | 24,769 | 35,853 | 756,880 | 124,791 |
| Lease Assets | 129 | 12 | 14 | 155 | 31,801 |
| Less: Accumulated Amortization | 22 | 2 | 3 | 27 | 1,492 |
| Lease Assets, Net | 107 | 10 | 11 | 128 | 30,309 |
| Lease Receivable | 84,524 | 251 | 11,879 | 96,654 | 1,964 |
| **Total Noncurrent Assets** | 780,889 | 25,030 | 47,743 | 853,662 | 157,064 |
| **Total Assets** | 1,084,817 | 50,798 | 94,733 | 1,230,348 | 388,271 |
| **Total Deferred Outflows of Resources** | 16,318 | 15,038 | 9,480 | 40,836 | 25,148 |

(Continued)

The accompanying notes are an integral part of these basic financial statements.

## Statement of Net Position
## Proprietary Funds (Continued)
### As of September 30, 2022
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|---|
| | AIRPORT SYSTEM | SOLID WASTE MANAGEMENT | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **Liabilities:** | | | | | |
| **Current Liabilities:** | | | | | |
| **Payable from Current Unrestricted Assets:** | | | | | |
| Vouchers Payable | $ 3,070 | $ 2,024 | $ 466 | $ 5,560 | $ 12,734 |
| Accounts Payable - Other | 11,523 | 4,810 | 5,270 | 21,603 | 3,843 |
| Claims Payable | | | | | 28,913 |
| Accrued Payroll | 608 | 849 | 508 | 1,965 | 1,367 |
| Accrued Interest | 6 | | | 6 | 37 |
| Current Portion of Accrued Leave Payable | 2,168 | 1,836 | 1,322 | 5,326 | 3,835 |
| Unearned Revenue | 1,688 | | 80 | 1,768 | 18 |
| Current Portion of Lease Liability | 26 | 3 | 4 | 33 | 967 |
| Current Portion of Financed Purchases | 210 | | | 210 | |
| Current Portion of Landfill Postclosure Costs | | 211 | | 211 | |
| Current Portion of Pollution Remediation | | | | | 48 |
| Current Portion of Asset Retirement Obligations | | | | | 111 |
| **Total Payable from Current Unrestricted Assets** | 19,299 | 9,733 | 7,650 | 36,682 | 51,873 |
| **Payable from Current Restricted Assets:** | | | | | |
| Vouchers Payable | 6,118 | | | 6,118 | |
| Accrued Interest | 4,555 | 236 | 45 | 4,836 | |
| Current Portion of Bonds and Certificates (net of premium/discount) | 22,827 | 1,926 | 1,892 | 26,645 | 204 |
| Due To Other Funds | | | 168 | 168 | |
| Other Payables | 3,454 | | | 3,454 | |
| **Total Payable from Current Restricted Assets** | 36,954 | 2,162 | 2,105 | 41,221 | 204 |
| **Total Current Liabilities** | 56,253 | 11,895 | 9,755 | 77,903 | 52,077 |
| **Noncurrent Liabilities:** | | | | | |
| Bonds and Certificates (net of current portion & discount/premium) | 403,794 | 31,153 | 7,665 | 442,612 | 4,443 |
| Claims Payable (net of current portion) | | | | | 39,233 |
| Accrued Leave Payable (net of current portion) | 1,043 | 704 | 83 | 1,830 | 2,094 |
| Lease Liability (net of current portion) | 81 | 6 | 6 | 93 | 29,816 |
| Financed Purchases (net of current portion) | 733 | | | 733 | |
| Net OPEB and Pension Liabilities | 42,574 | 55,665 | 33,720 | 131,959 | 88,872 |
| Pollution Remediation (net of current portion) | 1,274 | | | 1,274 | |
| Asset Retirement Obligations (net of current portion) | 587 | | | 587 | 767 |
| Landfill Postclosure Costs (net of current portion) | | 227 | | 227 | |
| **Total Noncurrent Liabilities** | 450,086 | 87,755 | 41,474 | 579,315 | 165,225 |
| **Total Liabilities** | 506,339 | 99,650 | 51,229 | 657,218 | 217,302 |
| **Total Deferred Inflows of Resources** | 128,509 | 34,177 | 33,665 | 196,351 | 55,191 |
| **Net Position (Deficit):** | | | | | |
| Net Investment in Capital Assets | 286,575 | (8,251) | 26,594 | 304,918 | 120,539 |
| Restricted: | | | | | |
| Debt Service | 35,895 | 749 | 1,868 | 38,512 | 29 |
| Capital Projects | 183,091 | | 907 | 183,998 | 1,739 |
| Unrestricted (Deficit) | (39,274) | (60,489) | (10,050) | (109,813) | 18,619 |
| **Total Net Position (Deficit)** | $ 466,287 | $ (67,991) | $ 19,319 | $ 417,615 | $ 140,926 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | (8,819) | |
| **Net Position of Business-Type Activities** | | | | $ 408,796 | |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Revenues, Expenses, and Changes in Net Position
## Proprietary Funds
### Year-Ended September 30, 2022
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|---|
| | AIRPORT SYSTEM | SOLID WASTE MANAGEMENT | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **Operating Revenues:** | | | | | |
| Charges for Services | $ 109,994 | $ 131,910 | $ 58,598 | $ 300,502 | $ 418,335 |
| **Total Operating Revenues** | 109,994 | 131,910 | 58,598 | 300,502 | 418,335 |
| **Operating Expenses:** | | | | | |
| Personal Services | 35,118 | 53,350 | 32,025 | 120,493 | 85,722 |
| Contractual Services | 25,590 | 35,236 | 5,678 | 66,504 | 54,469 |
| Commodities | 2,162 | 11,599 | 686 | 14,447 | 2,166 |
| Materials and Supplies | | | | | 35,659 |
| Claims | | | | | 164,143 |
| Other | 12,762 | 32,728 | 9,405 | 54,895 | 41,195 |
| Depreciation | 40,588 | 4,707 | 6,114 | 51,409 | 34,374 |
| **Total Operating Expenses** | 116,220 | 137,620 | 53,908 | 307,748 | 417,728 |
| **Operating Income (Loss)** | (6,226) | (5,710) | 4,690 | (7,246) | 607 |
| **Nonoperating Revenues (Expenses):** | | | | | |
| Investment (Loss) | (1,678) | (172) | (326) | (2,176) | (1,903) |
| Other Nonoperating Revenue | 37,632 | 778 | 17 | 38,427 | 20,394 |
| Gain on Sale of Capital Assets | 23 | | | 23 | 8,272 |
| Interest and Debt Expense | (16,511) | (1,063) | (268) | (17,842) | (232) |
| Other Nonoperating Expense | (3,205) | | | (3,205) | |
| **Total Nonoperating Revenues (Expenses), Net** | 16,261 | (457) | (577) | 15,227 | 26,531 |
| **Change in Net Position Before Capital Contributions and Transfers** | 10,035 | (6,167) | 4,113 | 7,981 | 27,138 |
| Capital Contributions | 42,818 | 1,770 | | 44,588 | |
| **Transfers In (Out):** | | | | | |
| Transfers In | | 317 | 3,194 | 3,511 | 8,569 |
| Transfers Out | (564) | (1,950) | (3,676) | (6,190) | (4,508) |
| **Total Transfers In (Out), Net** | (564) | (1,633) | (482) | (2,679) | 4,061 |
| **Change In Net Position** | 52,289 | (6,030) | 3,631 | 49,890 | 31,199 |
| Net Position (Deficit) - October 1 | 413,998 | (61,961) | 15,688 | | 109,727 |
| **Net Position (Deficit) - September 30** | $ 466,287 | $ (67,991) | $ 19,319 | | $ 140,926 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | 1,236 | |
| **Change in Net Position of Business-Type Activities** | | | | $ 51,126 | |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Cash Flows
## Proprietary Funds
### Year-Ended September 30, 2022
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|---|
| | AIRPORT SYSTEM | SOLID WASTE MANAGEMENT | NONMAJOR ENTERPRISE FUNDS | TOTALS | INTERNAL SERVICE FUNDS |
| **Cash Flows from Operating Activities:** | | | | | |
| Cash Received from Customers | $ 116,965 | $ 131,876 | $ 59,513 | $ 308,354 | $ 417,959 |
| Cash Payments to Suppliers for Goods and Services | (32,359) | (78,098) | (15,454) | (125,911) | (296,377) |
| Cash Payments to Employees for Service | (39,239) | (52,515) | (31,585) | (123,339) | (96,410) |
| Cash Received from Other Cash Receipts | 37,632 | 778 | 17 | 38,427 | 20,395 |
| **Net Cash Provided by Operating Activities** | 82,999 | 2,041 | 12,491 | 97,531 | 45,567 |
| **Cash Flows from Noncapital Financing Activities:** | | | | | |
| Transfers In from Other Funds | | 317 | 3,194 | 3,511 | 8,569 |
| Transfers Out to Other Funds | (564) | (1,950) | (3,676) | (6,190) | (4,508) |
| **Net Cash Provided By (Used for) Noncapital Financing Activities** | (564) | (1,633) | (482) | (2,679) | 4,061 |
| **Cash Flows from Capital and Related Financing Activities:** | | | | | |
| Acquisitions and Construction of Capital Assets | (37,340) | (3,650) | (169) | (41,159) | (40,614) |
| Contributed Capital | 42,818 | 1,770 | | 44,588 | |
| Interest and Fees Paid on Long-Term Debt | (16,716) | (1,076) | (269) | (18,061) | (234) |
| Interest Paid on Notes and Leases | (1) | | | (1) | |
| Principal Payments on Long-Term Debt | (19,243) | (1,902) | (1,889) | (23,034) | (194) |
| Proceeds from Sale of Assets | 23 | | | 23 | 11,247 |
| **Net Cash (Used for) Capital and Related Financing Activities** | (30,459) | (4,858) | (2,327) | (37,644) | (29,795) |
| **Cash Flows from Investing Activities:** | | | | | |
| Purchases of Investment Securities | (198,394) | (10,583) | (28,594) | (237,571) | (134,203) |
| Maturity of Investment Securities | 111,138 | 10,440 | 13,651 | 135,229 | 65,899 |
| Investments (Loss) | (1,955) | (172) | (316) | (2,443) | (2,135) |
| **Net Cash (Used for) by Investing Activities** | (89,211) | (315) | (15,259) | (104,785) | (70,439) |
| **Net (Decrease) in Cash and Cash Equivalents** | (37,235) | (4,765) | (5,577) | (47,577) | (50,606) |
| Cash and Cash Equivalents, October 1 | 139,451 | 8,533 | 15,680 | 163,664 | 95,608 |
| **Cash and Cash Equivalents, September 30** | $ 102,216 | $ 3,768 | $ 10,103 | $ 116,087 | $ 45,002 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | | |
| Operating Income (Loss) | $ (6,226) | $ (5,710) | $ 4,690 | $ (7,246) | $ 607 |
| **Adjustments to Reconcile Operating Income (Loss)** | | | | | |
| **to Net Cash Provided by Operating Activities:** | | | | | |
| Depreciation | 40,588 | 4,707 | 6,114 | 51,409 | 34,374 |
| Other Nonoperating Revenues | 37,632 | 778 | 17 | 38,427 | 20,394 |
| **Changes in Assets, Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources:** | | | | | |
| (Increase) Decrease in Accounts Receivable | 1,211 | (30) | 2,042 | 3,223 | (3) |
| (Increase) in Lease Receivable | (95,512) | (373) | (13,326) | (109,211) | (2,181) |
| (Increase) in Due from Other Governmental Agencies | (1) | | | (1) | (104) |
| (Increase) Decrease in Materials and Supplies | (3) | 6 | 1 | 4 | (636) |
| (Increase) Decrease in Prepaid Expenses | | | 26 | 26 | (1,685) |
| Increase in Vouchers Payable | 539 | 360 | 78 | 977 | 754 |
| Increase in Claims Payable | | | | | 2,483 |
| Increase (Decrease) in Accounts Payable - Other | 7,575 | 1,517 | (505) | 8,587 | 252 |
| (Decrease) in Accrued Payroll | (964) | (1,238) | (726) | (2,928) | (2,242) |
| (Decrease) in Accrued Leave Payable | (78) | (280) | (139) | (497) | (373) |
| (Decrease) in Landfill Postclosure Liability | | (418) | | (418) | |
| (Decrease) in Net OPEB Liability and Pension Liability | (10,285) | (5,437) | (3,410) | (19,132) | (20,404) |
| Increase (Decrease) in Pollution Remediation Liability | 44 | | | 44 | (72) |
| Increase in Asset Retirement Obligations | | | | | 160 |
| Decrease in Deferred Outflows of Resources | 862 | 461 | 442 | 1,765 | 589 |
| Increase in Deferred Inflows of Resources | 106,379 | 7,698 | 17,210 | 131,287 | 13,655 |
| Increase (Decrease) in Unearned Revenue | 1,238 | | (19) | 1,219 | (1) |
| (Decrease) in Due to Other Governmental Agencies | | | (4) | (4) | |
| **Net Cash Provided by Operating Activities** | $ 82,999 | $ 2,041 | $ 12,491 | $ 97,531 | $ 45,567 |

The accompanying notes are an integral part of these basic financial statements.

# Statement of Fiduciary Net Position
## Fiduciary Funds
### As of September 30, 2022
(In Thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | CUSTODIAL FUNDS |
|---|---|---|
| **Assets:** | | |
| **Current Assets:** | | |
| Cash and Cash Equivalents | $ 103,817 | $ 3,638 |
| Security Lending Collateral | 134,858 | |
| Investments: | | |
| Common Stock | 2,020,358 | |
| U.S. Government Securities | 124,147 | 2,211 |
| Corporate Bonds | 668,110 | |
| Foreign Bonds | 184,998 | |
| Mutual Funds | 118,047 | |
| Hedge Funds | 30,886 | |
| Real Estate | 374,421 | |
| Alternative | 1,093,289 | |
| Receivables: | | |
| Accounts | 4,041 | 656 |
| Accrued Interest | 4,732 | 5 |
| Accrued Revenue | 14,492 | |
| Prepaid Expenses | 53 | |
| **Total Current Assets** | 4,876,249 | 6,510 |
| **Capital Assets:** | | |
| Land | 14,667 | |
| Machinery and Equipment | 1,042 | |
| Buildings | 2,024 | |
| **Total Capital Assets** | 17,733 | |
| Less: Accumulated Depreciation | 2,037 | |
| **Net Capital Assets** | 15,696 | |
| **Total Assets** | $ 4,891,945 | $ 6,510 |
| **Liabilities:** | | |
| Vouchers Payable | $ 11,281 | $ - |
| Accounts Payable - Other | 19,315 | |
| Claims Payable | 4,872 | |
| Accrued Payroll | 530 | |
| Unearned Revenue | 1 | |
| Securities Lending Obligation | 134,858 | |
| **Total Liabilities** | 170,857 | |
| **Net Position:** | | |
| Restricted for Pensions | 4,150,930 | |
| Restricted for Other Postemployment Benefits | 570,158 | |
| Restricted for individuals, organizations, and other governments | | 6,510 |
| **Total Net Position** | $ 4,721,088 | $ 6,510 |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Changes in Fiduciary Net Position
## Fiduciary Funds
### Year-Ended September 30, 2022
(In Thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | CUSTODIAL FUNDS |
|---|---|---|
| **Additions:** | | |
| **Contributions:** | | |
| Employer | $ 135,019 | $ - |
| Employee | 65,822 | |
| Other Contributions | 2,126 | |
| **Total Contributions** | 202,967 | |
| **Investment Earnings:** | | |
| Net Increase (Decrease) in Fair Value of Investments | 531,542 | (43) |
| Real Estate Income, Net | 7,663 | |
| Interest and Dividends | 55,195 | 17 |
| Securities Lending | 400 | |
| Other Income | 677 | |
| **Total Investment Earnings** | 595,477 | (26) |
| Less: Investment Expenses | | |
| Investment Management Fees and Custodian Fees | (14,611) | |
| Less: Securities Lending Expenses | | |
| Borrower Rebates and Lending Fees | (96) | |
| **Net Investment Earnings (Loss)** | 580,770 | (26) |
| **Collections:** | | |
| Tax Collections for Other Governments | | 43,354 |
| Fee and Fine Collections for Other Governments | | 6,174 |
| Payments Collected on Behalf of Others | | 199 |
| **Total Collections** | | 49,727 |
| **Total Additions** | 783,737 | 49,701 |
| **Deductions:** | | |
| Benefits | 274,169 | |
| Refunds of Contributions | 1,179 | |
| Administrative Expense | 7,891 | 672 |
| Fees and Fines Disbursed to Other Governments | | 5,190 |
| Payments Disbursed on Behalf of Others | | 787 |
| Tax Collections Disbursed to Other Governments | | 38,304 |
| Other Disbursements | | 2,239 |
| **Total Deductions** | 283,239 | 47,192 |
| **Change in Net Position** | 500,498 | 2,509 |
| Net Position - Beginning of Fiscal Year | 4,220,590 | 4,001 |
| **Net Position - End of Fiscal Year** | $ 4,721,088 | $ 6,510 |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Net Position
## Discretely Presented Component Units
### As of September 30, 2022
(In Thousands)

| | CPS ENERGY | SAN ANTONIO WATER SYSTEM | NONMAJOR COMPONENT UNITS | TOTAL |
|---|---|---|---|---|
| **Assets:** | | | | |
| **Current Assets:** | | | | |
| **Unrestricted Assets:** | | | | |
| Cash and Cash Equivalents | $ 384,834 | $ 165,654 | $ 15,256 | $ 565,744 |
| Investments | | 373,994 | 44,352 | 418,346 |
| Receivables, Net | 422,781 | 88,110 | 29,377 | 540,268 |
| Materials and Supplies, at Cost | 193,999 | 6,302 | | 200,301 |
| Due from Other Governmental Agencies | | | 3,391 | 3,391 |
| Prepaid Expenses | 155,673 | 7,539 | 23,823 | 187,035 |
| Other Assets | | | 719 | 719 |
| **Total Unrestricted Assets** | 1,157,287 | 641,599 | 116,918 | 1,915,804 |
| **Restricted Assets:** | | | | |
| Debt Service Accounts: | | | | |
| Cash and Cash Equivalents | 1,347 | 87,169 | 10,543 | 99,059 |
| Investments | | 27,022 | 99,548 | 126,570 |
| Receivables, Net | | | 69 | 69 |
| Capital Projects Accounts: | | | | |
| Cash and Cash Equivalents | 51,141 | 174,165 | | 225,306 |
| Investments | | 232,654 | | 232,654 |
| Receivables, Net | 58 | | | 58 |
| Ordinance Accounts: | | | | |
| Cash and Cash Equivalents | 23,494 | | | 23,494 |
| Investments | 546,439 | | | 546,439 |
| Receivables, Net | 1,701 | | | 1,701 |
| Other Restricted Accounts: | | | | |
| Cash and Cash Equivalents | 33,934 | | 7,682 | 41,616 |
| Investments | 722,759 | 319,602 | | 1,042,361 |
| Receivables, Net | 5,147 | | 447 | 5,594 |
| Lease Receivable | | | 251 | 251 |
| **Total Restricted Assets** | 1,386,020 | 840,612 | 118,540 | 2,345,172 |
| **Total Current Assets** | 2,543,307 | 1,482,211 | 235,458 | 4,260,976 |
| **Noncurrent Assets:** | | | | |
| **Capital Assets:** | | | | |
| Land | 112,823 | 169,022 | 39,563 | 321,408 |
| Land Easements and Water Rights | 106,765 | 249,251 | | 356,016 |
| Depreciable Intangible Assets | 299,499 | 1,354 | | 300,853 |
| Infrastructure | | | 78,162 | 78,162 |
| Buildings | | | 415,307 | 415,307 |
| Utility Plant in Service | 14,265,897 | 8,032,768 | | 22,298,665 |
| Machinery and Equipment | | 581,202 | 13,492 | 594,694 |
| Construction in Progress | 719,987 | 603,821 | 27,104 | 1,350,912 |
| Nuclear Fuel | 1,151,055 | | | 1,151,055 |
| **Total Capital Assets** | 16,656,026 | 9,637,418 | 573,628 | 26,867,072 |
| Less: Accumulated Depreciation | 7,747,165 | 2,520,370 | 188,945 | 10,456,480 |
| **Net Capital Assets** | 8,908,861 | 7,117,048 | 384,683 | 16,410,592 |
| **Other Noncurrent Assets:** | | | | |
| Receivables, Net | | | 154,577 | 154,577 |
| Prepaid Expenses | | | 86,051 | 86,051 |
| Pension Regulatory Asset | 223,819 | | | 223,819 |
| Lease Receivable | | | 5,127 | 5,127 |
| Other Noncurrent Assets | 1,076,336 | 3,568 | | 1,079,904 |
| **Total Other Noncurrent Assets** | 1,300,155 | 3,568 | 245,755 | 1,549,478 |
| **Total Noncurrent Assets** | 10,209,016 | 7,120,616 | 630,438 | 17,960,070 |
| **Total Assets** | 12,752,323 | 8,602,827 | 865,896 | 22,221,046 |
| **Deferred Outflows of Resources** | 724,718 | 90,960 | 861 | 816,539 |

(Continued)

The accompanying notes are an integral part of these basic financial statements.

## Statement of Net Position
## Discretely Presented Component Units (Continued)
### As of September 30, 2022
(In Thousands)

| | CPS ENERGY | SAN ANTONIO WATER SYSTEM | NONMAJOR COMPONENT UNITS | TOTAL |
|---|---|---|---|---|
| **Liabilities:** | | | | |
| **Current Liabilities:** | | | | |
| **Payable from Current Unrestricted Assets:** | | | | |
| Accounts Payable and Other Current Liabilities | $ 491,815 | $ 60,147 | $ 18,669 | $ 570,631 |
| Unearned Revenues | | | 1,369 | 1,369 |
| Current Portion of Long-Term Lease/Notes Payable | | 16,415 | 3,967 | 20,382 |
| Current Portion of Other Payables | 35,143 | 8,821 | | 43,964 |
| **Total Payable from Current Unrestricted Assets** | 526,958 | 85,383 | 24,005 | 636,346 |
| **Payable from Restricted Assets:** | | | | |
| Accounts Payable and Other Current Liabilities | | 46,562 | | 46,562 |
| Accrued Interest on Bonds and Certificates | | 15,507 | 4,581 | 20,088 |
| Current Portion of Bonds and Certificates | 269,790 | 80,910 | 31,395 | 382,095 |
| Current Portion of Commercial Paper | | 4,435 | | 4,435 |
| **Total Payable from Restricted Assets** | 269,790 | 147,414 | 35,976 | 453,180 |
| **Total Current Liabilities** | 796,748 | 232,797 | 59,981 | 1,089,526 |
| **Noncurrent Liabilities:** | | | | |
| Bonds and Certificates (net of current portion & premium/discount) | 5,707,277 | 3,126,091 | 160,950 | 8,994,318 |
| Commercial Paper (net of current portion) | 660,000 | 229,585 | | 889,585 |
| Asset Retirement Obligations | 1,084,140 | 36,191 | | 1,120,331 |
| Long-Term Lease/Notes Payable (net of current portion) | | 887,585 | 198,346 | 1,085,931 |
| Net OPEB and Pension Liabilities | 248,174 | 32,932 | | 281,106 |
| Other Payables (net of current portion) | 846,987 | 19,931 | 71,630 | 938,548 |
| **Total Noncurrent Liabilities** | 8,546,578 | 4,332,315 | 430,926 | 13,309,819 |
| **Total Liabilities** | 9,343,326 | 4,565,112 | 490,907 | 14,399,345 |
| **Deferred Inflows of Resources** | 253,467 | 65,991 | 178,062 | 497,520 |
| **Net Position:** | | | | |
| Net Investment in Capital Assets | 2,731,389 | 3,182,373 | 150,874 | 6,064,636 |
| Restricted for: | | | | |
| Debt Service | 870 | 83,267 | | 84,137 |
| Capital Projects | 571,634 | 243,927 | 1,085 | 816,646 |
| Operating and Other Reserves | | 79,243 | | 79,243 |
| Unrestricted | 576,355 | 473,874 | 45,829 | 1,096,058 |
| **Total Net Position** | $ 3,880,248 | $ 4,062,684 | $ 197,788 | $ 8,140,720 |

The accompanying notes are an integral part of these basic financial statements.

## Statement of Activities
## Discretely Presented Component Units
### Year-Ended September 30, 2022
(In Thousands)

| | | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | | |
|---|---|---|---|---|---|---|---|---|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | CPS ENERGY | SAN ANTONIO WATER SYSTEM | NONMAJOR COMPONENT UNITS | TOTALS |
| **CPS Energy** | $ 2,812,185 | $ 2,762,548 | $ - | $ 74,403 | $ 24,766 | $ - | $ - | $ 24,766 |
| **San Antonio Water System** | 720,572 | 779,332 | | 239,655 | | 298,415 | | 298,415 |
| **Nonmajor Component Units** | 153,516 | 96,575 | | 165 | | | (56,776) | (56,776) |
| **Total** | $ 3,686,273 | $ 3,638,455 | $ - | $ 314,223 | 24,766 | 298,415 | (56,776) | 266,405 |
| | | | **General Revenues:** | | | | | |
| | | | Investment Earnings (Loss) | | 71,312 | (1,654) | 7,497 | 77,155 |
| | | | Miscellaneous | | | 2,702 | 50,478 | 53,180 |
| | | | Adjustment for STP Pension Cost | | 43,415 | | | 43,415 |
| | | | **Total General Revenues** | | 114,727 | 1,048 | 57,975 | 173,750 |
| | | | **Change in Net Position** | | 139,493 | 299,463 | 1,199 | 440,155 |
| | | | Net Position - Beginning of Fiscal Year (restated) | | 3,740,755 | 3,763,221 | 196,589 | 7,700,565 |
| | | | **Net Position - End of Fiscal Year** | | $ 3,880,248 | $ 4,062,684 | $ 197,788 | $ 8,140,720 |

The accompanying notes are an integral part of these basic financial statements.

## Annual Comprehensive Financial Report

## Notes to Financial Statements

### Year-Ended September 30, 2022

## Note 1 Summary of Significant Accounting Policies

The financial statements of the City of San Antonio (the City) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards. The following is a summary of significant accounting policies of the City.

### Reporting Entity

In the evaluation of how to define the City for financial reporting purposes, management considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity,* as amended. The underlying concept of the Statement is improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

The financial reporting entity consists of: (a) the primary government (in these financial statements the primary government is the City), (b) component units, which are legally separate organizations for which the City is financially accountable or the services rendered by the component unit are provided entirely or almost entirely to the City (blended), (c) component units, which are fiduciary in nature such as certain public employee retirement systems or pension trust funds with the City (fiduciary), and (d) component units, for which the City is financially accountable or the nature and significance of their relationship with the City is such that exclusion from the reporting entity's financial statements would be misleading or incomplete (discretely presented).

Using the criteria of GASB Statement No. 14, as amended, outlined below, potential component units were evaluated for inclusion in or exclusion from the reporting entity, whether the organizations were financially accountable or not, and were further evaluated for financial statement presentation. Based on their individual relationships with the City, some component unit financial statements were blended as though they are part of the City and others were discretely presented.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement No. 14 was issued in January 2016, and it established an additional criterion for determining whether or not a potential component unit should be blended. If a component unit is a not-for-profit corporation in which the primary government is the sole corporate member as identified in the corporation's articles of incorporation or bylaws, the component unit's financial statements are to be blended.

The following criteria (as set forth in GASB Statement No. 14, as amended) were used in the evaluation of potential component units of the City:

1) Legally separate
2) Financial accountability
   a) Appointment of a voting majority
   b) Imposition of will
   c) Financial benefit to or burden on the City
   d) Fiscal dependency with financial benefit to or burden on the City
3) The relationship with the City is such that exclusion would cause these financial statements to be misleading or incomplete.
4) Service rendered by the potential component unit is provided entirely or almost entirely to the City
5) The City or its component units are entitled to, or have the ability to access the majority of the resources received or held by the separate organization.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Reporting Entity (Continued)

The criteria outlined on the previous page were excerpted from GASB Statement No. 14, as amended. For a more detailed explanation of the criteria established by the Statements, refer to the *Codification of Governmental Accounting and Financial Reporting Standards*, as of June 30, 2021, published by GASB, Sections 2100 and 2600. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, further clarifies that a "not-for-profit" may not be financially accountable to the City, but may be considered a component unit based on the nature and significance of its relationship with the City. Predicated upon the application of the criteria outlined above, the following is a brief overview of component units included in the reporting entity.

### Blended Component Units

The relationships among the following component units and the City meet the criteria, as set forth in GASB Statement No. 14, as amended, for inclusion in the reporting entity and are such that the financial statements are blended with those of the City.

Following is a brief description of the City's blended component units:

**City of San Antonio,**
**Texas Municipal Council**
**Aides Corporation**
100 Military Plaza,
San Antonio, TX 78205
Contact: Emily McGinn
Telephone No. (210) 207-7041

City of San Antonio, Texas Municipal Council Aides Corporation (Council Aides) was established in fiscal year 2021 in accordance with state laws for the purposes of, solely aiding and acting on behalf of the City to accomplish certain governmental purposes of the City through the employment of council aides for purposes of assisting council members in the performance of their official public duties as members of the City Council of the City, all at the request of the Council. Council Aides' governing board is the same as the City's governing board, providing the City the ability to impose its will. Council Aides has additionally met the fiscal dependency and financial benefit/burden criteria.

**Convention Center Hotel**
**Finance Corporation**
100 W. Houston St.
San Antonio, TX 78205
Contact: Margaret U. Villegas
Telephone No. (210) 207-8632

The Convention Center Hotel Finance Corporation (CCHFC) was established in fiscal year 2005 in accordance with state laws for the purposes of, and to act on behalf of the City in, local economic development to stimulate business and commercial activity in the City. The CCHFC is governed by a board of directors, which is comprised of the City Council of San Antonio. CCHFC's governing board is the same as the City's governing board, met the financial benefit/burden criteria, and also met the operational responsibility criteria. The Convention Center Hotel Finance Corporation dissolved in fiscal year 2022.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Blended Component Units (Continued)

**Hemisfair Park Area Redevelopment Corporation**
630 E. Nueva St.
San Antonio, TX 78205
Contact: Andres Andujar
Telephone No. (210) 709-4750

The Hemisfair Park Area Redevelopment Corporation (HPARC) was established in fiscal year 2009 in accordance with state laws for the purposes of, and to act on behalf of the City in, assisting with acquiring property, planning, developing, constructing, managing, and financing projects within Hemisfair Park and its surrounding area in order to promote economic development, employment, and to stimulate business, housing, tourism, and commercial activity within the City. Though HPARC does not directly provide services to the City, its services benefit the City. The HPARC is governed by 11 members appointed by the City Council. The City's ability to impose its will on HPARC is through City Council having the power to remove board members. HPARC has additionally met the fiscal dependency and financial benefit/burden criteria.

**Municipal Golf Association – San Antonio DBA Alamo City Golf Trail**
2315 Avenue B
San Antonio, TX 78215
Contact: Joe Nunez
Telephone No. (210) 908-5921

Municipal Golf Association – San Antonio DBA Alamo City Golf Trail (MGA- SA) was established in fiscal year 2007 in accordance with state laws for the purposes of, and to act on behalf of the City in, operating and promoting the City's municipal golf facilities. MGA-SA is governed by a 15-member board of directors, which is comprised of seven members selected by MGA- SA according to the approved process contained in its by-laws; two ex- officio member positions from City staff who are appointed by the City Manager; and six members appointed by the City Council. MGA-SA provides services entirely to the City through managing the City's eight golf courses.

**Prosper West San Antonio**
630 S.W. 41st Street
San Antonio, TX 78237
Contact: Ramiro Gonzales
Telephone No. (210) 501-0192

Prosper West San Antonio (PWSA), formerly known as Westside Development Corporation, was established in fiscal year 2006 in accordance with state laws for the purposes of promoting economic development and redevelopment opportunities in the west side of San Antonio. PWSA seeks to generate new capital investment, create higher paying jobs, and reduce the poverty level in the area. In addition, PWSA functions as a land development corporation that has the power to buy, sell, and accept land as a nonprofit without the restrictions placed upon a municipality. Therefore, although PWSA does not directly provide services to the City, it benefits the City. PWSA is governed by a board of directors nominated by a City Council committee and appointed by the City Council. The policy-setting oversight authority consists of 17 members, comprised of representatives of key stakeholders and PWSA advocates. The City can remove board members at will, providing the City the ability to impose its will. PWSA has met the financial benefit/burden criteria. The City did not receive PWSA's fiscal year 2022 audited financial statements; therefore, its financial data is not disclosed in the City's financial statements. PWSA is considered immaterial to the opinion unit.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Blended Component Units (Continued)

**San Antonio Early Childhood Education Municipal Development Corporation**
7031 S. New Braunfels Ave.
San Antonio, TX 78223
Contact: Dr. Sarah Baray
Telephone No. (210) 206-2750

The San Antonio Early Childhood Education Municipal Development Corporation (ECEMDC) was established in fiscal year 2012 in accordance with state laws for the purpose of, and to act on behalf of the City, to develop and implement programs for early childhood development, job training, and any other undertaking that the board determines will directly facilitate the development of a skilled workforce and foster economic opportunity. As such in 2020, Pre-K 4 SA was established to develop and implement authorized programs for early childhood education services. Additionally, in 2020, SA: Ready to Work was established to ensure that unemployed, underemployed, or underserved residents can access and successfully complete training and education that lead to current and anticipated high-demand, well-paid careers. ECEMDC is governed by a board of trustees appointed by the City Council. ECEMDC's debt, including leases, is expected to be repaid almost entirely with the resources of the City, a 1/8 cent sales tax increase approved by San Antonio residents for each program. The City has the ability to impose its will and has met the fiscal dependency and financial benefit/burden criteria.

**San Antonio Economic Development Corporation**
100 W. Houston St.
San Antonio, TX 78205
Contact:
Brenda Hicks-Sorenson
Telephone No. (210) 207-3970

The San Antonio Economic Development Corporation (EDC) was established in fiscal year 2010 as a nonprofit corporation to promote, assist, and enhance economic development activities for the City. EDC was organized for the purposes of undertaking any statute-authorized projects to benefit and accomplish the public purpose of promoting economic development in the City. The affairs of EDC are managed by a board of directors appointed by the City Council. The City Council may remove a director at any time without cause. EDC's budget is not effective until approved by the City Council. EDC provides services entirely to the City, as contracts or agreements cannot be executed without City Council approval. The City has the ability to impose its will.

**San Antonio Education Facilities Corporation**
100 W. Houston St.
San Antonio, TX 78205
Contact:
Brenda Hicks-Sorenson
Telephone No. (210) 207-3970

The San Antonio Education Facilities Corporation (EFC), formerly the City of San Antonio Higher Education Authority, was established in 1984 in accordance with state laws for the purpose of aiding nonprofit institutions of higher education in providing educational, housing, and other related facilities in accordance with, and subject to, the provisions of Section 53.35 (b) Texas Education Code (the Code), all to be done on behalf of the City and its duly constituted authority and instrumentality. The Code authorizes EFC to issue revenue bonds, for which the City is not obligated in any manner, to finance qualified projects that meet the purpose of the Code. The EFC is governed by a board of directors, which is comprised of the City Council. EFC met the financial benefit/burden and operational responsibility criteria, and the City has the ability to impose its will.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Blended Component Units (Continued)

**San Antonio Health Facilities Development Corporation**
100 W. Houston St.
San Antonio, TX 78205
Contact:
Brenda Hicks-Sorenson
Telephone No. (210) 207-3970

The San Antonio Health Facilities Development Corporation (HFDC) was established by Ordinance No. 55400, dated June 3, 1982, in accordance with state laws for the purposes of, and to act on behalf of the City as, a corporation under the Texas Health Facilities Development Act of 1981. The HFDC is authorized to issue tax-exempt health facility revenue bonds, for which the City is not obligated in any manner, to finance health related projects in support of the promotion, expansion, and improvement of health facilities. The HFDC is governed by a board of directors, which is comprised of the City Council. HFDC met the financial benefit/burden and operational responsibility criteria, and the City has the ability to impose its will.

**San Antonio Industrial Development Authority**
100 W. Houston St.
San Antonio, TX 78205
Contact:
Brenda Hicks-Sorenson
Telephone No. (210) 207-3970

The San Antonio Industrial Development Authority (IDA) was established by Resolution No. 79-48-100, dated October 11, 1979, in accordance with state laws for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of the City as, a corporation under the Development Corporation Act of 1979. The IDA is authorized to issue tax- exempt industrial revenue bonds, for which the City is not obligated in any manner, to finance qualified projects, which may further the promotion and development of commercial, industrial, and manufacturing enterprises to advance and encourage employment and public welfare. The IDA is governed by a board of directors, which is comprised of the City Council. IDA met the financial benefit/burden and operational responsibility criteria, and the City has the ability to impose its will.

**San Antonio Texas Municipal Facilities Corporation**
100 W. Houston St.
San Antonio, TX 78205
Contact: Margaret U. Villegas
Telephone No. (210) 207-8632

The San Antonio Texas Municipal Facilities Corporation (TMFC) was established in fiscal year 2001 in accordance with state laws for the purposes of, and to act on behalf of the City in, acquiring, constructing, equipping, financing, operating, and maintaining land and other municipal facilities for the City. The TMFC is governed by a board of directors, which is comprised of the City Council. The City can impose its will, and TMFC also meets the operational responsibility criteria.

**Starbright Industrial Development Corporation**
100 W. Houston St.
San Antonio, TX 78205
Contact: Margaret U. Villegas
Telephone No. (210) 207-8632

The Starbright Industrial Development Corporation (SIDC) was established in fiscal year 2003 in accordance with state laws for the purposes of, and to act on behalf of the City in, the promotion and development of commercial, industrial, and manufacturing enterprises, to advance and encourage employment and public welfare, including but not limited to the acquisition of land. The SIDC is governed by a board of directors, which is comprised of the City Council. SIDC's governing board is the same as the City's governing board, SIDC met the financial benefit/burden and the operational responsibility criteria. The City has the ability to impose its will.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Blended Component Units (Continued)

**Texas Public Facilities Corporation**
100 W. Houston St.
San Antonio, TX 78205
Contact: Margaret U. Villegas
Telephone No. (210) 207-8632

Texas Public Facilities Corporation (TPFC) was established in fiscal year 2012 in accordance with state laws for the purpose of, and to act on behalf of the City in, effectuating the buyout of the City's existing Hotel Revenue Bonds and funding for the expansion of the City's Convention Center through issuance of 2012 Lease Revenue Bonds. The TPFC is governed by a board of directors, which is comprised of the City Council. TPFC's governing board is substantially the same as the City's governing board, and TPFC meets the operational responsibility criteria. The City has the ability to impose its will.

**Urban Renewal Agency of the City of San Antonio DBA Office of Urban Redevelopment of San Antonio**
100 W. Houston St.
San Antonio, TX 78205
Contact: Veronica Garcia
Telephone No. (210) 207-8477

The Urban Renewal Agency of the City of San Antonio DBA Office of Urban Redevelopment of San Antonio (OUR SA) was created under the provisions of the Urban Renewal Law of the State of Texas. OUR SA is responsible for implementing the City's Urban Renewal Program and may designate for urban renewal in such areas as it deems advisable, subject to approval by the City Council. OUR SA receives a majority of its operating funds from the City. OUR SA is governed by a six-member board of commissioners appointed by the City Council. The City's management has operational responsibility for Our SA. The City has the ability to impose its will.

**Visit San Antonio**
317 Alamo Plaza
San Antonio, TX 78205
Contact: Kari Chapman
Telephone No. (210) 244-2026

Visit San Antonio (VSA) was established in fiscal year 2016 in accordance with state laws for the purposes of providing destination and marketing services, attracting leisure visitors, events and conventions to the City's Henry B. Gonzalez Convention Center and other owned facilities. VSA will also serve as a liaison to local businesses, including hoteliers, sports foundations, and other similar entities to attract visitors and events to the City. VSA has a 21-member board, of which the City Manager and two Council members are appointed by the Mayor. VSA provides services almost entirely to the City.

The only blended component unit with a different fiscal year-end from the City is ECEMDC with a fiscal year-end of June $30^{th}$.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Fiduciary Component Units

The relationships among the following component units and the City meet the criteria, as set forth in GASB Statement No. 14, as amended, for inclusion in the reporting entity and are such that the financial statements are presented as fiduciary funds of the City.

As set forth in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the City excludes fiduciary funds and component units that are fiduciary in nature from the government-wide financial statements. The City’s component units that are fiduciary in nature are the San Antonio Fire and Police Pension Fund, the Retiree Health & Wellness SA Fire and Police Fund, and the City of San Antonio Retiree Health Care Fund. These component units are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

**San Antonio Fire and Police Pension Fund**
11603 W. Coker Loop, Ste. 201
San Antonio, TX 78216
Contact: Warren Schott
Telephone No. (210) 534-3262

The San Antonio Fire and Police Pension Fund (Pension Fund) is a single-employer defined benefit pension plan established in accordance with state law. The Pension Fund is administered by a nine-member board of trustees, including two members of the City Council, the Mayor or his appointee, two active police officers, two active firefighters, and two uniformed retirees. The City and its active uniformed personnel are obligated to make all contributions to the Pension Fund in accordance with rates established by state laws. Benefit levels are also set by state laws. Services rendered by the Pension Fund are exclusively for the benefit of eligible firefighters and police officers, upon retirement. The Pension Fund provides services entirely only to the City’s uniformed personnel.

**Retiree Health & Wellness SA Fire and Police Fund (Health Fund)**
11603 W. Coker Loop, Ste. 130
San Antonio, TX 78216
Contact: James Bounds
Telephone No. (210) 494-6500

The City of San Antonio Firefighters’ and Police Officers’ Retiree Prefunded Group Health Plan was created in October 1989 in accordance with the provisions of the City’s contracts with the local fire and police unions, respectively, to provide postemployment health care benefits to uniformed employees who retired on or after October 1, 1989. Pursuant to the passage of Senate Bill 1568 in 1997, a separate and distinct statutory trust, the Retiree Health & Wellness SA Fire and Police Fund (Health Fund), was created to provide these postemployment health care benefits for eligible uniformed employees of the City. The Health Fund is administered by a nine- member board of trustees, including two members of the City Council, the Mayor or his appointee, two active police officers, two active firefighters, and two uniformed retirees. The City, active uniform employees, and retirees on behalf of their dependents are obligated to make all contributions to the Health Fund in accordance with rates established by state laws. Benefits are established pursuant to legislation enacted by the State with the Health Fund Board’s ability to modify those benefits within certain parameters. The Health Fund provides services entirely to the City’s active and retired uniformed personnel.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Fiduciary Component Units (Continued)

**City of San Antonio Retiree Health Care Fund**
100 W. Houston St.
San Antonio, TX 78205
Contact: Wanda Heard
Telephone No. (210) 207-8705

The City of San Antonio's Retiree Health Care Fund was created to provide postemployment health care benefits entirely to civilian retirees and uniformed employees who retired prior to October 1, 1989. The Retiree Health Care Fund is governed by a board of directors, which is comprised of the City Council. The City and its eligible retirees make all contributions to the Retiree Health Care Fund in accordance with assessments and rates adopted by City Council through passage of the annual adopted budget. Additionally, benefits are established pursuant to adoption of annual budget. The Retiree Health Care Fund's governing board is the same as the City's governing board, it meets the financial benefit/burden and the operational responsibility criteria. The City has the ability to impose its will.

It is management's belief that to exclude essential disclosures from the City's financial statements as they pertain to the Pension Fund and Health Fund would be misleading. Therefore, relevant disclosures have been included in the City's financial statements.

The Pension Fund and Health Fund's fiscal year-end is December 31$^{st}$; financial information disclosed in the City's Annual Financial Comprehensive Report for both entities is as of December 31, 2021.

### Discretely Presented Component Units

The relationships among the following component units and the City meet the criteria, as set forth in GASB Statement No. 14, as amended, for inclusion in the reporting entity as discretely presented component units.

**Brooks**
3201 Sidney Brooks
San Antonio, TX 78235
Contact: Jason Murguia
Telephone No. (210) 678-3318

Brooks is a special district and political subdivision of the State of Texas. It was established on September 27, 2001, as a defense base development authority in accordance with state laws for the purposes of, and to act on behalf of the City in, improving mission effectiveness, reducing the cost of providing quality installation support through improved capital asset management, and promoting economic development for Brooks Air Force Base and in the surrounding community. An 11-member board of directors appointed by the City Council governs Brooks for two-year terms and oversees the Brooks Technology and Business Park in support of the Brooks City-Base Project. The City's ability to impose its will on Brooks is through City Council having the power to remove board members. The City did not receive Brooks fiscal year 2022 audited financial statements; therefore, its financial data is not disclosed in the City's financial statements. Brooks is considered immaterial to the opinion unit.

**CPS Energy**
P.O. Box 1771
San Antonio, TX 78296
Contact: David Ramirez
Telephone No. (210) 216-2639

CPS Energy, a municipally owned utility, provides electricity and natural gas to San Antonio and the surrounding areas. CPS Energy is governed by a board of trustees, which is comprised of four members appointed by City Council and has the City's Mayor as an ex-officio member. The City has the ability to impose its will on CPS Energy through the setting of user rates for services and charges and the issuance of bonds approved by the City Council.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Discretely Presented Component Units (Continued)

**Port Authority of San Antonio DBA Port San Antonio**
907 Billy Mitchell Blvd.
San Antonio, TX 78226
Contact: Patrick Cruzen
Telephone No. (210) 362-7834

The Port Authority of San Antonio DBA Port San Antonio (the Port) is a special district and political subdivision of the State of Texas that was originally established in 1996 as a local development authority under the Development Corp Act of 1979 for the purpose of monitoring the proposed closing of Kelly Air Force Base (Kelly). The Port was to conduct comprehensive studies of all issues related to the closure, conversion, redevelopment, and future use of Kelly, and submit and implement the plan to the appropriate agency or agencies of the federal government. The Port is authorized to issue bonds, for which the City is not obligated in any manner, to finance projects as permitted by state laws. The Port is governed by an 11-member board of directors, appointed at will by City Council, providing the City the ability to impose its will.

**SA Energy Acquisition Public Facility Corporation**
P.O. Box 1771
San Antonio, TX 78296
Contact: David Ramirez
Telephone No. (210) 216-2639

SA Energy Acquisition Public Facility Corporation (SAEAPFC) was established in 2007 in accordance with state laws for the purposes of, and to act on behalf of the City in, the financing and acquisition of electric energy and power, oil, gas, coal and other liquid, gaseous or solid hydrocarbon fuels for the electric and gas systems of the City. SAEAPFC is governed by a seven-member board of directors appointed by City Council for two-year terms. Board members are subject to removal by City Council for cause or at will. The issuance of bonds is approved by City Council, meeting fiscal dependency criteria.

**San Antonio Bexar County Soccer Public Facility Corporation**
100 Military Plaza
San Antonio, TX 78205
Contact: Alejandra Lopez
Telephone No. (210) 207-3975

San Antonio Bexar County Soccer Public Facility Corporation (SABC PFC) is a nonprofit corporation established in fiscal year 2016 in accordance with state laws for the purposes of, and to act on behalf of the City in, the renovation and operation of a facility and related property and infrastructure to be used for and to support professional soccer within the City. SABC PFC is governed by a four-member board of directors comprised of two appointees from the City and two from the County, all who must be approved by City Council, providing the City the ability to impose its will. The issuance of bonds is approved by City Council, meeting fiscal dependency criteria.

**San Antonio Housing Trust Finance Corporation**
2515 Blanco Rd.
San Antonio, TX 78212
Contact: Pedro Alanis
Telephone No. (210) 735-2772

The San Antonio Housing Trust Finance Corporation (HTFC) was established in 1997 under the Texas Housing Finance Corporations Act (the Act), in accordance with state laws for the purposes of, and to act on behalf of the City in, carrying out the purposes of the Act, including the issuance of single family and multi-family revenue bonds. HTFC's board of directors is appointed by City Council, consisting of five City Council members. The City can remove board members at will, providing the City the ability to impose its will. The City did not receive HTFC's fiscal year 2022 audited financial statements; therefore, its financial data is not disclosed in the City's financial statements. HTFC is considered immaterial to the opinion unit.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Discretely Presented Component Units (Continued)

**San Antonio Housing Trust Foundation, Inc.**
2515 Blanco Rd.
San Antonio, TX 78212
Contact: Pedro Alanis
Telephone No. (210) 735-2772

San Antonio Housing Trust Foundation, Inc. (HTF) is a nonprofit entity incorporated in 1990 under the laws of the State of Texas. HTF was organized for the purposes of supporting charitable, educational, and scientific undertakings, and specifically for providing housing for low- and middle-income families, promoting public health, safety, convenience, and welfare, revitalizing neighborhoods and the downtown area through appropriate housing activities, and providing administrative and other support for the operations of the City of San Antonio Housing Trust Fund, a Special Revenue Fund of the City. HTF is governed by an 11-member board of directors appointed by City Council. The City can remove board members at will, providing the City the ability to impose its will. The City did not receive HTF's fiscal year 2022 audited financial statements; therefore, its financial data is not disclosed in the City's financial statements. HTF is considered immaterial to the opinion unit.

**San Antonio Housing Trust Public Facility Corporation**
2515 Blanco Rd.
San Antonio, TX 78212
Contact: Pedro Alanis
Telephone No. (210) 735-2772

San Antonio Housing Trust Public Facility Corporation (HTPFC) was established in fiscal year 2010 as a nonprofit corporation organized for the purpose of assisting the City in financing, refinancing, or providing public facilities. HTPFC enables housing resources to be better coordinated and directed to accomplish the City's revitalization goals and gives the City another tool to establish housing in downtown and other areas targeted for development. HTPFC's board of directors is appointed by City Council and consists of five City Council members. The City can remove board members at will, providing the City the ability to impose its will. The City did not receive HTPFC's fiscal year 2022 audited financial statements; therefore, its financial data is not disclosed in the City's financial statements. HTPFC is considered immaterial to the opinion unit.

**San Antonio Housing Trust Reinvestment Corporation**
2515 Blanco Rd.
San Antonio, TX 78212
Contact: Pedro Alanis
Telephone No. (210) 735-2772

San Antonio Housing Trust Reinvestment Corporation (HTRC) was created to act as a duly constituted authority of the City and is authorized by the City Council to aid, assist, and act on behalf of the City to promote for the common good and general welfare of reinvestment zones. The City must approve the issuance of bonds, providing fiscal dependency. As HTRC had no activity through September 30th, an audit is not deemed necessary in fiscal year 2022.

**San Antonio Water System**
P.O. Box 2449
San Antonio, TX 78298
Contact: Doug Evanson
Telephone No. (210) 233-3803

On May 19, 1992, the consolidation of water systems, agencies and activities into one institution through a refunding of the then outstanding water and sewer bonds of the former City Water Board, Alamo Water Conservation and Re-Use District, and the City's Sewer and Stormwater System, resulted in the creation of the San Antonio Water System (SAWS). The City Council determined that the interests of the citizens and the customers would best be served by placing authority for management and control of SAWS, as consolidated, with a board of trustees. This board of trustees includes the City's Mayor as an ex-officio member, along with six members appointed by City Council for four-year staggered terms. The City has the ability to impose its will on SAWS through the setting of user rates for services and charges and the issuance of bonds approved by the City Council.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Discretely Presented Component Units (Continued)

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

SAWS' fiscal year-end is December 31, 2021, while CPS Energy's and SA Energy Acquisition Public Facility Corporation's fiscal year-end is January 31, 2022.

Essential disclosures related to the previously mentioned discretely presented, fiduciary, and blended component units are included in the complete financial statements of each of the individual component units. These statements may be obtained at the respective entity's administrative office.

### Related Organizations

The City Council appoints members to the board of commissioners for the City of San Antonio Housing Authority (SAHA). However, the City's accountability for this entity does not extend beyond making appointments to its board and the coordination and approval of strategic plans.

### Basic Financial Statements - GASB Statement No. 34

**Government-Wide and Fund Financial Statements** – The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. MD&A introduces the basic financial statements and provides an analytical overview of the City's financial activities. Additionally, the effect of interfund activity has been removed from the statements.

**The Statement of Net Position** – Reflects both short-term and long-term assets and liabilities as well as deferred inflows and outflows of resources. In the government-wide Statement of Net Position, governmental activities are reported separately from business-type activities. Governmental activities are supported by taxes and intergovernmental revenues, whereas business-type activities are normally supported by user fees and charges for services. Long-term assets, such as capital assets, long-term obligations, such as debt, and any deferred inflows and outflows of resources are now reported in the governmental activities. The components of Net Position are presented in three separate categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Interfund receivables and payables within governmental and business-type activities have been eliminated in the government-wide Statement of Net Position, which minimizes the duplication within the governmental and business-type activities. Discretely presented component units are also reported in the Statement of Net Position.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Basic Financial Statements - GASB Statement No. 34 (Continued)

**The Statement of Activities** – Reflects both the gross and net expense format. The net expense (by function or business-type activity) is usually covered by general revenues (property tax, sales and use tax, revenues from utilities, etc.). Direct (gross) expenses of a given function or segment are offset by charges for services, operating and capital grants and contributions. Program revenues must be directly associated with the function of program activity. The presentation allows users to determine which functions are self-supporting and which rely on the tax base in order to complete their mission. Internal Service Fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown in the governmental and business-type activities of the Statement of Activities. The net amount of interfund transfers between governmental and proprietary funds is the balance reported in the Statement of Activities.

### Fund Accounting

A reconciliation detailing the change in net position between the government-wide financial statements and the fund financial statements is presented separately for governmental funds. In order to achieve a break-even result in the Internal Service Fund activity, differences in the basis of accounting and reclassifications are allocated back to user departments. These allocations are reflected in the government-wide statements. Any residual amounts of the Internal Service Funds are reported in the governmental activity column. The proprietary funds have a reconciliation presented in the proprietary funds' Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position related to the Internal Service Fund allocation.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled.

The City has three types of funds: governmental, proprietary, and fiduciary. The fund financial statements provide more detailed information about the City's most significant funds but not about the City as a whole. Major governmental and enterprise funds are reported separately in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and independently presented in the combining statements.

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

## Note 1 Summary of Significant Accounting Policies (Continued)

### Fund Accounting (Continued)

The following is a brief description of the major governmental funds that are separately presented in the fund financial statements:

- The General Fund is always presented as a major fund.
- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs, except those that are accounted for in enterprise funds.
- The COVID-19 Funds accounts for the receipt and disbursements of federal, state, local, and private money designated to be spent towards the City's response to the COVID-19 pandemic and better prepare the City after the pandemic though through infusion of cash aid and services to the community.
- The 2017 General Obligation Bonds Fund, a capital projects fund, accounts for the receipt and disbursement of bond proceeds for physical infrastructure development and improvement projects approved in an $850,000 bond election held on May 6, 2017.

The following is a brief description of the major enterprise funds that are separately presented in the fund financial statements:

- The Airport System accounts for the operation of the San Antonio International Airport and Stinson Municipal Airport. Financing for the Airport System's operations is provided by user fees, while financing for the Airport System's capital is primarily funded by City issued revenue bonds (repaid with user fees), tax notes, grants and facility charges assessed to users.
- Solid Waste Management accounts for all revenues and expenses associated with the operations and maintenance of the City's solid waste and environmental management programs, required debt service for outstanding bonds, and construction and management of Solid Waste Management's assets.

### *Governmental Funds*

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

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

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

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

## Note 1 Summary of Significant Accounting Policies (Continued)

### Fund Accounting (Continued)

#### *Governmental Funds (Continued)*

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

The governmental funds that have legally adopted budgets are the General Fund, Debt Service Fund, Special Revenue Funds (excluding HOME Program, Categorical Grant-In-Aid, COVID-19 Funds, Community Development Program, Early Education, Ready to Work SA, Tax Increment Reinvestment Zone, San Antonio Housing Trust, and most Community Services Funds), and City Cemeteries.

#### *Proprietary Funds*

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

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

#### *Fiduciary Funds*

**The Trust and Custodial Funds** are used to account for and report assets held by the City in a trustee capacity or as a custodian for individuals, private organizations, and other governmental units. The San Antonio Fire and Police Pension Fund is a statutory trust fund established to provide pension benefits to eligible uniformed employees. The Retiree Health & Wellness SA Fire and Police Fund is a statutory trust fund established to provide Other Postemployment Benefits (OPEB) for retired uniformed employees and their dependents. The City's Retiree Health Care Fund meets the criteria of a fiduciary fund and manages OPEB for retired City civilian employees. The Custodial Funds account for unclaimed property, taxes, fines, fees, and deposits collected by the City for remittance to the State of Texas and other governmental entities.

Fire and Police Pension Fund, Retiree Health & Wellness SA Fire and Police Fund, City Retiree Health Care Fund, and Custodial Funds are accounted for in essentially the same manner as proprietary funds.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Measurement Focus and Basis of Accounting

#### *Primary Government (City)*

The government-wide financial statements present information about the City as a whole. Government-wide financial statements exclude both fiduciary funds and fiduciary component units. The Statement of Net Position and the Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The City recognizes revenue from property taxes in the period for which they were levied. Other taxes and fees are recognized as revenue in the year they are earned. Revenues from grants and similar items are recognized in the fiscal year the qualifying expenditures are made and all other eligibility requirements have been satisfied.

Program revenues are presented in the government-wide Statement of Activities. The City reports program revenues in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. They are presented separately as a reduction of the total expense to arrive at the net expense of each functional activity. Program revenues are revenues generated by charges to those who purchase, use, or directly benefit from a program. They also include amounts such as grants and contributions received from outside parties that restrict the use of those resources to specific programs.

1) Charges for services are revenues generated by those who purchase goods or services from the City. Examples of charges for services include airport landing fees, solid waste collection and disposal fees, and flat rate parking fees. Fines and forfeitures, licenses and permits, and intergovernmental revenues as reported in the General Fund are also reported under charges for services.
2) Operating grants and contributions are those revenues that are restricted in the way they may be spent for operations of a particular program.
3) Capital grants and contributions are also restricted revenues whose resources may only be spent to purchase, build or use capital assets for specified programs.

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. This means that principally only current assets and current liabilities are included in their balance sheets, and revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period.

Revenues from property taxes, sales and use taxes, occupancy taxes, gross receipts taxes, municipal court fines and fees, licenses, revenues from utilities, and investment earnings are susceptible to accrual. The City's availability period is no more than 60 days beyond the end of the fiscal year. Grant revenues are recognized when reimbursable expenditures are made, all other eligibility requirements imposed by the provider have been met, and the City receives reimbursement within 60 days of the fiscal year-end. Grant funds received in advance are recorded as unearned revenue until earned and available.

Gross receipts and sales and use taxes are considered available when received by intermediary collecting governments and are recognized at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Measurement Focus and Basis of Accounting (Continued)

#### *Primary Government (City) (Continued)*

Expenditures are recognized in the accounting period in which the fund liability is incurred; however, accrued leave, debt service expenditures, claims and judgments, arbitrage rebates, pension, postemployment obligations, asset retirement obligations and pollution remediation obligations are recorded only when the liability is matured.

The reported fund balance for each fund is considered a measure of current financial resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of current financial resources during the period.

Special reporting treatments are applied to governmental fund materials and supplies, prepaid expenditures, and deposits to indicate that they do not represent current financial resources, since they do not represent spendable assets. Such amounts are generally offset by fund balance nonspendable accounts.

Proprietary, fiduciary, and governmental and business-type activities are accounted for using the accrual basis of accounting. Their revenues/additions are recognized when they are earned, and their expenses/deductions and related liabilities, including claims, judgments, and accrued leave, are recognized when they are incurred. These funds are accounted for on a cost of services or economic resources measurement focus. Consequently, all assets and all liabilities (whether current or noncurrent), as well as deferred inflows and outflows of resources associated with its activity, are included in their Statement of Net Position. The reported proprietary fund net position is segregated into three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary funds report both operating and nonoperating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position. The City defines operating revenues as those receipts generated by a specified program offering either a good or service. For example, parking garage and surface lot charges are operating revenues of the Parking System. This definition is consistent with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. Operating expenses include personal services, contractual services, commodities, other expenses (such as insurance), and depreciation on capital assets. Revenues and expenses not fitting the above definitions are considered nonoperating.

#### *CPS Energy*

Revenues and expenses related to providing energy services in connection with CPS Energy's principal ongoing operations of the electric and gas systems are classified as operating. All other revenues and expenses are classified as nonoperating and reported as nonoperating income (expense).

CPS Energy's operating revenues include receipts from energy sales, ancillary services and miscellaneous revenue related to the operation of electric and gas systems. Miscellaneous revenue includes late payment fees and rental income. Operating expenses are recorded as incurred and include those costs that result from the ongoing operations of the electric and gas systems.

# Note 1 Summary of Significant Accounting Policies (Continued)

## Measurement Focus and Basis of Accounting (Continued)

### *CPS Energy (Continued)*

Revenues are recorded when earned. Customers' meters are read, or periodically estimated, and bills are prepared monthly based on billing cycles. Rate tariffs include adjustment clauses that permit recovery of electric and gas fuel costs. CPS Energy uses historical information from prior fiscal years as partial bases to estimate and record earned revenue not yet billed (unbilled revenue). This process involves an extrapolation of customer usage over the days since the last meter read through the last day of the monthly period. Also included in unbilled revenue are the over/under-recoveries of electric and gas fuel costs and regulatory assessments. Unbilled revenue receivable recorded at January 31, 2022 including estimates for electric fuel and gas costs, was $64,173.

Nonoperating revenues consist primarily of investment income, including fair value adjustments and rental income from the sale of communication towers. Certain miscellaneous income amounts from renting general property and providing various services are also recorded as nonoperating revenues when they are not directly identified with the electric or gas systems.

The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses based on account delinquencies, historical write-off experience and current energy market conditions. Account balances are written off against the allowance when it is probable the receivable will not be recovered. The allowance for uncollectible accounts totaled $106,801 fiscal year-ended January 31, 2022. As a result of COVID-19 impacts on outstanding accounts receivable balances, the allowance for uncollectible accounts increased because of the suspension of disconnects and customers being unable to pay.

In June 2020, CPS Energy established the customer outreach program to expand efforts to contact customers by proactively calling those that were largely impacted by the pandemic and educating them on various discounts and affordability programs offered. Customers who applied or have been approved for financial assistance through an approved CPS Energy program or reside in a HUD low income qualified census tract will not be scheduled for disconnect. CPS Energy began disconnections for commercial and small businesses customers in September 2021 and October 2021, respectively. In November 2021, the customer disconnects were halted due to the holiday season. In January 2022, CPS Energy resumed customer disconnects for commercial and small businesses. There were no residential customer disconnects during fiscal year 2022; they are expected to begin fiscal year 2023. The customer disconnects in fiscal year 2022 had a minimal effect, if any, on bad debt provisions.

CPS Energy records bad debts for its estimated uncollectible accounts related to electric and gas services as a reduction to the related operating revenues. CPS Energy's bad debt provision totaled $59,115 for the fiscal year-ended January 31, 2022. At January 31, 2022, customer accounts receivables, net were $338,732.

CPS Energy's electric fuel cost adjustment clause also permits recovery of regulatory assessments. CPS Energy recovers assessments from the Public Utility Commission of Texas (PUCT) for transmission access charges and from the Texas Independent System Operator, also known as the Electric Reliability Council of Texas (ERCOT), for its operating costs and other charges applicable to CPS Energy as a wholesale provider of power to other utilities. Regulatory assessments for fiscal year 2022 was $79,469.

# Note 1 Summary of Significant Accounting Policies (Continued)

## Measurement Focus and Basis of Accounting (Continued)

### *CPS Energy (Continued)*

In fiscal year 2022, the City approved the use of regulatory accounting related to the fuel expenses that were incurred as a result of Winter Storm Uri in February 2021 that severely impacted the CPS Energy service area. CPS Energy incurred unprecedented costs associated with the winter storm that included purchases of natural gas and purchased power, along with financing costs to cover short-term liquidity needs, and legal costs for ongoing legal disputes over excessive amounts invoiced by gas suppliers. On January 13, 2022, the City approved the ordinance that established a rate-supported regulatory asset for the winter storm costs incurred and recovery of paid fuel costs totally $418,000 to be recovered over a 25-year period, commencing in March 2022. Recovery of additional amounts for costs include in the regulatory asset must be approved by CPS Energy's Board of Trustees and City Council. At January 31, 2022, fuel costs to be recovered in future years totaled $789,659.

CPS Energy accounts for its legal obligation to decommission STP Units 1 and 2 in accordance with GASB Statement No. 83, C*ertain Asset Retirement Obligations (ARO).* CPS Energy has recognized its pro rata share of an ARO based on the best estimate of the current values of outlays expected to be incurred to decommission the units, determined by the most recent cost study. A new cost study is performed every five years; in years after the latest study, the GASB Statement No. 83 requires the current value of the CPS Energy's ARO be adjusted for the effects of inflation or deflation, at least annually. In addition to the ARO, CPS Energy has recorded deferred outflows of resources that are being amortized over the remaining useful life of the plant.

Additionally, due to requirements under the Code of Federal Regulations governing nuclear decommissioning trust funds, guidance pertaining to regulated operations provided in GASB Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* has been followed. Under this guidance, the zero net position approach is applied in accounting for the Decommissioning Trusts. In accordance with Statement No. 62, the cumulative effect of activity in the Decommissioning Trusts has been recorded as a regulatory liability reported on the Statement of Net Position as Other Payables (net of current portion), since any excess funds are payable to customers. Going forward, prolonged unfavorable economic conditions could result in the assets of the Decommissioning Trusts being less than the estimated decommissioning liability. In that case, instead of an excess as currently exists, there would be a deficit that would be reported as decommissioning net costs recoverable. This amount would be a receivable from customers.

In fiscal year 2022, CPS Energy implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and has discontinued capitalizing interest on construction projects. However, prior to fiscal year 2022, to reflect funding methodology, the Allowance for Funds Used During Construction (AFUDC) rate included both a debt and an equity component. The blended rate was composed of 50.0% equity and 50.0% debt based on construction funding forecasts. Alternate AFUDC rates were applied to projects costing more than $100,000, reflecting the method by which they are funded.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Measurement Focus and Basis of Accounting (Continued)

#### *CPS Energy (Continued)*

Periodically, federal or state grants are made available to CPS Energy as a subrecipient for a portion of grant funds allocated to the State of Texas or as direct awards. Grant receipts are recorded as nonoperating income and generally reimburse CPS Energy for costs, recorded as operating expenses, incurred in the administration of the program. This accounting treatment results in no impact to CPS Energy's net position. Federal or state grants that subsidize in whole or a partial amount of capital assets are recognized as contributed capital. Revenues associated with the grant-related programs are exempt from payments of a percentage of gross revenues made to the City. Grant funding received by CPS Energy is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

#### *San Antonio Water System (SAWS)*

SAWS' revenues are recorded as goods or services are provided. Customers' meters are read and bills are prepared monthly based on billing cycles. SAWS uses historical information to estimate and record earned revenue not yet billed.

SAWS' principal operating revenues are charges to customers for water supply, water delivery, wastewater, and chilled water services. Operating expenses include costs of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Nonoperating revenues consist primarily of interest income earned on investments. Nonoperating expenses consist primarily of interest expense, debt related costs, sales of capital assets, other finance charges, and payments to the City.

### Current Year GASB Statement Implementations

GASB Statement No. 87, *Leases,* will better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Any contract that meets this definition should be accounted for under the lease's guidance, unless specifically excluded in this Statement. The City evaluated the lessor and lessee leases and has made the necessary adjustments to the financial statements. Please see Note 14 Leases for further information.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Current GASB Statement Implementations (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs five through 22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The City has ceased allocating interest cost incurred to capital projects in progress within business-type activities. Interest costs will be expensed in its respective reporting fund.

GASB Statement No. 92, *Omnibus 2020*, will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

- The terms derivative and derivatives in National Council on Governmental Accounting and GASB pronouncements should be replaced with derivative instrument and derivative instruments, respectively. The City has modified all applicable Notes to the Financial Statements accordingly.
- The requirements of GASB Statement No. 87 are effective for fiscal year beginning after June 15, 2021, and all reported periods thereafter. The requirements of Implementation Guide 2019-3 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The City implemented the requirements for GASB Statement No. 87 and Implementation Guide 2019-3 for the fiscal year-ending September 30, 2022.

This Statement addresses a variety of topics and some of the provisions do not apply to the City.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The statement allows provisions of a lease contract to be amended while the contract is in effect such as changing the index or rate. In reference to GASB Statement No. 87, if a variable payment is changed to replace IBOR with another rate it is not considered a lease modification. The City does not utilize hedging derivative instruments, the City does not have any debt that has variable debt payments based on LIBOR, and the City does not utilize hedging derivative instruments. Therefore, these portions of GASB Statement No. 93 do not require changes in the City’s financial reporting.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Current GASB Statement Implementations (Continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, will enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The City's Section 457 plan does not qualify as a pension plan due to the City has no liability for losses under this plan, therefore, the City's Section 457 plan does not meet the criteria of a pension plan.

GASB Statement No. 99, *Omnibus 2022,* the primary objective of this Statement is to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing (1) practice issues from implementation and application of certain other GASB statements and (2) accounting and financial reporting for financial guarantees. This area specifically covers the early implementation of clarification of provisions in GASB Statement No. 87, as amended, related to determination of lease term, classification of lease as short-term, recognition and measurement of a lease liability and asset, and identification of lease incentives. Related to the lease term the statement states that the option to purchase the underlying asset should be considered an option to terminate and be included in the evaluation of the lease term. However, the termination due to lease violation should not be considered in the valuation. The exclusion of short-term of Statement No. 87, lead the board to be concerned of restructuring of leases to avoid general recognition and measurement of the lease. Thus, to minimize this, the entire lease term from inception should be considered to determine if the lease applies as a short-term lease. The statement clarifies recognition and measurement of lease by stating, the lease liability or asset should not be remeasured due solely to change in index or rate change in incremental borrowing rate. The City implemented GASB Statement No. 87 in fiscal year 2022, and will be early implementing paragraphs 11-17, which relates to lease topics. Refer below to GASB Statement No. 99, *Omnibus 2022* for the remaining provisions of this statement.

Adoption of the above standards had no effect on beginning net position/fund balance as of October 1, 2021.

### Future GASB Statement Implementations

GASB Statement No. 91, *Conduit Debt Obligations*, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods after December 15, 2021. The City will assess and implement this Statement where applicable in fiscal year 2023.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Future GASB Statement Implementations (Continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* the primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which the operator collects and is compensated by fees from third parties; the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City will assess and implement this Statement where applicable in fiscal year 2023.

GASB Statement No. 96*, Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87*, Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City will assess and implement this Statement where applicable in fiscal year 2023.

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## Note 1 Summary of Significant Accounting Policies (Continued)

### Future GASB Statement Implementations (Continued)

GASB Statement No. 99, *Omnibus 2022*, the primary objective of this Statement is to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing (1) practice issues from implementation and application of certain other GASB statements and (2) accounting and financial reporting for financial guarantees. This statement clarifies that instruments within scope of GASB Statement No. 53 that do not meet the definition of an investment derivative or of a hedging derivative are considered as other derivative instruments. This statement clarifies GASB Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements*, related to determining terms of public-private and public-public partnership terms and the recognition and measurement of installment payments and transfer of the underlying asset. This statement provides clarification on GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the term, term classification, and the recognition and measurement of the liability. The statement extends the period in which London Interbank Offered Rate (LIBOR) is considered an appropriate interest rate benchmark for qualitative evaluation of interest rate swap effectiveness that hedges interest rate risk for taxable debt. Additionally, this statement provides clarification on GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended, related to the focus of government-wide financial statements. Finally, the statement clarifies, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, terminology used in GASB Statement No. 53 to refer to resource flows statements and terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City will assess and implement this Statement where applicable in fiscal years 2023 and 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement 62,* the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for decision making and assessing accountability. Accounting Changes in this statement are defined as, changes in accounting principles, estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature and quantitative effects. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. The City will assess and implement this Statement where applicable in fiscal year 2024.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Future GASB Statement Implementations (Continued)

GASB Statement No. 101, *Compensated Absences,* the primary objective of this Statement is to meet the information needs of financial statement users by updating recognition and measurement guidance for compensated absences. That is achieved by aligning the recognition and measurement guidance under a unified model and amending certain previous required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave that is accumulated is carried forward from the reporting period to a future reporting period in which it may be used, paid, or settled. Leave that is likely to be settled through conversion to defined benefit postemployment benefits should not be included in liability for compensated absences. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. The statement establishes guidance for liability measurement, generally this is the pay rate of the employee as of date of the financial statements. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The City will assess and implement this Statement where applicable in fiscal year 2025.

The City has not fully determined the effects that implementation of these statements will have on its financial statements.

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## Note 1 Summary of Significant Accounting Policies (Continued)

### Cash and Cash Equivalents and Investments

The City's investment practices are governed by state statutes and by the City's own Investment Policy. City cash is required to be deposited in Federal Deposit Insurance Corporation (FDIC) insured banks located within the State of Texas. A pooled cash and investment strategy is utilized, which enables the City to have one central depository. Investments are pooled into two primary categories: operating funds and debt service funds. The balances in these funds are invested in an aggregate or pooled amount, with principal and interest income distributed to each respective fund on a prorated basis. In addition, the City may purchase certain investments with the available balance of a specific fund for the sole benefit of such fund. Fair value of the City's investments is determined by quoted market prices and valuations using interest rate curves and credit spreads applied to the terms of the debt instrument, while also considering the counterparty rating. The City's policy with respect to money market investments, which have a remaining maturity of one year or less at the time of purchase, is to report those investments at amortized cost, which approximates fair value. Amortization of premium or accretion of discount is recorded over the term of the investments. As of September 30, 2022, the City's investment portfolio did not contain any derivative instruments or alternative investment products, nor was it leveraged in any way. Derivative instruments or alternative investment products are found only where noted in the Pension Fund and Health Fund. For a listing of authorized investments, see Note 4 Cash and Cash Equivalents, Securities Lending and Investments.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity of approximately 90 days or less to be cash equivalents.

### Materials and Supplies and Prepaid Items

Materials and supplies consist principally of expendable items held for consumption and are stated at cost, based on first-in, first-out and lower of average cost or market methods. For governmental and proprietary fund types, the "consumption" method is used to account for certain materials and supplies. Under the consumption method, these acquisitions are recorded in materials and supplies accounts and charged as expenditures for governmental funds and as expenses for proprietary funds when used.

Prepaid items are goods and services that are paid in advance. These payments reflect costs applicable to future accounting periods and are recorded in both government-wide and fund financial statements. Using the consumption method, prepaid items are charged as expenditures for governmental funds and as expenses for proprietary funds as the goods or services are used.

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## Note 1 Summary of Significant Accounting Policies (Continued)

### Capital Assets and Depreciation

***Primary Government (City)***

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, works of art, historical treasures, or capital assets received in a service concession agreement are valued at acquisition value. Capital assets recorded under financed purchases are recorded at the present value of future minimum payments. Depreciation on all exhaustible capital assets of the City is charged as an expense with accumulated depreciation being reported in the Statement of Net Position. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The City has established capitalization thresholds for automotive equipment, computer software, computer equipment, machinery and equipment, buildings, improvements, infrastructure, and depreciable intangible (e.g. right of ways, easements, internally generated software). Some intangible assets may have an indefinite life. For those assets, depreciation is not calculated. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs. Losses are recorded net of any insurance recovery when the recovery is realizable in the respective fiscal year.

The estimated useful lives and capitalization thresholds applied are as follows:

| Assets | Useful Life (Years) | Capitalization Threshold |
|---|---|---|
| Automotive Equipment | 5-10 | $ 5 |
| Computer Software | 5-10 | 5 |
| Computer Equipment | 5-10 | 5 |
| Machinery and Equipment | 5-20 | 5 |
| Infrastructure- Sidewalks | 20 | 5 |
| Buildings | 10-40 | 100 |
| Depreciable Intangible | 5-40 | 100 |
| Improvements (other than buildings) | 10-40 | 100 |
| Infrastructure | 10-100 | 100 |

Lease asset threshold is $5 and are amortized over the lesser of the life of the associated contract or useful life of the asset.

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*Year-Ended September 30, 2022* - 53 - *Amounts are expressed in thousands*

## Note 1 Summary of Significant Accounting Policies (Continued)

### Capital Assets and Depreciation (Continued)

#### *CPS Energy*

The costs of additions and replacements of assets identified as major components or property units are capitalized. Maintenance and replacements of minor items are charged to operating expense. Except for certain assets that may become impaired, the cost of a depreciable plant that is retired, plus removal costs and less salvage, is charged to accumulated depreciation. Per the financial reporting requirements of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, any losses associated with capital asset impairments will be charged to operations, not to accumulated depreciation.

CPS Energy's utility plant is stated at the cost of construction, including expenses for contracted services; direct equipment, material and labor; indirect costs, including general engineering, labor, equipment and material overheads; AFUDC, or capitalized interest. In accordance with the implementation of GASB Statement No. 89 in fiscal year 2022, AFUDC is no longer applied to projects.

Proceeds from customers to partially fund construction expenses are reported as capital grants and contributions in the Statement of Activities as increases in net position in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The amount reported for capital grants and contributions was $74,403 for the period ending January 31, 2022, including donated assets of $9,597. The remaining portion of this balance, $64,806 for fiscal year 2022 represents contributions received from customers as payments for utility extensions and services, as well as funding for community initiatives and other local partnership projects.

Except for nuclear fuel, which is amortized over units of production, CPS Energy computes depreciation using the straight-line method over the estimated service lives of the depreciable property according to asset type. Total depreciation as a percent of total depreciable assets, excluding nuclear fuel, was 3.0% for fiscal year 2022.

Separately, right-to-use lease assets are being amortized over the lesser of the life of the assets or the term of the lease, using the straight-line method.

The estimated useful lives of depreciable capital assets are as follows:

| Depreciable Capital Assets | Useful Life (Years) |
|---|---|
| Buildings and Structures | 20-45 |
| Utility Plant in Service: | |
| Generation | 18-49 |
| Transmission and Distribution | 15-60 |
| Gas | 35-65 |
| Machinery and Equipment | 4-20 |
| Intangibles: | |
| Software | 10 |
| Other | 20-30 |
| Mineral Rights and Other | 20-40 |

*Year-Ended September 30, 2022* - 54 - *Amounts are expressed in thousands*

# Note 1 Summary of Significant Accounting Policies (Continued)

## Capital Assets and Depreciation (Continued)

### *CPS Energy (Continued)*

Thresholds contained in CPS Energy's capitalization policy for fiscal year 2022 are as follows:

| Assets | Capitalization Threshold |
|---|---|
| Land, Land Improvements and Certain Easements | Capitalize All |
| Buildings and Building Improvements | $ 10 |
| Computer Software: | |
| Purchased | 50 |
| Internally Developed | 50 |
| Enhancements/Upgrades | 50 |
| Computer Hardware | 3 |
| All Other Assets | 3 |

CPS Energy adopted GASB Statement No. 87, *Leases*, during fiscal year 2022, which no longer differentiates between capital and operating leases. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, CPS Energy as a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor is required to recognize a lease receivable and a deferred inflow of resources.

### *San Antonio Water System (SAWS)*

SAWS' capital assets in service are capitalized when the unit cost is greater than or equal to $5. Utility plant additions are recorded at cost, which includes materials, labor, and direct internal costs during construction. Capital assets include intangible assets, which consist of purchased water rights and land capital easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas, and development costs for internally generated computer software. Assets acquired through capital leases are recorded as assets in Utility plant in service and the lease contracts recorded as liabilities in contract and leases payable in SAWS' financial statements using the present value of lease payments and any other non-executory costs. Assets acquired through contributions, such as those from developers, are recorded at estimated acquisition value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized.

Capital assets are depreciated on the straight-line method. This method is applied to all individual assets except distribution and collection mains and intangible assets. Groups of mains are depreciated on the straight-line method over an estimated average useful life of 50 years. Mains are included in the distribution and transmission system asset category and the collection system category. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Capital Assets and Depreciation (Continued)

#### *San Antonio Water System (SAWS) (Continued)*

The following table shows an estimated range of useful lives used in providing for depreciation of capital assets:

| Assets | Useful Life (Years) |
|---|---|
| Structures and Improvements | 25-50 |
| Pumping and Purification Equipment | 10-50 |
| Distribution and Transmission System | 17.5-50 |
| Collection System | 50 |
| Treatment Facilities | 25 |
| Machinery and Equipment | 5-20 |
| Furniture and Fixtures | 3-10 |
| Computer Equipment | 5 |
| Software | 3-10 |
| Intangible Assets (Definite Useful Life) | 20 |

Capital contributions consist of plant contributions from developers, capital recovery fees, and contributions in aid of construction and/or grant proceeds received from governmental agencies for facility expansion.

Capital recovery fees are charged to customers to connect to the water or wastewater system. By Texas law, these fees are to be used for capital expenditures that expand infrastructure capacity or to reimburse SAWS for the cost associated with existing excess infrastructure capacity. In certain instances, infrastructure that facilitates expansion of SAWS' service capacity is contributed by developers. In these instances, SAWS records the donated infrastructure as plant contributions and may abate future capital recovery fees due from the developer equal to a portion of the acquisition value of the infrastructure contributed. SAWS abated future capital recovery fees of $6,424 in 2021. These abatements are conditional based on the type of development and in certain instances, time requirements and geographic restrictions.

### Accrued Leave

#### *Primary Government (City)*

The City accrues annual leave and associated employee related costs when matured for both civilian and uniformed employees. Beginning in fiscal year 2020 the City implemented a new paid sick leave policy for temporary and part-time civilians as well as school crossing guards that enabled the matured leave to be paid out upon separation. The City accrued available sick leave at year-end for these employees. The City has a use or lose sick leave policy for its full-time civilian employees; and therefore, does not accrue said leave. The City accrues the matured portion of its uniformed employees' accrued sick leave, holiday, and bonus pay up to the allowed limit in accordance with their respective collective bargaining agreements.

For governmental fund types, the matured current portion of the liability resulting from the accrual of these leave liabilities is recorded in the respective governmental fund and reported in the fund financial statements, while the entire liability is reported in the government-wide financials. The current and long-term portions of the liability related to proprietary fund types are accounted for in the respective proprietary funds.

*Year-Ended September 30, 2022* - 56 - *Amounts are expressed in thousands*

## Note 1 Summary of Significant Accounting Policies (Continued)

### Accrued Leave (Continued)

#### *CPS Energy*

Employees earn vacation benefits based upon their employment status and years of service. CPS Energy does not accrue a liability for sick leave since there is no cash payment made of sick leave when an employee terminates or retires.

#### *San Antonio Water System (SAWS)*

It is SAWS' policy to accrue earned but unused employee vacation pay as well as the employer portion of Social Security taxes and required employer pension contributions related to the accrued vacation pay. The total vacation paid in the current year is used as the estimated amount to be due within one year. Sick leave is not accrued and a terminating employee is not paid for accumulated sick leave.

### Insurance

#### *Primary Government (City)*

Activity for the City's self-insurance programs is recorded in the Internal Service Funds. Assets and obligations related to property and casualty liability, employee health benefits, workers' compensation, unemployment compensation, and employee wellness are included. Retired employee health benefit activity is reported in a Fiduciary Component Unit Fund.

The City is insured for property loss on a primary basis through Advanced Placement Incentive Program. The City is completely self-insured for liability claims. Related liabilities are accrued based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported prior to the end of the fiscal year. The City determines and accrues loss liabilities based on an actuarial assessment, performed after fiscal year-end, of historical claim data and industry trends, less expenditures and accrued claims during close out that were included in the reserve census data given to the actuaries.

The City also provides employee health insurance, which includes funding a prorated share of retiree health benefit costs, workers' compensation, and unemployment benefits under its self-insurance programs. The City purchases medical claims stop-loss insurance from HM Life Insurance Company. The stop-loss insurance covers civilian and uniformed active employees, non-Medicare eligible retirees, and eligible dependents for claims paid exceeding $1,200.

Employee and retiree health benefit liabilities are determined and accrued based upon the City's estimates of aggregate liabilities for unpaid benefits utilizing claim lag data from the City's third-party administrator. The City additionally determines and accrues postemployment liabilities based on an actuarial assessment of historical claim data performed annually and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the postemployment liability as additional contributions.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Insurance (Continued)

#### *Primary Government (City) (Continued)*

The City is a member of the Texas Municipal League Workers' Compensation Joint Insurance Fund and uses this fund as a mechanism for administering workers' compensation claims that occurred prior to September 30, 1986. Workers' compensation claims that occurred after October 1, 1986, are administered by third-party administrators. The City records all workers' compensation loss contingencies, including claims incurred but not reported. The City determines and accrues workers' compensation liabilities based on an actuarial assessment of historical claim data and industry trends performed annually. The City has been completely self-insured for workers' compensation claims since May 1, 2013. In fiscal year 2020, the City purchased workers' compensation stop loss insurance for claims that exceed $3,000. Additionally, in fiscal year 2022, the City purchased workers' compensation stop loss insurance for claims that exceed $2,000 for civilian employees and $5,000 for uniformed employees.

Regarding unemployment compensation, the City is subject to the State of Texas Employment Commission Act. Under this Act, the City's method for providing unemployment compensation is to reimburse the State for claims paid by the State.

All insurance carriers providing coverage for the City are required to possess an A.M. Best Company rating of 'A-' or better, where 'A-' denotes Excellent. A.M. Best is an industry recognized rating service for insurance companies. For more detailed explanation of the City's self-insurance programs, see Note 16 Risk Financing.

#### *CPS Energy*

CPS Energy maintains property and liability insurance programs that combine self-insurance with commercial insurance policies to cover major risks.

#### *San Antonio Water System (SAWS)*

SAWS is self-insured for a portion of workers' compensation, employee's health, employer's liability, public officials' liability, property damage, and certain elements of general liability. A liability has been recorded for the estimated amount of eventual loss, which will be incurred on claims arising prior to the end of the period including incurred but not reported claims.

### Pensions and Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability and total and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information (where applicable) about the fiduciary net position of the plans (where applicable) and additions to/deductions from the Plan's fiduciary net position (where applicable) have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 Pension and Retirement Plans and Note 11 Other Postemployment Benefits for more information.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned based on the extent to which the City is bound to observe constraints imposed on the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaids.
- Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.
- Committed – The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned – Amounts in the assigned fund balance are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council, City Manager, Executive Leadership Team, and Department Directors.
- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds other than the General Fund, if expenditures incurred exceed the amounts restricted, committed or assigned, the fund may report a negative unassigned fund balance.

Generally, the City would apply restricted, committed, or assigned resources prior to unassigned resources when an expenditure is incurred for purposes for which more than one of the classifications of fund balance is available. See Note 18 Fund Balance Classifications for more detail.

Assets associated with cash and receivables received from restricted sources (grants, bond issuances, legislative items, or other third-party restrictions) as well as associated obligations are categorized as restricted.

### Allocation of Indirect Expenses

The City recovers indirect costs in the General Fund through the application of departmental indirect cost rates. These rates are developed and documented in the City’s departmental indirect cost rate plan. In this plan, each department is classified by function. Indirect costs are budgeted by department and are used as a basis for the City’s actual indirect cost allocation. Base rates are then applied to actual indirect costs recovered, and indirect costs are reclassified to reduce general government expenditures. For fiscal year 2022, general government expenditures in the General Fund were reduced by $22,114, resulting in increased expenditures/expenses in other governmental functions and in business-type activities in the amounts of $14,680 and $7,434, respectively.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the debt. For current refundings and advance refundings of debt resulting in defeasance of debt, the difference between the reacquisition price and the carrying amount of the old debt are deferred as a deferred outflow of resources or deferred inflow of resources and amortized over the shorter of the life of the old debt or the life of the new debt. The reacquisition price differentiates between current and advance refunding. Per GASB Statement 65, *Items Previously Reported as Assets and Liabilities,* in a current refunding, this includes principal of the old debt and any call premium. In an advance refunding, it is the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt and any call premium.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

### Elimination of Internal Activity

Elimination of internal activity, particularly related to internal service fund and blended component unit transactions, is needed to make the transition from governmental funds to government-wide activities. The overriding objective in eliminating the effects of internal service fund activity is to adjust the internal charges to cause a break-even result. The main objective in eliminating the effect of funding and reimbursement of costs between the primary government and blended component unit is to remove duplication of same activities.

Eliminating the effect of internal service fund activity requires the City to look back and adjust the Internal Service Funds' internal charges. Net income derived from internal service fund activity would cause a prorated reduction in the charges made to the participating funds/functions. Conversely, an internal service fund net loss would require a prorated increase in the amounts charged to the participating funds/functions.

Therefore, eliminations made to the Statement of Activities remove the doubling up effect of internal service fund activity. The residual internal balances between the governmental and business-type activities are reported in the Statement of Net Position and the internal balance amounts that exist within the governmental funds or within business-type funds are eliminated. The City reports internal service fund balances in both governmental and business-type activities, based on the prorated share of the amounts charged to the participating funds/functions.

The City has four Internal Service Funds: Other Internal Services (OISF), Information Services, Self-Insurance Funds, and CMS. Through tracking charges to the applicable departments in each fund, the net income or loss will be allocated back to the user department, based on actual charges incurred over time.

OISF reports on activities of five funds: City Tower Fund, Purchasing Fund, Equipment Renewal and Replacement Fund, Building Maintenance Fund, and Fleet Services Fund. The City Tower Fund generates revenues through parking operations for the on-site garage, leases from external tenants and rental savings from departments moved into the City Tower. The Purchasing Fund generates its revenue through fixed assessments charged to various funds each year for procurement services, as well as charge-backs for postage and printing. The Equipment Renewal and Replacement Fund charges fixed assessments associated with the replacement of vehicles and heavy equipment. Building Maintenance Fund charges user fees based on the space occupied by departments. Fleet Services Fund charges a monthly amount based on vehicle repair and maintenance and fuel purchases by each department.

## Note 1 Summary of Significant Accounting Policies (Continued)

### Elimination of Internal Activity (Continued)

Information Services charge a monthly amount based on the usage of data processing, telephone, and radio services by each department. The Self-Insurance Funds generate their revenues through fixed assessments charged to the various funds each year. The Employee Benefits Fund, a component of the Self-Insurance Funds, additionally charges prorated user fees to active employees on the City's healthcare plans; and earns rebates for prescription purchases. The CMS Fund generates revenues by charging a capital administrative fee for activities on projects being worked on. The fund additionally generates revenue through reimbursements of costs incurred.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the City, Pension and Health Fund, CPS Energy, and SAWS to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Application of Restricted and Unrestricted Net Position

The City may receive funding from an organization whose expenditures are restricted to certain allowable costs. In situations where both restricted and unrestricted net position are expended to cover allowable expenses, the City will first expend the restricted net position and cover additional costs with unrestricted net position. The City reserves the right to selectively defer the use of restricted assets or reimburse unrestricted net position with allowable restricted assets.

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## Note 2 Property Taxes

Property taxes are levied and due upon receipt on October 1, based on the assessed value of the previous January 1. The taxes are attached as an enforceable lien on property as of January 1 of the subsequent year and become delinquent the following February 1. Property tax billing and collections are performed via an interlocal agreement with the Bexar County Tax Assessor/Collector's Office. The City recognizes assets for property taxes when an enforceable legal claim to the assets arises (lien date) and recognizes revenues in the period for which the taxes are levied (when available for governmental funds).

The City is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to $2.50 per $100 of taxable valuation (amounts are not reflected in thousands). The tax rate approved by City ordinance for the fiscal year-ended September 30, 2022, was $0.55827 per $100 taxable valuation, which means that the City has a tax margin of $1.94173 per $100 taxable valuation (tax rate amounts are not reflected in thousands). This could raise an additional $2,535,488 per year based on the net taxable valuation of $130,578,802 before the limit is reached. In fiscal year 2022, the City has forgone property tax revenues as a result of abatement agreements it has entered into. For more information see Note 3 Tax Abatements.

The City has adopted a Tax Increment Financing (TIF) Program Policy and Implementation Manual for the utilization of tax increment as a financing mechanism and the creation of Tax Increment Reinvestment Zones (TIRZ) pursuant to Chapter 311 of the Texas Tax Code. The City has utilized TIF to fund in whole or in part eligible capital costs for public infrastructure related to economic development, commercial, and residential projects. As of September 30, 2022, there were 23 existing TIRZ with a total taxable captured value of $5,441,941. For fiscal year 2022, this total taxable captured value produced $29,587 in tax increment revenues for use by the City to fund capital costs of certain public infrastructure improvements, tax rebates for public arts, historic building restoration and remediation, economic development projects, COVID-19 relief, affordable housing, and operating and administrative expenses in the TIRZ. The existing TIRZ have initial terms ranging from 19 years to 38 years which are anticipated to expire by fiscal year 2054. It is estimated that the City will contribute approximately $877,289 in tax increment revenues in aggregate over the life of these TIRZ projects.

| TIRZ | Start Date | End Date | Taxable Captured Value |
|---|---|---|---|
| Mission Del Lago | 8/19/1999 | 9/30/2032 | $ 294,004 |
| Houston Street | 12/9/1999 | 9/30/2034 | 782,782 |
| Stablewood Farms | 12/14/2000 | 9/30/2025 | 63,458 |
| Inner City | 12/14/2000 | 9/30/2025 | 1,284,585 |
| Plaza Fortuna | 12/13/2001 | 9/30/2025 | 7,926 |
| Lackland Hills | 12/13/2001 | 9/30/2026 | 25,033 |
| Northeast Crossing | 6/13/2002 | 9/30/2028 | 264,524 |
| Brooks City Base | 12/9/2004 | 9/30/2039 | 514,516 |
| Mission Creek | 12/9/2004 | 9/30/2029 | 63,548 |
| Hallie Heights | 12/9/2004 | 9/30/2024 | 25,121 |
| Heathers Cove | 12/16/2004 | 9/30/2024 | 23,044 |
| Hunters Pond | 6/1/2006 | 9/30/2031 | 38,550 |
| Verano | 12/6/2007 | 9/30/2045 | 246 |
| Westside | 12/11/2008 | 9/30/2032 | 446,501 |
| Midtown | 12/11/2008 | 9/30/2041 | 1,253,336 |
| Mission Drive In | 12/11/2008 | 9/30/2027 | 136,030 |
| North East Corridor | 12/4/2014 | 9/30/2034 | 176,688 |
| Hemisfair | 2/2/2017 | 9/30/2037 | 39,721 |
| Tarasco Gardens[1] | 12/13/2018 | 9/30/2044 | |
| Thea Meadows | 12/5/2019 | 9/30/2054 | 2,328 |
| Nabors[2] | 5/13/2021 | 9/30/2046 | |
| Somerset Grove[2] | 6/10/2021 | 9/30/2046 | |
| Valley Sol[2] | 6/10/2021 | 9/30/2046 | |
| | | | $ 5,441,941 |

[1] Fiscal year 2022 captured value is negative; no increment collected.

[2] Fiscal year 2023 will be the first year of tax increment collections for the TIRZ.

## Note 3 Tax Abatements

GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or citizens of those governments.

The City utilizes the following tax abatement programs to provide powerful new resources and incentives to grow the economy in the region, revitalize targeted areas of the City and promote strong, balanced growth throughout the community.

The City has not entered into agreements with other governments that would reduce the reporting government's tax revenues. Other entities are not authorized to enter into tax abatement agreements that reduce the City tax revenue without the City's consent.

### City Tax Abatement Program

- ***Purpose of program*** – Encourages a job creation environment to help attract, retain, and expand targeted industries, increase employment and high-wage jobs, expand the tax base, and create long-term capital investment (including foreign direct investment) and new wealth opportunities in the community in accordance with the SA Tomorrow Comprehensive Plan.
- ***Taxes being abated*** – This program offers a tax abatement of up to 100.0% on real and/or personal property taxes on improvement values for a maximum term of up to ten years.
- ***Authority for entering program*** – Chapter 312 of the Texas Tax Code.
- ***Eligibility criteria for recipients*** – A new company or existing local company must meet or exceed all of the criteria: 1) minimum amounts of new real and/or personal property capital investment; 2) minimum levels of full-time job creation, excluding data center projects and solar farms; 3) employee and dependent access to health care benefits; 4) minimum living and all-industry wage requirements for new and existing employees at project site; and 5) applicant must be in a targeted industry, a qualifying project or business activity.
- ***Mechanism used to abate taxes*** – Through a reduction of the property's assessed value or as a credit to the amount of taxes owed.
- ***How the dollar amount of the abatement was determined*** – The amount and term of the tax abatement offered is dependent upon the location and industry of the project, other public incentives offered for the same project and the overall benefit to the City and community.
- ***Recapture Provisions*** – Violations for employment of undocumented workers, failure to meet investment requirements, failure to meet and maintain the minimum number of employees, failure to pay property taxes if owed or for refunding agreements, failure to complete project by the agreed upon deadline, events of relocation or cessation of business activities within the term of the agreement, or failure to meet other specified terms of the agreement.
- ***Types of commitments made by recipients*** – Varies by agreement, including investment in real and personal property, creating a minimum number of full-time jobs, and commitment to maintain business activities for a set amount of time.
- ***Other commitments to the recipient*** – No other commitments are made with this program.

## Note 3 Tax Abatements (Continued)

### Economic Development Incentive Fund (EDIF) Program

- ***Purpose of program*** – Provide economic development grants and/or loans to eligible companies seeking to create or retain jobs and invest in San Antonio.
- ***Taxes being abated*** – These programs decrease the property tax revenue up to 100.0% from real and/or personal property for the City by reducing the amount of the assessed value up to 15 years.
- ***Authority for entering program*** – Chapter 380 of the Local Government Code.
- ***Eligibility criteria for recipients*** – A new company or existing local company must meet or exceed all of the criteria: 1) minimum amounts of new real and/or personal property capital investment; 2) minimum levels of full-time job creation, excluding data center projects and solar farms; 3) employee and dependent access to health care benefits; 4) minimum living and all-industry wage requirements for new and existing employees at project site; and 5) applicant must be in a targeted industry, a qualifying project or business activity.
- ***Mechanism used to abate taxes*** – Through a reduction of the property's assessed value or as a credit to the amount of taxes owed.
- ***How the dollar amount of the abatement was determined*** – The amount of EDIF assistance for a business recruitment or retention/expansion project will be based on a determination of need for financial incentives from the City to ensure the attraction, retention and/or expansion of the eligible company or program. Staff will also conduct a fiscal benefit analysis on each such project and evaluate the total benefits from all financial incentive programs the City might offer for the project.
- ***Recapture Provisions*** – Violations for employment of undocumented workers, failure to meet investment requirements, failure to meet and maintain the minimum number of employees, failure to pay property taxes if owed or for refunding agreements, failure to complete project by the agreed upon deadline, events of relocation or cessation of business activities within the term of the agreement, or failure to meet other specified terms of the agreement.
- ***Types of commitments made by recipients*** – Varies by agreement, including investment in real and personal property, creating a minimum number of full-time jobs, and commitment to maintain business activities for a set amount of time.
- ***Other commitments to the recipient*** – Varies by agreement, may include grants (usually most significant, amount depends on financial availability), loans, and forgivable loans.

### Tax Increment Financing Program – Center City Housing Incentive Policy

- ***Purpose of program*** – Provides financial incentives for multi-family housing projects and focuses on housing redevelopment within the Greater Downtown Area.
- ***Taxes being abated*** – This program offers a tax reimbursement of up to 100.0% on real and/or personal property taxes on improvement values for a maximum term of up to 15 years.
- ***Authority for entering program*** – Chapter 311 of the Texas Tax Code, Chapter 380 of the Local Government Code.
- ***Eligibility criteria for recipients*** – All projects must create housing at a density of at least eight units per acre for adaptive reuse or historic rehabilitation projects, or 16 housing units per acre for all other projects. Rental projects must maintain first year rental rate for 10.0% of units throughout agreement term. All projects must receive design approval prior to commencement.
- ***Mechanism used to abate taxes*** – Eligible projects will receive a tax reimbursement disbursed annually over the life of the agreement.
- ***How the dollar amount of the abatement was determined*** – The amount of the tax abatement offered is dependent on the location of the property and increase of the property value over the term of the agreement from the base year's value.

## Note 3 Tax Abatements (Continued)

### Tax Increment Financing Program – Center City Housing Incentive Policy (Continued)

- ***Recapture Provisions*** – Violations for employment of undocumented workers, failure to meet investment requirements, failure to meet and maintain the minimum number of employees, failure to pay property taxes if owed or for refunding agreements, failure to complete project by the agreed upon deadline, events of relocation or cessation of business activities within the term of the agreement, or failure to meet other specified terms of the agreement.
- ***Types of commitments made by recipients*** – Varies by agreement, including investment in real and personal property (generally rental housing units).
- ***Other commitments to the recipient*** – Varies by agreement, may include SAWS fee waivers (generally most significant up to $500), City fee waivers, low interest loans, low interest forgivable loans, and mixed-use forgivable loans.

### Tax Increment Financing Program – Non-Center City Housing Incentive Policy

- ***Purpose of program*** – This program is to promote local economic development and to stimulate business and commercial activity.
- ***Taxes being abated*** – This program offers a tax reimbursement of up to 100.0% on real and/or personal property taxes on improvement values for a maximum term of up to 15 years.
- ***Authority for entering program*** – Chapter 311 and 312 of the Texas Tax Code, Chapter 380 of the Local Government Code.
- ***Eligibility criteria for recipients*** – All projects must create housing at a density of at least eight units per acre for adaptive reuse or historic rehabilitation projects, or 16 housing units per acre for all other projects. Rental projects must maintain first year rental rate for 10.0% of units throughout agreement term. All projects must receive design approval prior to commencement.
- ***Mechanism used to abate taxes*** – Eligible projects will receive a tax reimbursement disbursed annually over the life of the agreement.
- ***How the dollar amount of the abatement was determined*** – The amount of the tax abatement offered is dependent on the location of the property and increase of the property value over the term of the agreement from the base year’s value.
- ***Recapture Provisions*** – Violations for employment of undocumented workers, failure to meet investment requirements, failure to meet and maintain the minimum number of employees, failure to pay property taxes if owed or for refunding agreements, failure to complete project by the agreed upon deadline, events of relocation or cessation of business activities within the term of the agreement, or failure to meet other specified terms of the agreement.
- ***Types of commitments made by recipients*** – Varies by agreement, including investment in real and personal property, creating a minimum number of full-time jobs, and commitment to maintain business activities for a set amount of time.
- ***Other commitments to the recipient*** – Varies by agreement, may include SAWS fee waivers, (generally most significant up to $500), City fee waivers, low interest loans, low interest forgivable loans, and mixed-use forgivable loans.

## Note 3 Tax Abatements (Continued)

### Summary

A summary of these taxes forgone on the City's abatement programs for the year-ended September 30, 2022 follows:

| Tax Abatement Program | Number of Agreements (Not in thousands) | Amount of Taxes Abated during the fiscal year |
|---|---|---|
| City Tax Abatement Program | 12 | $ 2,681 |
| Economic Development Incentive Fund Program | 6 | 1,310 |
| Center City Housing Incentive Policy | 38 | 3,448 |
| Non-Center City Housing Incentive Policy | 8 | 853 |
| | 64 | $ 8,292 |

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# Note 4 Cash and Cash Equivalents, Securities Lending and Investments

## Summary of Cash and Cash Equivalents, Securities Lending and Investments

**Totals from Statement of Net Position**

| | City[1] | Fire and Police Pension Fund[2, 4] | Retiree Health & Wellness SA Fire and Police Fund (Health Fund)[2, 4] | CPS Energy[3] | SAWS[4] |
|---|---|---|---|---|---|
| Unrestricted: | | | | | |
| Cash and Cash Equivalents | $ 233,962 | $ 93,707 | $ 8,842 | $ 384,834 | $ 165,654 |
| Security Lending Collateral | | 134,858 | | | |
| Investments | 605,611 | 4,065,137 | 544,195 | | 373,994 |
| Total Unrestricted | $ 839,573 | $ 4,293,702 | $ 553,037 | $ 384,834 | $ 539,648 |
| Restricted: | | | | | |
| Cash and Cash Equivalents | 576,172 | | | 109,916 | 261,334 |
| Investments | 1,154,428 | | | 1,269,198 | 579,278 |
| Total Restricted | $ 1,730,600 | $ - | $ - | $ 1,379,114 | $ 840,612 |
| Total Cash and Cash Equivalents, Securities Lending Collateral and Investments | $ 2,570,173 | $ 4,293,702 | $ 553,037 | $ 1,763,948 | $ 1,380,260 |

[1] Custodial and City Retiree Health Care Fund cash and investments are included in the City's pooled cash and investments but are not available for City activities and are excluded from the primary government's Statement of Net Position. The Custodial assets are presented above as Restricted Cash and Cash Equivalents of $3,638 and Investments of $2,211. The City Retiree Health Care Fund assets are presented above as Restricted Cash and Cash Equivalents of $1,268 and Investments of $4,924.

[2] The Fire and Police Pension Fund and the Health Fund are separately issued fiduciary component units and are excluded from the primary government's Statement of Net Position.

[3] For the fiscal year-ended January 31, 2022.

[4] For the fiscal year-ended December 31, 2021.

A summary of cash and cash equivalents, securities lending and investments for the City, Pension Fund, Health Fund, CPS Energy, and SAWS is presented below as of each entity's respective fiscal year-end. This information is provided in order to facilitate reconciliation between the Statement of Net Position and the following note disclosures:

**Summary of Cash and Cash Equivalents**

| | City | Fire and Police Pension Fund | Retiree Health & Wellness SA Fire and Police Fund (Health Fund) | CPS Energy | SAWS |
|---|---|---|---|---|---|
| Deposits with Financial Institutions | $ 235,031 | $ 406 | $ 118 | $ 38,788 | $ 44,041 |
| Investments with Original Maturities of Less than Ninety Days | 451,038 | 93,301 | 8,724 | 455,919 | 382,929 |
| Cash with Other Financial Agents | 123,549 | | | | |
| Petty Cash Funds | 106 | | | 43 | |
| Cash on Hand | 410 | | | | 18 |
| Total Cash and Cash Equivalents | $ 810,134 | $ 93,707 | $ 8,842 | $ 494,750 | $ 426,988 |

*Year-Ended September 30, 2022* - 67 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Summary of Cash and Cash Equivalents, Securities Lending and Investments (Continued)

**Summary of Investments**

| | City | Fire and Police Pension Fund | Retiree Health & Wellness SA Fire and Police Fund (Health Fund) | CPS Energy | SAWS |
|---|---|---|---|---|---|
| U.S. Treasuries, Government Agencies, Money Market Mutual Funds, and Government Investment Pool | $ 2,207,844 | $ 212,524 | $ 8,724 | $ 1,270,515 | $ 1,336,201 |
| Repurchase Agreements | 2,533 | | | | |
| Corporate Bonds | | 668,110 | | 140,706 | |
| Foreign Bonds | | 184,998 | | 12,367 | |
| Common Stock | | 1,208,085 | 21,479 | 217,030 | |
| Mutual Funds | | | 118,047 | | |
| Real Estate | | 345,140 | 29,281 | 83,745 | |
| Preferred Stock | 700 | | | 754 | |
| Hedge Funds | | 30,886 | | | |
| International Equities - Common Stock | | 790,794 | | | |
| Alternative Investment | | 717,901 | 375,388 | | |
| Total Investments | $ 2,211,077 | $ 4,158,438 | $ 552,919 | $ 1,725,117 | $ 1,336,201 |
| Less: Investments with Original Maturities of Less than Ninety Days included in Cash and Cash Equivalents | (451,038) | (93,301) | (8,724) | (455,919) | (382,929) |
| Total | $ 1,760,039 | $ 4,065,137 | $ 544,195 | $ 1,269,198 | $ 953,272 |

City monies are deposited in demand accounts at the City's depository. The City utilizes a pooled cash and investment strategy with each fund's cash balance and pro rata shares of highly liquid investments, including U.S. Treasury securities, U.S. government agency securities, and repurchase agreements with original maturities of 90 days or less, summarized by fund type and included in the combined Statement of Net Position as cash and cash equivalents. Overdrafts, which result from a fund overdrawing its share of pooled cash, are reported as interfund payables by the overdrawn fund and as interfund receivables of either the General Fund or another fund with a similar purpose.

The City's investment portfolio is managed in accordance with the Texas Public Funds Investment Act, as amended, and its own Investment Policy. Authorized investments include demand accounts, certificates of deposit, obligations of the U.S. Treasury and U.S. government agencies, commercial paper, repurchase agreements, money market mutual funds and government investment pools. The City maintains in its investment portfolio U.S. Treasury securities and U.S. government agency securities with original maturities greater than 90 days. Each fund's pro rata share of these investments with original maturities greater than 90 days is combined with similar nonpooled securities (i.e., securities purchased and held for specific funds), including U.S. Treasury securities and U.S. government agency securities, and are reported as investments in the combined Statement of Net Position, as of September 30, 2022.

*Year-Ended September 30, 2022* - 68 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City)

With regard to money market investments and government investment pools that have a remaining maturity of one year or less at the time of purchase, the City's policy is to report these investments at amortized cost. Amortized cost approximates fair value for these investments. The decrease in fair value for investments of the City with a remaining maturity of greater than one year at the time of purchase was $35,225 for the year-ended September 30, 2022.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* applies to all state and local governments that participate in external investment pools. The City participates in two such pools: TexPool and TexPool Prime. The City's investments managed through TexPool are recorded at amortized cost in accordance with GASB Statement No. 79. These investments consist exclusively of U.S. government securities, its agencies or instrumentalities, repurchase agreements collateralized by U.S. government securities, its agencies or instrumentalities, AAA-rated, no-load money market mutual funds, certificates of deposit guaranteed or insured by the Federal Deposit Insurance Company or the National Credit Union Share Insurance Fund, commercial paper rated at least A-1 or P-1 by (i) two Nationally Recognized Statistical Rating Organizations (NRSROs) or (ii) one NRSRO and fully secured by an irrevocable letter of credit by a national or state bank, and securities lending programs. The Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company), which is authorized to operate TexPool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. Additional information regarding TexPool and TexPool Prime may be found at http://www.texpool.com/TexPool/home.do.

TexPool and TexPool Prime do not have any limitations or restrictions on participants' withdrawals that would have to be stated in the notes to the financial statements. All TexPool securities are reported within the highest category of credit ratings and are denominated in U.S. dollars. Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*, TexPool is not exposed to custodial credit risk. Additionally, TexPool utilizes shadow pricing, which is consistently within 0.5% of amortized cost value per unit.

In accordance with GASB Statement No. 40, the following table and narrative addresses the interest rate risk exposure by investment type, using the weighted average maturity (WAM) method, custodial credit risk, interest rate risk, credit risk, and concentration of credit risk. The City does not hold any foreign securities; therefore, foreign currency risk is not applicable.

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## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

**City Investments**

| | Carrying [1] Amount | Fair [1] Value | Allocation [2] | Rating [3] | WAM |
|---|---|---|---|---|---|
| U.S. Government Agency Securities | $ 951,719 | $ 936,436 | 42.4% | AA+/A-1+ | 1.21 Years |
| U.S. Treasuries | 842,845 | 822,903 | 37.0% | N/A | 0.87 Years |
| Money Market Mutual Funds | 148,086 | 148,086 | 6.7% | AAAm | 1 day |
| Government Investment Pool | 300,419 | 300,419 | 13.6% | AAAm | 1 day |
| Preferred Stock | 700 | 700 | 0.1% | N/A | N/A |
| Repurchase Agreement | 2,533 | 2,533 | 0.1% | N/A | 1 day |
| Total City Investments | $ 2,246,302 | $ 2,211,077 | 100.0% | | |

[1] The Carrying Amount and Fair Value include blended component units for SIDC, TMFC, and TPFC, which total $62,941.
[2] The allocation is based on fair value.
[3] Standard & Poor's Rating

**Custodial Credit Risk (Deposits**) – Collateral pledged for demand accounts and certificates of deposit is required to be held in the City's name in the custody of a third-party institution that customarily provides such custodial services at 102.0% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the U.S. government and its agencies and obligations of the State and its municipalities, school districts, and district corporations.

Written custodial agreements are required which provide, among other things, that the collateral securities are held separate from the assets of the custodial banks. The City periodically determines that the collateral has a market value adequate to cover the deposits (not less than 102.0% of the deposit amount) and that the collateral has been segregated either physically or by book entry. At fiscal year-end, cash deposits for the City were entirely collateralized by the City’s depository with securities consisting of U.S. government and its agencies or U.S. government guaranteed obligations held in book entry form by the Federal Reserve Bank in the City’s name.

**Custodial Credit Risk (Investments)** – The City’s investment securities are held at the City’s depository bank’s third-party custodian, CitiBank, in the depository bank’s name as a custodian for the City. Assets pledged as collateral must generally be a type of security specifically authorized to be held as a direct investment; must be held by an independent third party; and must be pledged in the name of the City.

**Interest Rate Risk** – The City manages exposure to value losses resulting from rising interest rates by limiting the investment portfolio’s weighted-average maturity to five years. Per the City’s Investment Policy, investments are diversified across issuers and maturity dates so that fewer funds will be subject to interest rate risk occurrence at any given time. In addition, the City generally follows a laddered approach to investing, whereby blocks of roughly the same increments are invested at similarly increased maturity lengths. This approach provides security that all investments will not become due at one particularly advantageous or disadvantageous period of time, thereby spreading the risk. Weighted-average maturity is defined as the weighted-average time to the return of a dollar of principal. It is used as an estimate of the interest rate risk of a fixed income investment. The City invests in money market mutual funds and government investment pools with 100.0% overnight liquidity. Additionally, the City has entered into a repurchase agreement with 100.0% overnight liquidity.

*Year-Ended September 30, 2022* - 70 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

**Credit Risk** – The City's Investment Policy requires the purchase of securities that are of the highest credit quality, based on current ratings provided by nationally recognized credit rating agencies. The City deems investments in U.S. Treasury securities and U.S. government agency securities that are guaranteed to be without credit risk. To limit the City's credit risk, investments in other debt securities will consist of securities rated 'A' or better by at least two nationally recognized rating agencies. As of September 30, 2022, the City's investment portfolio, with the exception of the repurchase agreement, the money market mutual fund investments, and the government investment pools, consisted only of U.S. Treasury securities and U.S. government agency securities. Investments in U.S. government agency securities, including Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank, Federal Agricultural Mortgage Corporation and Federal Farm Credit Bank were rated 'AA+' (Long-term) and 'A-1+' (Short-term) by Standard & Poor's. The investments in the money market mutual fund and governmental investment pools were rated 'AAAm' by Standard & Poor's and the repurchase agreement was greater than 100.0% collateralized with U.S. government agency securities.

**Concentration of Credit Risk** – Although the City's Investment Policy does not limit the amount of the portfolio invested in any one U.S. government agency, the City manages exposure to concentration of credit risk through diversification. As of September 30, 2022, the U.S. government agency's 42.4% securities allocation was as follows: Federal National Mortgage Association 2.5%, Federal Home Loan Mortgage Corporation 5.7%, Federal Home Loan Bank 13.6%, Farm Federal Credit Bank 16.9%, and Federal Agricultural Mortgage Corporation 3.7%.

**Fair Value Measurement** – The City records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value and establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined by GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Equity securities are examples of Level 1 inputs.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Government agency and U.S. Government Treasury securities are examples of Level 2 inputs.

Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

| | 9/30/2022 | Fair Value Measurements Using Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Investments by Fair Value Level** | | | | |
| **Debt Securities** | | | | |
| Government Agency Securities | $ 936,436 | $ - | $ 936,436 | $ - |
| Treasuries | 822,903 | | 822,903 | |
| Total Debt Securities | $ 1,759,339 | $ - | $ 1,759,339 | $ - |
| **Equity** | | | | |
| Preferred Stock | $ 700 | $ - | $ 700 | $ - |
| Total Equity | $ 700 | $ - | $ 700 | $ - |
| Total Investments by Fair Value Level | $ 1,760,039 | $ - | $ 1,760,039 | $ - |

The City's investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty rating.

### *Fire and Police Pension Fund*

Investments of the Fire and Police Pension fund are administered by the Fire and Police Pension Fund Board of Trustees. Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned. Investments of the Pension Fund are reported at fair value. Common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no notional exchanges or pricing service exists, such as private market investments, are valued by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled Fund investments that are not traded on a national exchange are valued on a Net Asset Value Basis by the commingled investment manager. The Pension Fund performs due diligence reviews of the investment pricing, process, and infrastructure of private market investments, commingled fund investments, and real estate investments to assure that the asset values provided by the managers are reasonable.

Net appreciation/(depreciation) is determined by calculating the change in fair value of investments between the beginning of the period and the end of the period, less purchases of investments at cost, plus sales of investments at fair value. Investment costs consist of external expenses directly related to the Pension Fund's investment operations, as well as internal administrative expenses associated with the Pension Fund's investment program.

The Pension Fund's assets are invested as authorized by Texas state law. The fair value of the Pension Fund's cash, security lending, and investments is $4,293,702.

*Year-Ended September 30, 2022* - 72 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

**Investment Policy** – The Pension Fund's policy in regard to the allocation of invested assets is established and may be amended by the Pension Fund's Board of Trustees. The primary long-term objective will be to achieve a return of at least the actuarial return assumption. Preservation of capital and consistent capital appreciation are the key considerations in establishing acceptable levels of risk; however, since the Pension Fund enjoys a very long-term investment horizon, significant short-term fluctuations in value can be tolerated. Based on existing contribution rates and benefit payments, current income from investments should be addressed in the management of these assets. To pursue the foregoing objectives at an acceptable risk level, the following policy (i.e., long-term) allocation is considered appropriate as updated in July 22, 2020 and compared to actual allocations at December 31, 2021.

| Investment Type | Target Allocation | 2021 Actual Allocation |
|---|---|---|
| Large Cap U.S. Equities | 22.0% | 22.8% |
| Small Cap U.S. Equities | 5.0% | 5.7% |
| Developed International Equities | 14.0% | 13.5% |
| Emerging International Equities | 5.0% | 6.0% |
| Hedge Funds | 0.0% | 0.7% |
| Private Equity | 7.0% | 7.4% |
| Subtotal Equity | 53.0% | 56.1% |
| Core Fixed Income | 5.0% | 4.2% |
| Treasury Inflation-Protected Securities (TIPS) | 3.0% | 3.3% |
| High Yield | 5.0% | 2.1% |
| Bank Loans | 5.0% | 4.3% |
| Global Fixed Income | 0.0% | 0.0% |
| Unconstrained Fixed Income | 3.0% | 3.0% |
| Emerging Market Debt | 5.0% | 4.5% |
| Private Debt | 9.0% | 8.7% |
| Real Estate | 7.0% | 7.8% |
| Real Assets | 5.0% | 3.7% |
| Cash | 0.0% | 2.3% |
| Subtotal Fixed Income | 47.0% | 43.9% |
| Total Investments | 100.0% | 100.0% |

**Rate of Return** – The money weighted rate of return for the year-ended December 31, 2021 was 13.8%. The return is net of investment costs and adjusted for the changing amounts actually invested.

**Investment Risk** – The Pension Fund's investments have been categorized to address deposit and investment risks related to custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

*Year-Ended September 30, 2022* - 73 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Pension Fund will not be able to recover the value of the investment or collateral in possession of the counterparty. The Pension Fund does not have an investment policy regarding custodial credit risk. The Pension Fund considers only demand deposits as cash. The Federal Depository Insurance Corporation (FDIC) covered cash on deposit up to $250 at each financial institution. As of December 31, 2021, the Pension Fund had cash deposits held by investment managers in the amount of $352 that were uninsured and uncollateralized.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributable to the magnitude of the Pension Fund's investment in a single issue. As of December 31, 2021, the Pension Fund did not have any single investment in any one organization which represented greater than 5.0% of plan net assets.

**Credit Risk** – Credit Risk is the risk that an issuer will not fulfill its obligations. Using Standard and Poor's rating system for fixed income securities as of December 31, 2021, 9.0% of the Pension Fund's bonds were rated 'AAA', 2.0% were rated 'AA', 9.0% were rated 'A', 10.0% were rated 'BBB', 15.0% were rated 'BB', 28.0% were rated 'B', 4.0% were rated 'CCC', and 3.0% were unrated or not rated. 20.0% of the securities were invested in U.S. Government and Agencies, which are not rated.

Credit risk for derivative instruments held by the Pension Fund results from counterparty risk, which is essentially that the counterparty will be unable to fulfill its obligations, which are then assumed by the Pension Fund. Information regarding the Pension Fund's credit risk related to derivatives is found under the derivatives disclosures. Policies pertaining to credit risk associated with the Pension Fund's securities lending program are found under the securities lending disclosures.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates of fixed income securities will adversely affect the fair value of an investment. Only the fixed income securities of the Pension Fund are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. The Pension Fund does not have an investment policy specifically regarding interest rate risk. Investment managers have full discretion in adopting investment strategies to deal with these risks, and all of the Pension Fund's fixed income portfolios are managed in accordance with guidelines that are specific as to the degree of interest rate risk taken.

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## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Pension Fund (Continued)*

Securities that are subject to interest rate risk as of December 31, 2021 are shown in the table below.

| Investment Type | Fair Value | Weighted-Average Maturity (WAM) (Years) |
|---|---|---|
| Corporate Bonds | $ 137,168 | 6.1 |
| Corporate Convertible Bonds | 750 | 3.3 |
| Government Bonds | 59,774 | 13.7 |
| Government Mortgage Backed Securities | 59,449 | 16.5 |
| Short Term Bills and Notes | 22,973 | 0.2 |
| Bank loans | 181,861 | 4.9 |
| TIPS | 135,763 | 0.3 |
| Payden and Rygel[1] | 123,527 | 4.7 |
| Ashmore[2] | 69,730 | 13.5 |
| GoldenTree[3] | 88,990 | |
| Wellington emerging market debt[4] | 115,267 | |
| Total Interest Rate Sensitive Securities | $ 995,252 | |
| Portfolio WAM | | 6.5 |

[1] Payden and Rygel, a commingled fund, invests opportunistically in any type of bond.

[2] Ashmore is a commingled fund invested in emerging market debt.

[3] GoldenTree is a commingled fund invested in high-yield corporate bonds. They report their portfolio duration as 3.9 as of December 31, 2021.

[4] Wellington, a commingled fund, also invests in emerging market debt. Wellington also reports the effective duration of the portfolio in lieu of WAM. The effective duration for Wellington was 7.9 as of December 31, 2021.

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*Year-Ended September 30, 2022* - 75 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension Fund's exposure to foreign currency risk in U.S. dollars as of December 31, 2021 is shown in the table below.

| Country | Equities | Bonds | Cash | Total |
|---|---|---|---|---|
| Argentinian Peso | $ 5,343 | $ 1,994 | $ - | $ 7,337 |
| Australian Dollar | 26,585 | | | 26,585 |
| Brazilian Real | 13,759 | 6,922 | | 20,681 |
| British Pound | 88,454 | | 94 | 88,548 |
| Canadian Dollar | 26,579 | | | 26,579 |
| Chilean Peso | 1,154 | | | 1,154 |
| Chinese Yuan | 57,159 | 7,788 | | 64,947 |
| Colombian Peso | 291 | | | 291 |
| Czech Republic Krona | | 1,948 | | 1,948 |
| Danish Krone | 16,206 | | 10 | 16,216 |
| Egyptian Pound | | 3,268 | | 3,268 |
| European Union Euro | 137,920 | 10 | | 137,930 |
| Ghanaian Cedi | | 1,024 | | 1,024 |
| Hong Kong Dollar | 29,058 | | | 29,058 |
| Hungarian Forint | 28 | | | 28 |
| Indian Rupee | 33,242 | | | 33,242 |
| Indonesian Rupiah | 4,267 | 5,820 | | 10,087 |
| Israeli New Shekel | 3,511 | | | 3,511 |
| Jamaican Dollar | | 869 | | 869 |
| Japanese Yen | 85,016 | | | 85,016 |
| Malaysian Ringgit | 513 | | | 513 |
| Mexican Peso | 10,229 | 7,272 | | 17,501 |
| New Taiwan Dollar | 32,560 | | 72 | 32,632 |
| New Zealand Dollar | 1,145 | | | 1,145 |
| Norwegian Krone | 5,972 | | | 5,972 |
| Panamanian Balboa | 111 | | | 111 |
| Peruvian Nuevo Sol | 194 | 2,297 | | 2,491 |
| Philippine Peso | 141 | | | 141 |
| Polish Zloty | 2,455 | 2,336 | | 4,791 |
| Romanian Leu | | 2,095 | | 2,095 |
| Russian Ruble | 9,474 | | | 9,474 |
| Saudi Riyal | 20 | 1,312 | | 1,332 |
| Singapore Dollar | 5,391 | | | 5,391 |
| South African Rand | 4,402 | 3,065 | | 7,467 |
| South Korean Won | 14,699 | | | 14,699 |
| Sri Lankan Dollar | | 202 | | 202 |
| Swedish Krona | 24,089 | | 49 | 24,138 |
| Swiss Franc | 44,840 | | 127 | 44,967 |
| Thai Baht | 3,469 | 202 | | 3,671 |
| Turkish New Lira | 688 | 2,064 | | 2,752 |
| Ukrainian Hryvnia | | 2,398 | | 2,398 |
| Venezuelan Bolivar | | 248 | | 248 |
| | $ 688,964 | $ 53,134 | $ 352 | $ 742,450 |

*Year-Ended September 30, 2022* - 76 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

**Securities Lending** – State statutes and Pension Fund policies allow for securities lending transactions. The Pension Fund has entered into an agreement with its custodial bank to lend the Pension Fund's securities to one or more borrowers for a fee. It is the policy of the Pension Fund and the custodian bank to require that collateral equal to 102.0% and 105.0% for domestic and international securities, respectively, of the loaned securities be maintained by the custodian bank. Collateral may be in the form of cash, U.S. government securities, and irrevocable letters of credit. Until such time as the loan is terminated, the borrower retains all incidents of ownership with respect to the collateral. In the event that the borrower fails to repay the borrowed securities when due and the value of the collateral is insufficient to replace the borrowed securities, the Pension Fund may suffer a loss. Management of the Pension Fund considers the possibility of such a loss to be remote. Cash open collateral is invested in a short-term investment pool with an average weighted maturity to the interest reset date of 28 days at December 31, 2021.

As of December 31, 2021, the Pension Fund had lending arrangements outstanding with a total market value of $159,559 which were fully collateralized with cash and securities. Cash collateral of $134,858 is recorded in the accompanying Statement of Fiduciary Net Position. Net income for the year-ended December 31, 2021, under the securities lending arrangement was $304.

| Cash Collateral Pool | |
|---|---|
| Repo Agreements | $ 64,219 |
| Time Deposit | 12,663 |
| Certificates of Deposit | 10,492 |
| Variable Rate Certificates of Deposit | 14,052 |
| Commercial Paper | 11,854 |
| ABS Commercial Paper | 6,339 |
| Sweep Vehicle | 15,239 |
| Total | $ 134,858 |

**Derivative Instruments and Other Structured Financial Instruments** – The Pension Fund has only limited involvement with derivative instruments and other structured financial instruments. The Pension Fund's investment philosophy regarding the use of derivative instruments and other structured financial instruments is to use derivative instruments to replicate exposures to equity or fixed income securities. The Pension Fund held government mortgage-backed securities amounting to $59,449 as of December 31, 2021. These are included with investments in the Statement of Fiduciary Net Position. The Pension Fund made $1,340 in interest on these securities and lost $1,661 in capital transactions related to these securities in the year ended December 31, 2021. As of December 31, 2021, the Pension Fund retained an investment in one hedge fund on the amount of $20,029 which may employ the use of derivative instruments to reduce volatility.

*Year-Ended September 30, 2022* **- 77 -** *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

**Fair Value Measurement** – The Pension Fund categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on valuation inputs used to measure the fair value of the investment.

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| | 12/31/2021 | Level 1 | Level 2 | Level 3 |
| **Investments by Fair Value Level** | | | | |
| **Debt Securities** | | | | |
| Government Bonds | $ 59,774 | $ - | $ 59,774 | $ - |
| Government Mortgage-backed Securities | 59,449 | | 59,449 | |
| Corporate Bonds | 141,750 | | 141,750 | |
| Bank Loans | 178,080 | | 178,080 | |
| Total Debt Securities | $ 439,053 | $ - | $ 439,053 | $ - |
| **Equity Securities** | | | | |
| Domestic | $ 640,150 | $ 637,940 | $ 2,210 | $ - |
| International | 19,671 | 19,671 | | |
| Total Equity Securities | $ 659,821 | $ 657,611 | $ 2,210 | $ - |
| **Private Equity** | | | | |
| Venture | $ 69,569 | $ - | $ - | $ 69,569 |
| Buyout | 162,999 | | | 162,999 |
| Fund-of-funds - Diversified | 74,239 | | | 74,239 |
| Real Assets | 129,697 | | | 129,697 |
| Total Private Equity | $ 436,504 | $ - | $ - | $ 436,504 |
| **Private Debt** | | | | |
| Mezzanine | $ 96,167 | $ - | $ - | $ 96,167 |
| Distressed | 104,012 | | | 104,012 |
| Senior Debt | 81,218 | | | 81,218 |
| Total Private Debt | $ 281,397 | $ - | $ - | $ 281,397 |
| Total Investments by Fair Value Level | $ 1,816,775 | $ 657,611 | $ 441,263 | $ 717,901 |
| **Investments Measured at the Net Asset Value (NAV)** | | | | |
| Structured Credit Hedge Fund | $ 20,029 | | | |
| Held in reserve from closed funds | 7,435 | | | |
| Hedge Fund of Funds | 3,422 | | | |
| Commingled Funds: | | | | |
| Domestic Debt | 348,280 | | | |
| Global Debt | 184,998 | | | |
| Domestic Equity | 548,264 | | | |
| Global Equity | 790,794 | | | |
| Real Assets | 22,770 | | | |
| Real Estate | 322,370 | | | |
| Total Investments Measured at the NAV | 2,248,362 | | | |
| Total Investments Measured at Fair Value | $ 4,065,137 | | | |

**Debt and Equity Securities** – Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity and debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Equity securities classified in Level 2 of the fair value hierarchy are thinly traded securities such as preferred stock held by fixed income managers and are valued similarly to debt securities.

*Year-Ended September 30, 2022* - 78 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

**Private Equity** – The Pension Fund is invested in 50 private equity funds that are diversified across four main types of strategies. There are nine venture capital funds, 15 buyout funds, 15 real assets funds, and 11 diversified fund of funds. These investee funds are considered Level 3 in the fair value hierarchy. These investee funds are limited partnerships, and the managing general partner is responsible for determining the fair market value of the underlying investments. The methods used to determine fair value include discounted cash flow, small public company comparison and appraisal. The partnerships have a ten-year life with options to extend beyond the original term by as much as two years in most cases. Original capital commitments to these funds range from $5,000 to $30,000. It is expected that the investee funds will call between 80.0% and 90.0% of the committed capital. In most cases the final commitment is never called because the investee funds start to receive returned capital either from sales of or operations from the underlying investments. As of December 31, 2021, it is estimated that the unfunded commitments were approximately $236,511 of which $179,300 is expected to be called. These investments in the investee funds are diversified across vintage years so the investee funds are in different stages of their life cycles. The Pension Fund's allocation to this asset class requires that capital that is received from these investments will be reinvested in other investee funds as they become available. Even though these investments could be sold to other investors or secondary funds, the Pension Fund has no intention of doing so, so these investments are considered illiquid.

**Private Debt** – The Pension Fund is invested in 29 private debt funds, which include eight funds focused on mezzanine lending to companies that have operations that have good growth potential, but limited access to bank loans or public debt or equity markets, 12 funds focused on loans that are senior in the borrowers' capital structure, and nine funds that concentrate on distressed debt where debt is purchased at a cost that is less than the value of the collateral. These investee funds are considered Level 3 in the fair value hierarchy. These investee funds are limited partnerships, and the managing general partner is responsible for determining the fair market value of the underlying investments. The methods used to determine fair value include discounted cash flows plus the value of any equity that investee funds receive as part of the lending arrangements. The partnerships have a ten-year life with options to extend beyond the original term by as much as two years in most cases. Original capital commitments to these funds range from $10,000 to $40,000. It is expected that the investee funds will call between 70.0% and 80.0% of the committed capital. In most cases the final commitment is never called because the investee funds start to receive repayment from the debt service of the underlying investments and in some cases extra capital from the sale of the equity received when underlying companies are sold or refinanced through public offerings.

As of December 31, 2021, it is estimated that unfunded commitments were approximately $168,956 of which $96,394 is expected to be called. These investments in the investee funds are diversified across vintage years so the investee funds are in different stages of their life cycles. The Pension Fund's allocation to this asset class requires that capital that is received from these investments will be reinvested in other investee funds as they become available. Even though these investments could be sold to other investors or secondary funds, the Pension Fund has no intention of doing so, so these investments are considered illiquid.

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

**Investment Measured at the Net Asset Value** – The Pension Fund is also substantially invested in investee funds where fair value is measured at the net asset value (NAV). These funds invest in stocks, bonds, derivatives in some cases and real estate. The stocks, bonds or derivatives, if they were held directly by the Pension Fund, would have readily determinable values that would fit into the fair value levels. Most of these would be in Level 1 or 2. Real estate investments would fall into Level 3 since there is not usually a ready market for the underlying assets. The investee funds have both active and inactive managers. Inactive managers invest in stocks that are in an index such that the return on the investment equals the return on the index. Active managers will invest in stocks or bonds with intent of either achieving a higher rate of return than the market or one of the indexes, or lowering the amount of the risk involved. The investee funds in this category include hedge funds, index funds, commingled funds, and real estate funds.

**Hedge Funds** – In 2020, the Pension Fund's board elected to eliminate the allocation to hedge funds except for one structured credit fund. The structured credit hedge fund may hedge interest rate exposure while making bets on credit spreads, and they may look for relative value between the senior and junior securities on the same corporate issuer. The process of fully redeeming the investment from hedge funds was expected to take two to three years, beginning in late 2020. As of December 31, 2021, the Pension Fund's investments in hedge funds have been reallocated to other parts of the investment portfolio, with the exception of the investment mentioned above. Hedge funds like the investment mentioned above, typically require notice between 30-90 days of the intent to redeem cash from them. They will only redeem cash at the end of calendar quarters. As of December 31, 2021, the Pension Fund had $7,435 held by four hedge fund managers that represented amounts held in reserve for charges related to the redemption of the assets. $3,422 was held by the Hedge Fund of Funds which were illiquid assets waiting for a beneficial market to become available. The carrying value of these investments is based on the hedge fund of funds' estimate of value and would be similar to Level 3 type investments. A combined $2,319 has been returned from those remnants in 2022.

**Commingled Fund** – The Pension Fund's investments in commingled funds consist of bond investors and stock investors. The bond funds invest in domestic high yield bonds, opportunistic global bonds and emerging market bonds. The stock funds are invested in domestic large and small cap stocks and global and emerging market stocks. Commingled funds are chosen for these investments either because of the size of the investment, or because of the transfer of the complexity of investing internationally.

**Real Estate Fund** – Real estate investments are diversified by type of real estate such as residential, commercial office, industrial and retail. They are also diversified by stage of development such as opportunistic, value added and core properties. Finally, they are diversified geographically. Two of the investee managers representing $71,388 were open-ended funds that allow redemptions. 29 of the investee managers were limited partnerships with durations of ten to 15 years. These limited partnerships do not allow redemptions. They do distribute cash after the investment period, usually two to four years, from operations or sales of underlying properties. These investments are similar to the private equity partnerships and private debt partnerships; in that, funds are committed at the beginning of the investment and called by the partnerships as purchase opportunities present themselves. Commitments in this category are more likely to be called up. It is likely that 80.0% to 90.0% of the committed capital will ultimately be called. Unfunded commitments in this category were approximately $68,256 of which approximately $51,563 is expected to be called. Fair value for this asset class is determined by appraisals of the underlying properties.

# Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

## Primary Government (City) (Continued)

### *Fire and Police Pension Fund (Continued)*

The Pension Fund's asset allocation requires that when capital is returned it is reinvested in new partnerships so that the percentage allotted to the asset class can be maintained. Like private equity and private debt limited partnerships, it is possible to sell partnership interests to other investors or secondary partnerships at a substantial cost to the Pension Fund. The Pension Fund has no intention of redeeming these investments prior to maturity. Consequently, these investments are considered illiquid.

### *Retiree Health & Wellness SA Fire and Police Fund*

The Retiree Health & Wellness SA Fire and Police Fund (Health Fund) Board of Trustees administers investments of the Health Fund. Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value.

Alternative investments are held in the form of nonmarketable limited partnership interests, private real estate investment trusts, hedge funds, and index funds. These investments are subject to the terms of the respective partnerships' or other types of governing documents which may limit the Health Fund's withdrawal to specified times and conditions and restrict the transferability of the Health Fund's interest. The fair valuation of these investments is based on net position values as set by the fund managers or general partners. These net position values may differ from the value that would have been used had a readily available market for the investments existed; accordingly, such differences could be material.

All investment income, including changes in the fair value of investments, is reported as additions in the Statement of Changes in Fiduciary Net Position.

The Health Fund's assets are invested as authorized by the Investment Policy, as set by the Board. The Health Fund utilizes an investment consultant that makes recommendations to the Health Fund as to the appropriate target portfolio weightings among the major asset classes (e.g. stocks, mutual funds, limited liability partnerships, cash, etc.) within the Health Fund. Additionally, the Health Fund has contracted with certain investment managers to exercise full discretionary authority to buy, hold, and sell decisions for each security under management, subject to the guidelines as defined in the Investment Policy. All of the Health Fund's cash and investments, with the exception of alternative investments, are held by a custodian bank, Frost National Bank of San Antonio, Texas.

Investments authorized by the Health Fund's Investment Policy include U.S. equities; including common stocks, securities convertible into common stock, and open or closed end mutual funds; international equity; certain fixed income assets; such as, corporate bonds and certificates of deposit; commercial paper; private equity; and, alternative investments; including, real estate, absolute return hedge funds, and natural resources. The cash portion of the Health Fund is invested in a short-term money market mutual fund administered by the Health Fund's custodian bank.

The fair value of the Health Fund's cash and investments at December 31, 2021 is $553,037.

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Health Fund's Investment Policy limits the maturities of money market mutual funds to two years at time of purchase. At December 31, 2021, the money market fund weighted average to maturity is 23 days. The Health Fund places no limit on maturities of Mutual Funds – Fixed Income.

The Health Fund's investments in Mutual Funds – Fixed Income had the following weighted average maturities as of December 31, 2021:

| | December 31, 2021 | |
|---|---|---|
| **Investment** | **Fair Value** | **WAM (Years)** |
| Loomis | $ 15,169 | 6.2 |
| Baird | 39,927 | 0.6 |
| Payden | 14,721 | 7 |
| Vanguard | 15,398 | 2.6 |
| | $ 85,215 | |

**Credit Risk** – In accordance with the Health Fund's Investment Policy, investments in money market mutual fund must be rated at least 'A-2' by Standard and Poor's (S&P). At December 31, 2021, the money market mutual fund was rated 'AAAm' by S&P. The Health Fund's investments in Mutual Funds – Fixed Income are not rated by a nationally recognized statistical rating organization.

**Custodial Credit Risk (Investments)** – The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to an investment transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2021, the Health Fund's common stock investments are held at Frost National Bank's third-party custodian, Bank of New York. Since the investments are maintained separately from the bank's assets, in the event of failure of the bank, the investments held in trust would not be affected.

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*Year-Ended September 30, 2022* - 82 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

#### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Concentration of Credit Risk** – Concentration risk is the exposure to loss that can result from failing to diversify investments. Accordingly, a government should disclose investments that represent 5.0% or more of its total investments that are invested in a single issuer. Concentration risk does not arise in connection with U.S. government obligations and obligations explicitly guaranteed by the U.S. government; mutual funds; and, similar pooled investments which are designed, in part, to provide diversification. At December 31, 2021, the Health Fund held the following investments which exceeded 5.0% of total investments:

| Investment | Balance at December 31 , 2021 | | % of Total |
|---|---|---|---|
| Catalyst Fund Limited Partnership II | $ | 34,063 | 6.3% |
| SSgA Russell 1000 Index Fund | | 86,530 | 15.9% |
| Portfolio Advisers Secondary Fund IV | | 29,185 | 5.4% |
| Portfolio Advisers Credit Strategies Fund | | 33,300 | 6.1% |

Although the index funds exceed 5.0% of total investments, these investment portfolios are comprised of many investments.

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of December 31, 2021, one of the Health Fund's investments (an amount of $1,995 or 0.37% of total investments) is exposed to foreign currency risk. The primary currency for this risk is the Euro.

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*Year-Ended September 30, 2022* **- 83 -** *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Fair Value Measurement** – The Health Fund categorizes its fair value measurements of its investments within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on valuation inputs used to measure the fair value of the investment.

The Health Fund uses the net asset value (NAV) per share as the fair value measurement for its alternative investments since they cannot be traded and, therefore, market-based information regarding their value does not exist. As such, these alternative investments are not categorized according to the fair value hierarchy. At December 31, 2021, the Health Fund's fair value measurements for its investments were as follows:

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| | 12/31/2021 | Level 1 | Level 2 | Level 3 |
| **Investments by Fair Value Level** | | | | |
| **Equity Securities** | | | | |
| U.S. Equity - Common Stock | $ 21,479 | $ 21,479 | $ - | $ - |
| Mutual Fund - Fixed Income | 85,215 | 85,215 | | |
| Mutual Fund - International Equity | 20,120 | 20,120 | | |
| Mutual Fund - Common Stock | 12,712 | 12,712 | | |
| Total Investments by Fair Value Level | $ 139,526 | $ 139,526 | $ - | $ - |
| **Investments Measured at the Net Asset Value (NAV)** | | | | |
| Real Estate Funds | $ 29,281 | | | |
| Natural Resource Funds | 38,627 | | | |
| Hedge Funds - Open-Ended Funds | 4,464 | | | |
| Private Equity Funds | 114,513 | | | |
| Private Debt Funds | 42,967 | | | |
| Global & Domestic Equity Funds | 45,228 | | | |
| Index Funds | 129,589 | | | |
| Total Investments Measured at the NAV | $ 404,669 | | | |
| Total Investments | $ 544,195 | | | |

| **Investments Measured at the NAV** | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Real Estate Funds | $ 29,281 | $ 13,106 | | |
| Natural Resource Funds | 38,627 | 6,689 | Annually | 90-120 Days |
| Hedge Funds - Open-Ended Funds | 4,464 | | Annually | 90-120 Days |
| Private Equity Funds | 114,513 | 76,311 | | |
| Private Debt Funds | 42,967 | 18,127 | Quarterly | 30 Days |
| Global & Domestic Equity Funds | 45,228 | | Monthly | 15-30 Days |
| Index Funds | 129,589 | | Monthly | 3 Days |
| | $ 404,669 | $ 114,233 | | |

*Year-Ended September 30, 2022* - 84 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Real Estate Funds** – The Health Fund is invested in nine real estate funds, which are generally diversified through fund-to-fund strategies. Portfolios include investments in assets and distressed debt for residential and commercial real estate (domestic and international). Fair values have been determined using NAV per share of investments. Real estate investment funds represent 5.3% of the Health Fund's portfolio. For each of the funds, the Health Fund receives distributions as the underlying assets of investments are sold/liquidated. Management estimates that four investments (representing $3,337 or 11.4% of real estate funds) will liquidate within three years; two investments (representing $8,531 or 29.1% of real estate funds) will liquidate within five years; and, three investments (representing $17,413 or 59.5% of real estate funds) will liquidate within nine years.

**Natural Resources Funds** – The Health Fund is invested in 11 natural resources funds. These funds are limited partnerships that use harvesting and fund-to-fund strategies. Portfolios for these funds include investments in domestic and international commodities such as; oil, gas, iron, copper, minerals, metals, and energy sources. Fair values have been determined using NAV per share of investments. These natural resources investment funds represent 7% of the Health Fund's portfolio, and are not redeemable. The Health Fund receives distributions as the underlying assets of investments are sold/liquidated. One investment fund (representing $3,009 or 7.8% of natural resources funds) is redeemable on an annual basis with a 90-120 day formal notice. Management estimates that one investment (representing $3,677 or 9.5% of natural resources funds) will liquidate within four months; four investments (representing $4,801 or 12.4% of natural resources funds) will liquidate within three years; two investments (representing $7,247 or 18.8% of natural resources funds) will liquidate within five years; and, three investments (representing $19,893 or 51.5% of natural resources funds) will liquidate within nine years.

**Hedge Funds - Open-Ended Funds** – The Health Fund is authorized to invest in hedge funds. Portfolios for these funds include investments in common stock, preferred stock, U.S. government obligations, convertible securities, debt instruments, real estate assets, options, futures, swaps, and collateralized debt/securities. Fair values have been determined using NAV per share of investments. These hedge funds represent 0.8% of the Health Fund’s portfolio and management estimates the funds will liquidate within nine years as of December 31, 2021.

**Private Equity Funds** – The Health Fund is invested in twelve private equity investment funds. Strategies for these funds include two buyout funds, five diverse fund-to-fund funds, two private debt funds, two secondary fund, and one venture capital fund. Portfolios for these funds include assets in multiple domestic and international industries. Fair values have been determined using NAV per share of investments. These private equity funds represent 20.7% of the Health Fund’s portfolio, and are not redeemable. The Health Fund receives distributions as the underlying assets of investments are sold/liquidated. Management estimates that one investment (representing $2,848 or 2.5% of private equity funds) will liquidate within four months; two investments (representing $1,234 or 1.1% of private equity funds) will liquidate within three years; three investments (representing $43,854 or 38.3% of private equity funds) will liquidate within five years; four investments (representing $30,413 or 26.5% of private equity funds) will liquidate within nine years; and, two investments (representing $36,164 or 31.6%) will liquidate within fifteen years.

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Private Debt Funds** – The Health Fund is invested in three private debt investment funds. Strategies for these funds include making junior debt investments with equity participation in several private equity sponsored transactions, including leveraged buyouts, growth financings, refinancing, and recapitalizations. Fair values have been determined using NAV per share of investments. These private debt funds represent 7.8% of the Fund's portfolio. One investment fund (representing $33,300 or 78% of private debt funds) is eligible for redemption on a quarterly basis with a 30-day formal notice. Management estimates the other funds (representing $9,667 or 22% of private debt funds) will liquidate within nine years.

**Global & Domestic Equity Funds** – The Health Fund is invested in two commingled global and domestic equity funds which consist of bonds and stock investors. Portfolios for these funds include investments in international emerging markets in various industries. Fair values have been determined using NAV per share of investments. These investment funds represent 8.2% of the Health Fund's portfolio, and are eligible for redemption on a monthly basis with a 15-30 day formal redemption notice.

**Index Funds** – The Health Fund is invested in five nonpublic index funds consisting of fixed income, domestic equities, international equities including emerging markets and developing markets, and treasury inflation protected securities. Index funds seek to provide investment results that, before expenses, correspond generally to the total return of an index that tracks the performance of an investment class. Fair values have been determined using NAV per share of investments. These investment funds represent 23.4% of the Health Fund’s portfolio, and are eligible for redemption with a three day notice.

**Subscribed Capital Commitments** – As of December 31, 2021, the Health Fund had non-binding commitments to invest capital in 24 investment companies under investment capital subscription agreements. These commitments are subject to periodic calls from the investment companies. The amount of this investment capital committed under the subscription agreements totaled to $114,233. As of December 31, 2021, $47,311 of this total had been called.

### CPS Energy

CPS Energy’s investments with a maturity date within one year of the purchase date are reported at amortized cost, which approximates fair value. Amortization of premium and accretion of discount are recorded over the terms of the investments. CPS Energy’s investments with a maturity date of one year or longer from the purchase date are accounted for at fair value. As available, fair values are determined by using generally accepted financial reporting services, publications, and broker/dealer information. The specific identification method is used to determine costs in computing gains or losses on sales of securities. CPS Energy also reports all investments of the Decommissioning Trusts at fair market value.

Restricted funds are generally for uses other than current operations. They are designated by law, ordinance or contract and are often used to acquire or construct noncurrent assets. Restricted funds consist primarily of unspent bond or commercial paper proceeds, debt service required for the New Series Bonds, Junior Lien Obligations, Commercial Paper, the flexible rate revolving note (FRRN) and funds for future construction or contingencies. Restricted funds also include customer assistance programs that receive proceeds from outside parties and assets of the Decommissioning Trusts. Also included in the restricted funds classification is the Repair and Replacement Account, restricted in accordance with CPS Energy’s bond ordinances.

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

CPS Energy's cash deposits at January 31, 2022 were either insured by federal depository insurance or collateralized by banks. For deposits that were collateralized, the collateral included letters of credit and securities. The securities were U.S. government, U.S. government agency, or U.S. government-guaranteed obligations held in book entry form by the Federal Reserve Bank of New York or other allowable banks in CPS Energy's name.

**Separation** – CPS Energy's cash, cash equivalents, and investments can be separated as those directly managed by CPS Energy and those managed through the Decommissioning Trusts.

For financial reporting purposes, cash, cash equivalents and investments managed directly by CPS Energy have been consistently measured as of the end of the fiscal year. The Decommissioning Trusts are reported on a calendar-year basis.

**Public Funds Investment Act (PFIA)** – CPS Energy's investments and the investments held in the Decommissioning Trusts are subject to the rules and regulations of the PFIA. The PFIA regulates what types of investments can be made, requires written investment policies, mandates training requirements of investment officers, requires internal management reports to be produced at least quarterly, and provides for the selection of authorized broker/dealers and investment managers.

**Investments of CPS Energy** – CPS Energy's allowable investments are defined by CPS Energy Board Resolution, CPS Energy Investment Policy, the Investment Committee, bond ordinances, commercial paper ordinances, a revolving financial program ordinance and State law. These investments are subject to market risk, and their fair value will vary as interest rates fluctuate. All CPS Energy investments are held in trust custodial funds by independent banks.

**Investments of the Decommissioning Trusts** – CPS Energy's investments in the Decommissioning Trusts are held by an independent trustee. Investments are limited to those defined by CPS Energy Board Resolution, the South Texas Project Decommissioning Trust Investment Policy, the Investment Committee, the Trust Agreements and State law, as well as Public Utility Commission of Texas (PUCT) and Nuclear Regulatory Commission (NRC) guidelines. Allowable investments for the Decommissioning Trusts include those directly permissible for CPS Energy (except for investment pools), as well as equities and corporate bonds (including international securities traded in U.S. dollars and on U.S. stock exchanges). In accordance with the Decommissioning Trusts' Investment Policy, total investments can include a maximum of 60.0% equity securities. To further reduce the overall risk of the portfolio, the target allocations for both Decommissioning Trusts are 64.0% fixed-income, 27.0% equities and 9.0% U.S. real estate investment trusts.

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## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

| Permissible Investments | | |
|---|---|---|
| Investment Description | CPS Energy Direct Investments | Decommissioning Trusts Investments |
| U.S. Government, U.S. Government Agency, or U.S. Government-guaranteed obligations | ✓ | ✓ |
| Collateralized mortgage obligation issued by the U.S. Government | ✓ | ✓ |
| Fully secured certificates of deposit issued by a state, national or savings bank domiciled in the State of Texas | ✓ | ✓ |
| Direct repurchase agreements | ✓ | ✓ |
| Reverse repurchase agreements | ✓ | ✓ |
| Defined bankers' acceptances and commercial paper | ✓ | ✓ |
| No-load money market mutual funds | ✓ | ✓ |
| Investment pools | ✓ | Not Permitted |
| Equities | Not Permitted | ✓ |
| Investment quality obligations | ✓ | ✓ |
| Corporate bonds | Not Permitted | ✓ |
| International securities | Not Permitted | ✓ |
| No-load commingled funds | Not Permitted | ✓ |
| Securities lending programs | ✓ | ✓ |
| Other specific types of secured or guaranteed investments | ✓ | ✓ |

**Risk Exposure** – CPS Energy’s cash equivalents, equity and fixed-income investments are exposed to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk. Interest rate risk is the exposure to fair value losses resulting from rising interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligations (will be unable to make timely principal and interest payments on the security). Foreign currency risk is the exposure to fair market value losses arising from changes in exchange rates. Due to market fluctuations, it is possible that substantial changes in the fair value of investments could occur after the end of the reporting period.

CPS Energy’s investments and the investments in the Decommissioning Trusts are managed with a conservative focus. The investment policies are structured to ensure compliance with bond ordinances, the PFIA, the Public Funds Collateral Act, the NRC, the PUCT, other applicable state statutes, and CPS Energy Board of Trustee resolutions relating to investments. CPS Energy identifies and manages risks by following an appropriate investment oversight strategy, establishing and monitoring compliance with investment policies and procedures, and continually monitoring prudent controls over risks.

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

**Investment Policies** – In accordance with State law, the Decommissioning Trusts' Investment Policy allows for investment in additional types of securities, such as corporate bonds and equity securities. The policy provides guidelines to ensure all funds are invested in authorized securities to earn a reasonable return. The primary emphasis is placed on long-term growth commensurate with the need to preserve the value of the assets and, at the time funds are needed for decommissioning costs, on liquidity. The Investment Policy continues to follow the "prudent person" concept.

**GASB Statement No. 40** – In accordance with GASB Statement No. 40, additional disclosures have been provided in this note that address investment exposure to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk, as applicable. CPS Energy's investments and those in the Decommissioning Trusts do not have custodial credit risk, as all investments are held either by an independent trustee or bank and are in CPS Energy's or the Decommissioning Trusts' names.

**CPS Energy Investments** – In accordance with GASB Statement No. 40, the following tables address concentration of credit risk and interest rate risk exposure by investment type using the weighted-average maturity (WAM) method. Since CPS Energy does not hold foreign instruments in its direct investments (those held by CPS Energy), foreign currency risk is not applicable.

**Interest Rate Risk** – In accordance with its Investment Policy, CPS Energy manages exposure to fair value losses resulting from rising interest rates by placing a limit on the portfolio's WAM. The Investment Policy limits the WAM to three years or less, which allows for the management of risk while optimizing returns. CPS Energy invests in money market mutual funds and investment pools that have maturities of one year or less.

**Concentration of Credit Risk** – In accordance with its Investment Policy, CPS Energy manages exposure to concentration of credit risk through diversification and by limiting investment in each federal agency to 35.0% and investment in any other issuer of debt securities to 5.0% of the total fixed-income portfolio. Additionally, negotiable certificates of deposit are limited to 35.0% of the total portfolio per issuer.

| Investment Type | Carrying Value | Fair Value | Allocation | Weighted-Average Maturity (Years)[1] |
|---|---|---|---|---|
| U.S. Treasuries | $ 19,161 | $ 19,161 | 1.9% | 3.9 |
| U.S. Agencies: | | | | |
| Federal Agriculture Mortgage Corp. | 9,675 | 9,675 | 1.0% | 2.7 |
| Federal Farm Credit Bank | 109,017 | 109,017 | 11.3% | 5.3 |
| Federal Home Loan Bank | 84,985 | 84,985 | 8.8% | 3.7 |
| Federal Home Loan Mortgage Corp. | 33,627 | 33,627 | 3.5% | 3.9 |
| Federal National Mortgage Assn. | 91,286 | 91,286 | 9.4% | 3.5 |
| Small Business Administration | 11,028 | 11,028 | 1.1% | 5.4 |
| Municipal Bonds | 187,660 | 187,661 | 19.4% | 3.3 |
| Investment Pools | 327,322 | 327,321 | 33.8% | |
| Money Market Mutual Funds | 94,663 | 94,663 | 9.8% | |
| Total Fixed-Income Investments | $ 968,424 | $ 968,424 | 100.0% | 2.2 |

[1] CPS Energy invests in money market mutual funds and investment pools that are assumed to have maturities of one year or less.

*Year-Ended September 30, 2022* **- 89 -** *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

**Credit Risk** – In accordance with its Investment Policy, CPS Energy manages exposure to credit risk by limiting long-term debt security investments to those with a credit rating of 'A' or better. As of January 31, 2022, CPS Energy held no debt securities with a long-term credit rating below 'A-', or equivalent, or short-term credit rating below 'A-1/P-1/F-1.'

| Credit Rating | Carrying Value | Fair Value | Allocation |
|---|---|---|---|
| U.S. Treasuries (AA+) | $ 19,161 | $ 19,161 | 2.0% |
| AAA / Aaa | 489,500 | 489,500 | 50.5% |
| AA+ / Aa1 | 367,847 | 367,847 | 38.0% |
| AA / Aa2 | 49,862 | 49,862 | 5.1% |
| AA- / Aa3 | 15,381 | 15,381 | 1.6% |
| Not rated[1] | 26,673 | 26,673 | 2.8% |
| Total Fixed-Income Investments | $ 968,424 | $ 968,424 | 100.0% |

[1] Interest bearing deposit accounts which still meet PFIA/CPS Energy Investment Policy requirements.

**Decommissioning Trust Investments** – As mentioned previously, the Decommissioning Trusts report their assets on a calendar-year basis; therefore, information related to the Trusts is as of December 31, 2021. The tables in this section address interest rate risk exposure by investment type, concentration of credit risk, credit risk, and foreign currency risk. All investments held by the Decommissioning Trusts are long-term in nature and are recorded at fair value.

**Interest Rate Risk** – Generally, the long-term nature of the liabilities and the limited need for daily operating liquidity allow interim fluctuations in fair value to occur without jeopardizing the ultimate value of the assets. Where long-term securities are held, the interim fair value of assets can be sensitive to changes in interest rates. As the general level of interest rates moves up and down, the interim fair value of longer-maturity bonds may change substantially.

To mitigate interest rate risk, a limitation is placed on the weighted-average duration (WAD) of the fixed-income portfolio. The overall portfolio duration is limited by the Investment Policy to a deviation of no more than +/- 1.5 years from the WAD of the Investment Committee's specified fixed-income index. The specified fixed-income index for the 28% Trust and the 12% Trust is Bloomberg Barclays US Aggregate, which was 6.8 years for the period ending December 31, 2021.

**Concentration of Credit Risk** – In accordance with the Investment Policy, exposure to concentration of credit risk is managed through diversification and by limiting investments in each federal agency to 30.0% and investments in any other single issuer of debt securities to 5.0% of the total fixed-income portfolio. Likewise, equity investments are limited to 5.0% of the total portfolio for any one issuer. At December 31, 2021, total other debt securities (corporate and foreign issuers) amounted to 33.5% of the fixed-income portfolio for the 28% Decommissioning Trust and 34.0% for the 12% Decommissioning Trust.

*Year-Ended September 30, 2022* - 90 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

The following table lists the fixed-income investment holdings by type:

| | 28% Trust | | | 12% Trust | | |
|---|---|---|---|---|---|---|
| Investment Type | Fair Value | Allocation | Weighted-Average Duration (Years) | Fair Value | Allocation | Weighted-Average Duration (Years) |
| U.S. Treasuries | $ 97,623 | 29.4% | 7.7 | $ 38,268 | 30.9% | 8.3 |
| U.S. Agencies: | | | | | | |
| Federal Home Loan Mortgage Corp. | 27,852 | 8.4% | 3.6 | 9,247 | 7.5% | 3.5 |
| Federal National Mortgage Assn. | 55,261 | 16.7% | 3.5 | 18,613 | 15.0% | 3.7 |
| Government National Mortgage Assn. | 3,367 | 1.0% | 1.4 | 308 | 0.2% | 3.9 |
| Small Business Administration | 3,623 | 1.1% | 3.3 | 1,710 | 1.4% | 3.5 |
| Municipal Bonds - Texas | 961 | 0.3% | 8.6 | 482 | 0.4% | 8.4 |
| Municipal Bonds - Other States | 7,785 | 2.4% | 8.8 | 3,057 | 2.5% | 9.0 |
| Corporate Bonds | 100,030 | 30.2% | 6.4 | 40,676 | 32.8% | 5.9 |
| Foreign Bonds | 10,924 | 3.3% | 5.6 | 1,443 | 1.1% | 7.6 |
| Money Market Mutual Funds | 23,788 | 7.2% | N/A | 10,146 | 8.2% | N/A |
| Total Fixed-income Portfolio | $ 331,214 | 100.0% | 6.0 | $ 123,950 | 100.0% | 6.3 |
| Combined Decommissioning Trust Funds Total | $ 455,164 | | | | | |

**Credit Risk** – In accordance with the Investment Policy, exposure to credit risk is managed by limiting all fixed-income investments to a credit rating of 'BBB-', or equivalent, or better from at least two nationally recognized credit rating agencies. If a security's rating falls below the minimum investment grade rating of 'BBB-' after it has been purchased, the Investment Policy allows investment managers to continue to hold the security as long as the total fair value of securities rated below investment grade does not exceed 5.0% of the total fixed-income portfolio. As noted in the table on the following page, which lists fixed-income investment holdings by credit rating, investments with a credit rating below 'BBB-' did not exceed 5.0% of the total fixed-income portfolio for the 28% Trust or the 12% Trust at December 31, 2021.

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*Year-Ended September 30, 2022* - 91 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

The following table lists the fixed-income investment holdings by credit rating:

| | 28% Trust | | 12% Trust | |
|---|---|---|---|---|
| **Credit Rating** | **Fair Value** | **Allocation** | **Fair Value** | **Allocation** |
| U.S. Treasuries (AA+) | $ 97,623 | 29.5% | $ 38,268 | 30.9% |
| AAA / Aaa | 30,537 | 9.2% | 13,566 | 10.9% |
| AA+ / Aa1 | 94,177 | 28.4% | 31,819 | 25.6% |
| AA / Aa2 | 2,718 | 0.8% | 1,350 | 1.1% |
| AA- / Aa3 | 3,711 | 1.1% | 1,298 | 1.0% |
| A+ / A1 | 2,792 | 0.8% | 429 | 0.3% |
| A / A2 | 3,711 | 1.1% | 3,145 | 2.5% |
| A- / A3 | 19,861 | 6.0% | 8,144 | 6.6% |
| BBB+ / Baa1 | 29,809 | 9.0% | 10,723 | 8.7% |
| BBB / Baa2 | 21,730 | 6.6% | 6,451 | 5.2% |
| BBB- / Baa3 | 10,902 | 3.3% | 2,924 | 2.4% |
| BB+ / Ba1 | 2,616 | 0.8% | 76 | 0.1% |
| BB / Ba2 | 791 | 0.3% | 21 | 0.1% |
| Not Rated [1] | 10,236 | 3.1% | 5,736 | 4.6% |
| Total Fixed-income Portfolio | $ 331,214 | 100.0% | $ 123,950 | 100.0% |
| Combined Decommissioning Trust Funds Total | $ 455,164 | | | |

[1] The Nuclear Decommissioning Trust (NDT) Investment Managers are given discretion to invest in unrated securities that are of suitable quality and in line with their investment strategy, as long as those do not exceed the 10.0% limit prescribed for the portfolio by the NDT Investment Policy.

**Foreign Currency Risk** –All investments authorized for purchase by the Decommissioning Trusts are in U.S. dollars. This reduces the potential foreign currency risk exposure of the portfolio. All foreign bonds outstanding were issued in the U.S. and amounted to $12,367 as of December 31, 2021. In accordance with the Investment Policy, investments in international equity securities are limited to international commingled funds, American Depository Receipts and exchange traded funds that are diversified across countries and industries. The international equity portfolio will be limited to 20.0% of the total portfolio. At December 31, 2021, total foreign equity securities amounted to 13.5% of the 28% Trust's total portfolio. At December 31, 2021, total foreign equity securities held by the 12% Trust amounted to 12.6% of the Trust's portfolio.

*Year-Ended September 30, 2022* - 92 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

**Fair Value Measurement** – CPS Energy records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Valuation methods of the primary fair value measurements are disclosed below:

The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market. For equity securities, these markets include published exchanges such as the National Association of Securities Dealers Automated Quotations and the New York Stock Exchange. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market.

Most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.

Commodity derivative instruments, such as futures, swaps and options, which are ultimately settled using prices at locations quoted through clearinghouses, are valued using Level 1 inputs. Options included in this category are those with identical strike price quoted through a clearinghouse.

Other commodity derivative instruments, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on internally developed pricing algorithms using observable market quotes for similar derivative instruments. Pricing inputs are derived from published exchange transactions and other observable data sources.

The fair value of real estate held by the Employee Benefit Plans is evaluated annually according to the Plans' policy and is a multi-step process beginning with obtaining a broker's opinion of value. Additionally, Level 3 inputs, independent appraisals and bids received on properties, are also utilized to determine fair value.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. CPS Energy's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

CPS Energy's fair value measurements are performed on a recurring basis. The table on the following page presents fair value balances and their levels within the fair value hierarchy for CPS Energy as of January 31, 2022, and the Decommissioning Trust investment balances as of December 31, 2021. The CPS Energy and Decommissioning Trusts investment balances presented exclude amounts related to money market mutual fund investments, and short-term investments which are recorded at amortized cost. Financial instrument fair value balances are presented in Note 16 Risk Financing.

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| | **1/31/2022** | **Level 1** | **Level 2** | **Level 3** |
| **Assets** | | | | |
| **Fair Value Investments** | | | | |
| **CPS Energy** | | | | |
| **Debt Securities** | | | | |
| US Treasuries | $ 19,161 | $ - | $ 19,161 | $ - |
| US Agencies | | | | |
| Federal Agricultural Mortgage Corp. | 9,675 | | 9,675 | |
| Federal Farm Credit Bank | 109,017 | | 109,017 | |
| Federal Home Loan Bank | 84,985 | | 84,985 | |
| Federal Home Loan Mortgage Corp. | 33,627 | | 33,627 | |
| Federal National Mortgage Assn. | 91,286 | | 91,286 | |
| Small Business Administration | 11,028 | | 11,028 | |
| Municipal Bonds | 187,660 | | 187,660 | |
| Total CPS Energy Fair Value of Investments | $ 546,439 | $ - | $ 546,439 | $ - |
| **Decommissioning Trust Investments** | | | | |
| **28% Trust** | **12/31/2021** | **Level 1** | **Level 2** | **Level 3** |
| **Debt Securities** | | | | |
| US Treasuries | $ 97,623 | $ - | $ 97,623 | $ - |
| US Agencies | | | | |
| Federal Home Loan Mortgage Corp. | 27,852 | | 27,852 | |
| Federal National Mortgage Assn. | 55,261 | | 55,261 | |
| Government National Mortgage Assn. | 3,367 | | 3,367 | |
| Small Business Administration | 3,623 | | 3,623 | |
| Municipal Bonds - Texas | 961 | | 961 | |
| Municipal Bonds - Other States | 7,785 | | 7,785 | |
| Corporate Bonds | 100,030 | | 100,030 | |
| Foreign Bonds | 10,924 | | 10,924 | |
| Total 28% Trust Fair Value Fixed-Income Income Portfolio | $ 307,426 | $ - | $ 307,426 | $ - |
| **Equity Securities** | | | | |
| Common Stock | $ 160,128 | $ 160,128 | $ - | $ - |
| Real Estate Investment Trusts | 61,353 | 61,353 | | |
| Preferred Stock | 754 | | 754 | |
| Total 28% Trust Fair Value Investments | $ 529,661 | $ 221,481 | $ 308,180 | $ - |
| **12% Trust** | **12/31/2021** | **Level 1** | **Level 2** | **Level 3** |
| **Debt Securities** | | | | |
| US Treasuries | $ 38,268 | $ - | $ 38,268 | $ - |
| US Agencies | | | | |
| Federal Home Loan Mortgage Corp. | 9,247 | | 9,247 | |
| Federal National Mortgage Assn. | 18,613 | | 18,613 | |
| Government National Mortgage Assn. | 308 | | 308 | |
| Small Business Administration | 1,710 | | 1,710 | |
| Municipal Bonds - Texas | 482 | | 482 | |
| Municipal Bonds - Other States | 3,057 | | 3,057 | |
| Corporate Bonds | 40,676 | | 40,676 | |
| Foreign Bonds | 1,443 | | 1,443 | |
| Total 12% Trust Fair Value Fixed-Income Income Portfolio | $ 113,804 | $ - | $ 113,804 | $ - |
| **Equity Securities** | | | | |
| Common Stock | $ 56,902 | $ 56,902 | $ - | $ - |
| Real Estate Investment Trusts | 22,392 | 22,392 | | |
| Total 12% Trust Fair Value Investments | $ 193,098 | $ 79,294 | $ 113,804 | $ - |
| Total Trust Fair Value Investments | $ 722,759 | $ 300,775 | $ 421,984 | $ - |
| **Total Fair Value Investments** | $ 1,269,198 | $ 300,775 | $ 968,423 | $ - |

***Year-Ended September 30, 2022*** **- 94 -** *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

### CPS Energy Fiduciary Funds

The CPS Financial Report includes the CPS Energy Pension Plan and the CPS Energy Group Health Plan, CPS Energy Group Life Insurance Plan and the CPS Energy Long-Term Disability Income Plan. Please refer to the CPS Financial Report for information about fiduciary cash and investments.

### San Antonio Water System (SAWS)

SAWS is permitted by City Ordinance No. 75686, SAWS' Investment Policy, and Texas state law, to invest in direct obligations of the U.S. or its agencies and instrumentalities. Other allowable investments include direct obligations of the State of Texas or its agencies and instrumentalities; secured certificates of deposit issued by depository institutions that have their main office or a branch office in the State of Texas; defined bankers acceptances and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; municipal bonds; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk, which may affect the value at which these investments are recorded. Under the provisions of GASB Statement No. 31, money market investments, including U.S. Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

As of December 31, 2021, SAWS' funds are deposited in demand accounts at JP Morgan Chase, SAWS' general depository bank. As required by state law, all SAWS' deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2021, the collateral pledged was a letter of credit issued by the Federal Home Loan Bank of Cincinnati, under SAWS' name so SAWS incurs no custodial credit risk. At December 31, 2021, the bank balance of SAWS' demand accounts was $42,509 and the reported amount was $44,059 which included $18 of cash on hand.

**Custodial Credit Risk (Investment)** – Investments include securities issued by the U. S. government and its agencies and instrumentalities, municipal securities, money market funds, and investment pools. As of December 31, 2021, securities purchased are held in custody by Bank of New York Mellon and registered as securities of SAWS. Money Market Funds are managed by Fidelity and Morgan Stanley and are invested in securities issued by the U.S. government or by U.S. Agencies. Funds in investment pools are invested in TexPool Prime, Texas Class, Texas Fixed Income Trust and Texas TERM. Investment pools may invest in commercial paper and certificates of deposit, as well as obligations of the U.S. government or its agencies and instrumentalities, and repurchase agreements as allowed under the PFIA. All investments in money market funds and investment pools are reported at amortized cost. Amortized cost approximates fair value for these investments.

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### San Antonio Water System (SAWS) (Continued)

The following table provides information related to investments at December 31, 2021.

| Investment Type | Reported Value | Fair Value | Allocation [1] | Rating [2] | WAM (Days) |
|---|---|---|---|---|---|
| U.S. Treasury Securities | $ 300,700 | $ 300,700 | 22.5% | AA+ | 579 |
| U.S. Agency Notes | 358,534 | 358,534 | 26.8% | AA+ | 884 |
| Municipal Bonds | 246,530 | 246,530 | 18.5% | AAA to AA- | 691 |
| Money Market Funds | | | | | |
| Fidelity Institutional MMF | 36,507 | 36,507 | 2.7% | AAAm | 1 |
| Morgan Stanley | 17,522 | 17,522 | 1.3% | AAAm | 1 |
| Texas Class Investment Pool | 63,489 | 63,489 | 4.8% | AAAm | 1 |
| TexPool Prime Local Government Pool | 57,431 | 57,431 | 4.3% | AAAm | 1 |
| Texas FIT Cash Pool | 207,980 | 207,980 | 15.6% | AAAf | 1 |
| Texas Term Investment Pool | 47,508 | 47,508 | 3.5% | AAAf | 145 |
| Total Investments | $ 1,336,201 | $ 1,336,201 | 100.0% | | 501 |

[1] The allocation is based on fair value.

[2] Standard & Poor's Rating.

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses due to rising interest rates, SAWS' investment policy limits its investment maturities to no more than five years. At December 31, 2021, the longest remaining maturity for any investment was approximately four years and approximately 46.0% of the investment portfolio matures in less than one year.

**Credit Risk** – In accordance with its investment policies, SAWS manages exposure to credit risk by limiting its investments in long-term obligations of other states and cities to those with a credit rating of 'A' or better. As of December 31, 2021, the lowest rated municipal security held was 'AA-'. Additionally, any short-term investments require a rating of at least 'A-1' or 'P-1'.

**Concentration of Credit Risk** – SAWS' investment policy does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to concentration of credit risk, the investment policy does limit the amount that can be invested in any one government-sponsored issuer to no more than 50.0% of the total investment portfolio, and no more than 30.0% of the total investment portfolio in any non-government issuer unless it is fully collateralized, excluding investment pools and money market funds.

**Custodial Credit Risk** – SAWS' risk is completely mitigated by insurance coverage provided by the custodian that protects against loss of cash or securities held in custody, and collateral in the form of letters of credit issued by the Federal Home Loan Bank of Cincinnati over the FDIC limit. Texas public fund accounts are collateralized at 100.0%. As of December 31, 2021, the percentage of SAWS' investment portfolio for government-sponsored issuers was 17.7% in Federal Home Loan Bank.

**Fair Value Measurement** – SAWS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

*Year-Ended September 30, 2022* - 96 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### San Antonio Water System (SAWS) (Continued)

Securities classified in Level 2 of the fair value hierarchy are valued using interest rate curves and credit spreads applied to the terms of the debt instruments (maturity and coupon interest) and consider the counterparty rating.

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| | 12/31/2021 | Level 1 | Level 2 | Level 3 |
| Investments by fair value level | | | | |
| U.S. Treasury Securities | $ 300,700 | $ 300,700 | $ - | $ - |
| U.S. Agency Notes | 358,534 | | 358,534 | |
| Municipal Bonds | 246,530 | | 246,530 | |
| Texas Term Investment Pool | 47,508 | | 47,508 | |
| Total Investments measured at fair value | $ 953,272 | $ 300,700 | $ 652,572 | $ - |

**Restricted Cash and Investments** – Cash and investments are restricted for a variety of purposes based on the requirement set forth in City Ordinance No. 75686, state law or SAWS policy. The following table summarizes both current and noncurrent restricted cash and investments by purpose at December 31, 2021.

| | 12/31/2021 |
|---|---|
| Restricted for: | |
| Operations | $ 75,675 |
| Debt Service | 81,790 |
| Debt Service Reserve | 32,401 |
| Construction - accrued liabilities | 46,562 |
| Construction - capital recovery fees | 243,927 |
| Construction - bond proceeds | 360,257 |
| Total Restricted Cash & Investments | $ 840,612 |

The requirements of City Ordinance No. 75686 stipulate that SAWS must accumulate and maintain a reserve equal to 100.0% of the maximum annual debt service requirements for senior lien obligations. Additional City ordinances require SAWS to maintain a debt service reserve equal to the average annual debt service on all junior lien obligations secured by a reserve fund. Not all SAWS junior lien obligations require the security of a debt service reserve. Increases in the required reserve amount may be deposited into a reserve account over a five-year period.

Ordinance No. 75686 allows for SAWS to provide surety policies equal to all or part of the required reserve. SAWS may use bond proceeds to make the required deposits related to new debt issued. Debt service reserve deposits are required to be maintained until a) the revenue bonds mature, b) the surety policy provider's credit ratings improve to the minimum ratings required under SAWS bond ordinance, or c) new surety policies are provided that meet the requirements of the bond ordinance.

*Year-Ended September 30, 2022* - 97 - *Amounts are expressed in thousands*

## Note 4 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### San Antonio Water System (SAWS) (Continued)

The following table summarizes the cash and investments restricted for Debt Service Reserve at December 31, 2021, based on the allocation of the funds between junior lien and senior lien bond requirements.

| | December 31, 2021 |
|---|---|
| Restricted for Junior Lien Bonds | $ 13,487 |
| Restricted for Senior Lien Bonds | 18,914 |
| Total Cash & Investments - Debt Service Reserve | $ 32,401 |

Funds restricted for construction include amounts needed to pay accrued construction liabilities, collected but unspent capital recovery fees and unspent bond proceeds. Funds restricted for accrued construction liabilities and unspent bond proceeds are completely offset by related liabilities. By state law, capital recovery fees are restricted for the construction of the infrastructure upon which the calculation of the fee is based.

### San Antonio Water System Fiduciary Funds

The SAWS Financial Report includes three fiduciary funds related to SAWS employee benefit plans: the San Antonio Water System Retirement Plan (SAWSRP), the District Special Project Retirement Income Plan (DSPRP) and the San Antonio Water System Retiree Health Trust (OPEB Trust). Please refer to the SAWS Financial Report for information about fiduciary cash and investments.

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# Note 5 Capital Assets

## Primary Government (City)

Capital assets were reduced by $146 for impairment losses in fiscal year 2022 for governmental activities. The impairment losses are allocated in miscellaneous revenue as a component of the gain/loss on capital assets on the Statement of Activities. Additionally, depreciation expense was increased by $159 for 13 impaired vehicles which have not been retired.

Capital asset activity for governmental activities, to include internal service funds, for the year-ended September 30, 2022 is as follows:

**Capital Assets - Governmental Activities**

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Non-Depreciable Assets: | | | | | |
| Land | $ 1,427,106 | $ 14,341 | $ (8) | $ - | $ 1,441,439 |
| Construction in Progress | 520,925 | 356,516 | (14,389) | (348,189) | 514,863 |
| Non-Depreciable Intangible Assets | 234,974 | 11,556 | (107) | | 246,423 |
| Total Non-Depreciable Assets | $ 2,183,005 | $ 382,413 | $ (14,504) | $ (348,189) | $ 2,202,725 |
| Depreciable Assets: | | | | | |
| Intangible Assets | 4,341 | | | | 4,341 |
| Buildings | 1,469,594 | 11,637 | (1,727) | 93,448 | 1,572,952 |
| Improvements | 1,111,230 | 543 | | 50,229 | 1,162,002 |
| Infrastructure | 3,809,180 | | | 193,302 | 4,002,482 |
| Machinery and Equipment | 716,340 | 52,349 | (19,533) | 11,210 | 760,366 |
| Total Depreciable Assets | $ 7,110,685 | $ 64,529 | $ (21,260) | $ 348,189 | $ 7,502,143 |
| Accumulated Depreciation: | | | | | |
| Intangible Assets | (3,954) | (88) | | | (4,042) |
| Buildings | (550,632) | (40,447) | 1,474 | | (589,605) |
| Improvements | (508,848) | (52,835) | | | (561,683) |
| Infrastructure | (2,364,033) | (104,048) | | | (2,468,081) |
| Machinery and Equipment [1] | (487,238) | (57,394) | 16,485 | | (528,147) |
| Total Accumulated Depreciation | $ (3,914,705) | $ (254,812) | $ 17,959 | $ - | $ (4,151,558) |
| Total Depreciable Assets, net | $ 3,195,980 | $ (190,283) | $ (3,301) | $ 348,189 | $ 3,350,585 |
| Total Capital Assets, net | $ 5,378,985 | $ 192,130 | $ (17,805) | $ - | $ 5,553,310 |

| Depreciation expense was charged to governmental functions as follows: | |
|---|---|
| General Government | $ 18,938 |
| Public Safety | 10,482 |
| Public Works | 145,906 |
| Health Services | 568 |
| Sanitation | 7 |
| Welfare | 1,184 |
| Culture and Recreation | 26,910 |
| Convention and Tourism | 15,043 |
| Urban Redevelopment and Housing | 155 |
| Economic Development and Opportunity | 314 |
| Education | 931 |
| Depreciation on Capital Assets Held by City's Internal Service Funds are Charged to Various Functions Based on Asset Usage | 34,374 |
| Total Depreciation Expense for Governmental Activities | $ 254,812 |

The capital assets of internal service funds are included in governmental activities. In fiscal year 2022, internal service funds capital assets increased by $41,119, and decreased by $17,783, of which $337 was for impairments, resulting in an ending balance of $324,371. Depreciation expense of $34,374, of which $159 was for impairments, less the $14,776 in previously depreciated assets disposed of during the current year,of which $191 was for impairments, resulted in an ending accumulated depreciation balance of $199,580. Net book value is $124,791.

[1] The decrease includes $7,940 in accumulated depreciation for 31 refuse trucks transferred to business-type activities, Solid Waste Management.

*Year-Ended September 30, 2022* **- 99 -** *Amounts are expressed in thousands*

## Note 5 Capital Assets (Continued)

### Primary Government (City) (Continued)

Capital assets were reduced by $21 for impairments with no net loss recorded. The impaired asset was fully depreciated at the time of impairment.

Capital asset activity for business-type activities for the year-ended September 30, 2022, is as follows:

| Capital Assets - Business-Type Activities | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Non-Depreciable Assets: | | | | | |
| Land: | | | | | |
| Airport System | $ 5,323 | $ - | $ - | $ - | $ 5,323 |
| Solid Waste Management | 1,107 | | | | 1,107 |
| Nonmajor Enterprise Funds | 9,366 | | | | 9,366 |
| Total Land | $ 15,796 | $ - | $ - | $ - | $ 15,796 |
| Construction in Progress: | | | | | |
| Airport System | 27,480 | 31,306 | (39) | (23,357) | 35,390 |
| Solid Waste Management | | 96 | | | 96 |
| Nonmajor Enterprise Funds | 20 | 166 | | | 186 |
| Total Construction in Progress | $ 27,500 | $ 31,568 | $ (39) | $ (23,357) | $ 35,672 |
| Total Non-Depreciable Assets | $ 43,296 | $ 31,568 | $ (39) | $ (23,357) | $ 51,468 |
| Depreciable Assets: | | | | | |
| Intangible Assets: | | | | | |
| Airport System | 352 | | | | 352 |
| Non-Major Enterprise Fund | 5,427 | 8,977 | | | 14,404 |
| Total Intangible Assets | $ 5,779 | $ 8,977 | $ - | $ - | $ 14,756 |
| Buildings: | | | | | |
| Airport System | 542,230 | 238 | | | 542,468 |
| Solid Waste Management | 11,147 | | | | 11,147 |
| Nonmajor Enterprise Funds | 27,136 | | | | 27,136 |
| Total Buildings | $ 580,513 | $ 238 | $ - | $ - | $ 580,751 |
| Improvements: | | | | | |
| Airport System | 603,351 | | | 23,211 | 626,562 |
| Solid Waste Management | 15,058 | | | | 15,058 |
| Nonmajor Enterprise Funds | 14,276 | | | | 14,276 |
| Total Improvements | $ 632,685 | $ - | $ - | $ 23,211 | $ 655,896 |
| Machinery and Equipment: | | | | | |
| Airport System | 35,929 | 3,121 | (212) | 146 | 38,984 |
| Solid Waste Management | 30,381 | 11,505 | (1,069) | | 40,817 |
| Nonmajor Enterprise Funds[1] | 23,151 | | (9,050) | | 14,101 |
| Total Machinery and Equipment | $ 89,461 | $ 14,626 | $ (10,331) | $ 146 | $ 93,902 |
| Total Depreciable Assets | $ 1,308,438 | $ 23,841 | $ (10,331) | $ 23,357 | $ 1,345,305 |
| Accumulated Depreciation: | | | | | |
| Intangible Assets: | | | | | |
| Airport System | (241) | (71) | | | (312) |
| Nonmajor Enterprise Funds | (452) | (4,676) | | | (5,128) |
| Total Intangible Assets | $ (693) | $ (4,747) | $ - | $ - | $ (5,440) |
| Buildings: | | | | | |
| Airport System | (192,575) | (15,182) | | | (207,757) |
| Solid Waste Management | (3,046) | (386) | | | (3,432) |
| Nonmajor Enterprise Funds | (17,404) | (737) | | | (18,141) |
| Total Buildings | $ (213,025) | $ (16,305) | $ - | $ - | $ (229,330) |
| Improvements: | | | | | |
| Airport System | (294,260) | (21,958) | | | (316,218) |
| Solid Waste Management | (5,595) | (660) | | | (6,255) |
| Nonmajor Enterprise Funds | (7,987) | (628) | | | (8,615) |
| Total Improvements | $ (307,842) | $ (23,246) | $ - | $ - | $ (331,088) |
| Machinery and Equipment: | | | | | |
| Airport System | (25,369) | (3,377) | 212 | | (28,534) |
| Solid Waste Management[2] | (23,225) | (11,601) | 1,057 | | (33,769) |
| Nonmajor Enterprise Funds | (11,732) | (73) | 73 | | (11,732) |
| Total Machinery and Equipment | $ (60,326) | $ (15,051) | $ 1,342 | $ - | $ (74,035) |
| Total Accumulated Depreciation | $ (581,886) | $ (59,349) | $ 1,342 | $ - | $ (639,893) |
| Total Depreciable Assets, net | $ 726,552 | $ (35,508) | $ (8,989) | $ 23,357 | $ 705,412 |
| Total Capital Assets, net | $ 769,848 | $ (3,940) | $ (9,028) | $ - | $ 756,880 |

1 The decrease includes $8,977 reclassified to depreciable intangible.

2 Accumulated depreciation increases in Machinery and Equipment, Solid Waste Management, include depreciation expense of $3,661, plus $7,940 in accumulated depreciation for 31 refuse trucks was transferred from Governmental Activities, Other Internal Service Funds.

*Year-Ended September 30, 2022* - 100 - *Amounts are expressed in thousands*

## Note 5 Capital Assets (Continued)

### CPS Energy

CPS Energy's plant-in-service includes four power stations that are solely owned and operated by CPS Energy. In total, there are 17 generating units at these four power stations—two of which are coal-fired and 15 of which are gas-fired (units not in thousands). CPS Energy also has two solar generating units, one of which also includes battery storage. Excluding STP (nuclear units), the following is a list of power stations and respective generating units in service at January 31, 2022:

| Power Station | Generating Units | Type |
|---|---|---|
| Calaveras | 4 | Coal (2)/Gas (2) |
| Braunig | 8 | Gas |
| Leon Creek | 4 | Gas |
| Rio Nogales | 1 | Gas |
| Commerce | 1 | Solar/Battery Storage |
| Community | 1 | Solar |

Other notable capital assets in electric and gas plant include supporting coal yard assets, a fleet of railcars, a transmission network for the movement of electric power from the generating stations to substations, electric and gas distribution systems, and metering. Included in general plant are two data centers; the McCullough headquarters campus; the construction and customer service centers; and a fleet of automobiles, trucks and work equipment.

Intangible assets consist of easements, software, a tax exemption settlement and other intangible items.

In conjunction with the Rio Nogales plant purchase, CPS Energy entered into a Tax Exemption Settlement Agreement in which CPS Energy agreed to pay $25,504 to certain parties to compromise, terminate claims and settle any disputes relating to the exemption of ad valorem taxes involving the parties to this agreement. The payment was recorded as an intangible asset that is being amortized over the life of the agreement, which runs through December 2041.

As part of normal operations, CPS Energy evaluates whether surplus property exists within the capital asset portfolio and whether such property should be sold or reported as held for sale.

During fiscal year 2022, CPS Energy sold several surplus properties, which consisted of the Navarro Building, the former Northside Customer Service Center, the former Main Office building and garage and adjacent parking lots. The properties sold had a combined sales price of $50,845. Meanwhile, total remaining properties that were classified as held for sale had a balance of $190 at January 31, 2022.

**Asset Impairments** – There were no capital asset impairments identified for fiscal year 2022.

## Note 5 Capital Assets (Continued)

### CPS Energy (Continued)

**Investment in STP Unit 1 and 2** – STP is currently a two-unit nuclear power plant located in Matagorda County, Texas. It is maintained and operated by the STP Nuclear Operating Company (STPNOC), a nonprofit Texas corporation special-purpose entity. It is financed and controlled by the owners – CPS Energy; the City of Austin; and NRG South Texas LLP, a wholly owned subsidiary of NRG Energy, Inc. CPS Energy's 40.0% interest in STP Units 1 and 2 is included in plant assets.

| STP Capital Investment, Net | |
|---|---|
| | January 31, 2022 |
| STP Capital Assets, net | |
| Land | $ 5,701 |
| Construction in progress, STP Units 1 and 2 | 8,622 |
| Electrical and general plant | 828,586 |
| Intangibles | 9,879 |
| Nuclear Fuel | 114,310 |
| Total STP Capital Assets, net | $ 967,098 |
| Total CPS Energy Capital Assets, net | $ 8,908,861 |
| STP Capital Investments as a percentage of total CPS Energy Capital Assets, net | 10.9% |

**Joint Base San Antonio (JBSA) Electric and Gas Systems** – In July 2019, CPS Energy executed a Bill of Sale with the Department of Defense for $87,054 for the electric and gas systems at three JBSA installations: JBSA Randolph, JBSA Lackland and JBSA Lackland Training Annex. In addition to the fixed assets acquired, $84,297 in deferred inflows for the unrealized future recoveries associated with the JBSA agreement was recorded at the time of the purchase. This amount is being amortized over the 50-year Utilities Privatization Contract that covers the JBSA systems.

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*Year-Ended September 30, 2022* - 102 - *Amounts are expressed in thousands*

## Note 5 Capital Assets (Continued)

### CPS Energy (Continued)

The following table provides more detailed information on the activity of CPS Energy's net capital assets as presented on the Statement of Net Position, including capital asset activity for fiscal year 2022:

| Capital Assets - CPS Energy | Beginning Balance (Restated) [1] | Increases | Transfers | Decreases | Ending Balance |
|---|---|---|---|---|---|
| Non-Depreciable Assets: | | | | | |
| Land[2] | $ 105,393 | $ (2) | $ 6,860 | $ 572 | $ 112,823 |
| Land Easements | 107,718 | | 24 | (977) | 106,765 |
| Construction in Progress | 497,379 | 559,817 | (337,209) | | 719,987 |
| Total Non-Depreciable Assets | $ 710,490 | $ 559,815 | $ (330,325) | $ (405) | $ 939,575 |
| Depreciable Assets: | | | | | |
| Utility Plant in Service: | | | | | |
| Electric Plant | 11,967,451 | 63,384 | 222,483 | (33,168) | 12,220,150 |
| Gas Plant | 1,143,051 | 18,372 | 52,070 | (1,117) | 1,212,376 |
| General Plant | 823,886 | 9,012 | 41,807 | (41,334) | 833,371 |
| Intangibles: | | | | | |
| Software | 249,080 | | 13,967 | (7,251) | 255,796 |
| Other | 38,572 | | | | 38,572 |
| Leases | 5,131 | | | | 5,131 |
| Nuclear Fuel | 1,112,466 | 38,589 | | | 1,151,055 |
| Total Depreciable Assets | $ 15,339,637 | $ 129,357 | $ 330,327 | $ (82,870) | $ 15,716,451 |
| Accumulated Depreciation and Amortization: | | | | | |
| Utility Plant in Service: | | | | | |
| Electric Plant | (5,593,102) | (347,219) | | 45,004 | (5,895,317) |
| Gas Plant | (440,921) | (26,050) | | 3,021 | (463,950) |
| General Plant | (245,545) | (45,225) | | 52,502 | (238,268) |
| Intangibles: | | | | | |
| Software | (82,340) | (25,749) | | 7,251 | (100,838) |
| Other | (12,436) | 2,007 | | | (10,429) |
| Leases | (800) | (818) | | | (1,618) |
| Nuclear Fuel | (990,443) | (46,302) | | | (1,036,745) |
| Total Accumulated Depreciation, Depletion and Amortization | $ (7,365,587) | $ (489,356) | $ - | $ 107,778 | $ (7,747,165) |
| Total Capital Assets, net | $ 8,684,540 | $ 199,816 | $ 2 | $ 24,503 | $ 8,908,861 |

1 The beginning balance is restated to include $5,131 lease assets, and $(800) accumulated depreciation on lease assets.
2 The $(2) increases for land are for reversal of a prior year accrual, while the $572 decreases for land are due to real estate transactions in prior year adjusted in current year.

**Cash flow information** – Cash paid for additions and net removal costs totaled $610,506. This amount includes $641,356 in additions to construction-in-progress and electric, gas and general plant plus net salvage and removal costs of $21,253, partially offset by $9,597 in donated assets.

**Other** – Depreciation and amortization expense for the period totaled $443,054, while amortization of nuclear fuel of $46,302 was included in fuel expense on CPS Energy's Statement of Revenues, Expenses and Changes in Net Position, in CPS Energy's separately issued financial statements.

*Year-Ended September 30, 2022* - 103 - *Amounts are expressed in thousands*

# Note 5 Capital Assets (Continued)

## San Antonio Water System (SAWS)

Capital asset activity for SAWS is as follows:

| Capital Assets - San Antonio Water System | Beginning Balance | Increases | Transfers | Decreases | Ending Balance |
|---|---|---|---|---|---|
| Non-Depreciable Assets: | | | | | |
| Land | $ 162,438 | $ - | $ 6,830 | $ (246) | $ 169,022 |
| Intangible Assets: | | | | | |
| Water Rights | 248,881 | | | | 248,881 |
| Other | 370 | | | | 370 |
| Construction in Progress | 521,627 | 474,037 | (390,436) | (1,407) | 603,821 |
| Total Non-Depreciable Assets | $ 933,316 | $ 474,037 | $ (383,606) | $ (1,653) | $ 1,022,094 |
| Depreciable Assets: | | | | | |
| Utility Plant in Service: | | | | | |
| Structures and Improvements | 1,002,070 | 394 | 58,808 | (1,770) | 1,059,502 |
| Pumping and Purification | 279,218 | 461 | 1,351 | | 281,030 |
| Distribution and Transmission System | 3,610,086 | | 138,633 | (8,674) | 3,740,045 |
| Treatment Facilities | 2,800,410 | | 167,975 | (16,194) | 2,952,191 |
| Total Utility Plant in Service | $ 7,691,784 | $ 855 | $ 366,767 | $ (26,638) | $ 8,032,768 |
| Machinery and Equipment: | | | | | |
| Machinery and Equipment | 477,239 | 7,802 | 16,839 | (13,347) | 488,533 |
| Furniture and Fixtures | 6,595 | | | (4) | 6,591 |
| Computer Equipment | 29,706 | 1,333 | | (527) | 30,512 |
| Software | 55,607 | 80 | | (121) | 55,566 |
| Total Machinery and Equipment | $ 569,147 | $ 9,215 | $ 16,839 | $ (13,999) | $ 581,202 |
| Intangible Assets | 1,354 | | | | 1,354 |
| Total Depreciable Assets | $ 8,262,285 | $ 10,070 | $ 383,606 | $ (40,637) | $ 8,615,324 |
| Accumulated Depreciation: | | | | | |
| Utility Plant in Service: | | | | | |
| Structures and Improvements | (276,667) | (28,011) | | 561 | (304,117) |
| Pumping and Purification | (94,744) | (9,128) | | | (103,872) |
| Distribution and Transmission System | (872,534) | (70,716) | | 8,674 | (934,576) |
| Treatment Facilities | (863,401) | (56,474) | | 10,686 | (909,189) |
| Machinery and Equipment: | | | | | |
| Machinery and Equipment | (179,076) | (28,071) | | 13,190 | (193,957) |
| Furniture and Fixtures | (6,294) | (70) | | 4 | (6,360) |
| Computer Equipment | (21,409) | (2,066) | | 519 | (22,956) |
| Software | (40,464) | (4,213) | | 121 | (44,556) |
| Intangible Assets | (719) | (68) | | | (787) |
| Total Accumulated Depreciation | $ (2,355,308) | $ (198,817) | $ - | $ 33,755 | $ (2,520,370) |
| Total Depreciable Assets, net | $ 5,906,977 | $ (188,747) | $ 383,606 | $ (6,882) | $ 6,094,954 |
| Total Capital Assets, net | $ 6,840,293 | $ 285,290 | $ - | $ (8,535) | $ 7,117,048 |

*Year-Ended September 30, 2022* **- 104 -** *Amounts are expressed in thousands*

## Note 5 Capital Assets (Continued)

### San Antonio Water System (SAWS) (Continued)

**Asset Impairment** – SAWS periodically reviews its capital assets for possible impairment. As part of SAWS capital improvement program, SAWS incurs costs to design capital improvement projects. These costs are included in capital assets as Construction in Progress. Periodically the actual construction of these projects may not occur due to changes in plans. Once it has been determined that construction will not proceed, any capitalized costs are charged off to operating expenses. Design and project costs written off totaled $1,407 in 2021.

SAWS owns a water treatment plant in southwest Bexar County to treat water supplied from Medina Lake and the Medina River. During the height of the 2011-2014 drought, Medina Lake water levels were greatly diminished leading to poor water quality. As a result, the treatment plant was idled from April 2013 through August 2015. Due to heavy rainfall during the summer of 2015, lake levels increased to a peak of nearly 80.0% of capacity. SAWS restarted the treatment plant on September 1, 2015 and treated approximately 500 acre-feet of Medina River water (acre-feet not reported in thousands). Water quality concerns persisted and SAWS elected to idle the treatment plant again in October 2015. Additional investments in the treatment process may be required in order to eliminate these water quality concerns in the future. Current available water supplies are expected to be sufficient to meet customers' demand in the foreseeable future without utilizing the Medina supplies. The book value of the treatment plant at December 31, 2021 was $10,470. SAWS is continuing to depreciate the treatment plant and management does not currently believe the plant has been permanently impaired.

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# Note 6 Receivables and Payables

## Disaggregation of Receivables and Payables

### *Primary Government (City)*

Net receivables at September 30, 2022 are as follows:

| | Customer Accounts | Taxes | Note and Loans | Accrued Interest | Other | Total Net Receivables | Lease Receivables |
|---|---|---|---|---|---|---|---|
| Governmental Activities | $ 150,494 | $ 31,327 | $ 97,923 | $ 3,516 | $ 60,816 | $ 344,076 | $ 104,471 |
| Business-Type Activities | 16,350 | | | 448 | | 16,798 | 109,211 |
| Total | $ 166,844 | $ 31,327 | $ 97,923 | $ 3,964 | $ 60,816 | $ 360,874 | $ 213,682 |

The receivable balances for Governmental Activities have been reduced by estimated allowances for doubtful accounts of $64,091 against customer accounts, $3,281 against property and occupancy taxes, $42,833 against notes and loans and $36,831 against other receivables. The receivable balances for Business-Type Activities have been reduced by estimated allowances for doubtful accounts of $372 against customer accounts.

Of the $97,923 recorded in note and loans, only $1,494 is expected to be collected within one year. The remaining $96,429 note and loans receivables not expected to be collected within one year are related to General Fund, CDBG, HOME, Community Services and San Antonio Economic Development Corporation (SAEDC), net of allowance for doubtful accounts of $42,833. The $42,833 allowance is comprised of forgivable non-interest-bearing notes and loans and aged loans greater than 90 days that are collectible. The notes and loans not collectible within 60 days have a corresponding deferred inflows of resources balance recorded within the governmental funds.

Payables at September 30, 2022 are as follows:

| | Accounts | Accrued Payroll | Total Payables | Lease Payable |
|---|---|---|---|---|
| Governmental Activities | $ 241,553 | $ 10,856 | $ 252,409 | $ 92,547 |
| Business-Type Activities | 36,735 | 1,965 | 38,700 | 126 |
| Total | $ 278,288 | $ 12,821 | $ 291,109 | $ 92,673 |

### *CPS Energy*

**Disaggregation of Receivables** – Net customer accounts receivable as of January 31, 2022, included $64,173 for unbilled revenue receivables and $274,559 for billed utility services. Interest and other receivables included $17,607 for regulatory-related receivables, and $73,348 for other miscellaneous receivables.

**Disaggregation of Payables** – At January 31, 2022, accounts payable and accrued liabilities included $287,621 related to standard operating supplier and vendor accounts payables, including fuels payable; $46,934 for employee-related payables; $87,078 for customer related payables; $31,922 for STP-related payables; and $73,403 for other miscellaneous payables and accrued liabilities.

*Year-Ended September 30, 2022* **- 106 -** *Amounts are expressed in thousands*

## Note 6 Receivables and Payables (Continued)

### Disaggregation of Receivables and Payables (Continued)

#### *San Antonio Water System (SAWS)*

**Disaggregation of Receivables** – Gross customer accounts receivables as of December 31, 2021, included $90,666 from customers; $37,699 in unbilled revenue; $808 receivable from other governmental agencies, and $2,807 for interest receivable, less an allowance of $43,870.

**Disaggregation of Payables** – At December 31, 2021, accounts payable and other current liabilities included $35,693 in accounts payable; $6,148 in vacation payable; $1,739 in accrued payroll and benefits; $46,562 in construction contracts; $16,567 in customer deposits; and $8,821 in other miscellaneous payables.

### Interfund Receivable and Payable Balances

#### *Primary Government (City)*

The following is a summary of interfund receivables and payables for the City as of September 30, 2022:

| | Due From Other Funds | Due To Other Funds |
|---|---|---|
| **General Fund:** | | |
| Debt Service Fund | $ 68 | $ 507 |
| COVID-19 Funds | 42,149 | 13,352 |
| Nonmajor Governmental Funds | 27,567 | |
| **Total General Fund** | $ 69,784 | $ 13,859 |
| **Debt Service Fund:** | | |
| General Fund | 507 | 68 |
| **Total Debt Service Fund** | $ 507 | $ 68 |
| **COVID-19 Funds:** | | |
| General Fund | 13,352 | 42,149 |
| **Total COVID-19 Funds** | $ 13,352 | $ 42,149 |
| **Nonmajor Governmental Funds:** | | |
| General Fund | | 27,567 |
| Nonmajor Governmental Funds | 30,802 | 36,643 |
| Nonmajor Enterprise Funds | 168 | |
| **Total Nonmajor Governmental Funds** | $ 30,970 | $ 64,210 |
| **Nonmajor Enterprise Funds:** | | |
| Nonmajor Governmental Funds | | 168 |
| **Total Nonmajor Enterprise Funds** | $ - | $ 168 |
| **Total** | $ 114,613 | $ 120,454 |

As of September 30, 2022, the interfund receivable and payable balances represent short-term loans resulting from timing differences between the dates that transactions are recorded in the accounting system and short-term borrowings at fiscal year-end. Of the $69,784 due from other funds reported in General Fund, $69,686 is as result of overdraws of pooled cash. All interfund balances are expected to be paid within one year.

*Year-Ended September 30, 2022* - 107 - *Amounts are expressed in thousands*

## Note 6 Receivables and Payables (Continued)

### Interfund Receivable and Payable Balances (Continued)

***Primary Government (City) (Continued)***

Different fiscal year-ends exist between the City and San Antonio Early Childhood Education Municipal Development Corporation (ECEMDC) component unit, (September 30$^{th}$ and June 30$^{th}$, respectively); therefore, interfund receivables and payables do not eliminate by $5,841. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City's transfer to ECEMDC represents its obligation to provide the 1/8 cents sales tax collected 60 days after September 30; however, ECEMDC's due from other funds illustrates the City's 1/8 cents sales tax collected 60 days after June 30, 2022. These transactions are in accordance with legislative and contractual requirements.

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## Note 7 Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### *Primary Government (City)*

Deferred outflows and inflows of resources in the Statement of Net Position are shown in the table below:

| | Primary Government | | |
|---|---|---|---|
| **Deferred Outflows of Resources:** | **Governmental Activities** | **Business-Type Activities** | **Total** |
| Deferred Outflows of Resources related to Pensions | $ 94,250 | $ 3,689 | $ 97,939 |
| Contributions Subsequent to Measurement Date related to Pensions | 100,962 | 8,560 | 109,522 |
| Deferred Outflows of Resources related to OPEB | 156,773 | 25,147 | 181,920 |
| Contributions Subsequent to Measurement Date related to OPEB | 33,846 | 264 | 34,110 |
| Deferred Outflows of Resources related to ARO | 395 | 474 | 869 |
| Unamortized Debt Reacquisition Costs | 43,590 | 2,702 | 46,292 |
| **Total Deferred Outflows of Resources** | $ 429,816 | $ 40,836 | $ 470,652 |
| **Deferred Inflows of Resources:** | | | |
| Deferred Inflows of Resources related to Pensions | $ 489,208 | $ 28,234 | $ 517,442 |
| Deferred Inflows of Resources related to OPEB | 412,394 | 54,776 | 467,170 |
| Deferred Inflows of Resources related to Leases | 102,742 | 113,341 | 216,083 |
| **Total Deferred Inflows of Resources** | $ 1,004,344 | $ 196,351 | $ 1,200,695 |

Additional information concerning deferred outflows of resources and deferred inflows of resources related to pensions and OPEB can be found in Note 10 Pension and Retirement Plans and Note 11 Other Postemployment Benefits, respectively. Additional information concerning deferred inflows of resources related to leases can be found in Note 14 Leases.

Deferred inflows of resources in the governmental fund financial statements related to unavailable revenues are shown in the table below:

| **Deferred Inflows of Resources:** | **Governmental Funds** |
|---|---|
| Revenues associated with: | |
| Loan receivables | $ 97,780 |
| Accrued interest on loan receivables | 62 |
| Grants | 52,879 |
| Leases | 100,595 |
| Property Tax Collections | 28,994 |
| EMS Collections | 24,950 |
| Municipal Court Fines | 2,662 |
| Library Fines | 721 |
| Alarm Fees | 1,353 |
| Other entities | 1,257 |
| **Total Deferred Inflows of Resources in the Balance Sheet - Governmental Funds Statement** | $ 311,253 |

*Year-Ended September 30, 2022* - 109 - *Amounts are expressed in thousands*

## Note 7 Deferred Outflows and Inflows of Resources (Continued)

### *CPS Energy*

Deferred outflows and inflows of resources are shown in the table below:

| | CPS Energy |
|---|---|
| **Deferred Outflows of Resources:** | |
| Unrealized pension contributions | $ 62,101 |
| Losses relating to pension | 62,502 |
| Unrealized contributions to the OPEB Plan | 726 |
| Losses related to OPEB | 16,426 |
| Unrealized losses on fuel hedges | 15,138 |
| Unamortized debt reacquisition costs | 56,946 |
| Unamortized costs for asset retirement obligations | 510,879 |
| **Total Deferred Outflows of Resources** | $ 724,718 |
| **Deferred Inflows of Resources:** | |
| Unrealized gains related to pension | $ 65,428 |
| Unrealized gains related to OPEB | 37,960 |
| Unrealized gains on fuel hedges | 59,501 |
| Leases | 12,995 |
| Sale of future revenues | 77,583 |
| **Total Deferred Inflows of Resources** | $ 253,467 |

### *San Antonio Water System (SAWS)*

Deferred outflows and inflows of resources are shown in the table below:

| | SAWS |
|---|---|
| **Deferred Outflows of Resources:** | |
| Deferred charges on bond refunding | $ 22,005 |
| Decrease of fair value of hedging derivatives | 10,357 |
| Deferred outflow related to asset retirement obligation | 32,108 |
| Unrealized pension contributions | 10,761 |
| Losses related to pension | 2,911 |
| Unrealized OPEB contributions | 10,442 |
| Losses related to OPEB | 2,376 |
| **Total Deferred Outflows of Resources** | $ 90,960 |
| **Deferred Inflows of Resources:** | |
| Differences between expected and actual experience and changes of assumptions related to pension | $ 32,712 |
| Differences between expected and actual experience and changes of assumptions related to OPEB | 23,328 |
| Net Difference between projected and actual earnings on OPEB plan investments | 9,951 |
| **Total Deferred Inflows of Resources** | $ 65,991 |

*Year-Ended September 30, 2022* - 110 - *Amounts are expressed in thousands*

# Note 8 Long-Term Obligations

## Primary Government (City)

### *Governmental Activities Long-Term Obligations*

### Issuances

The City's debt management and on-going capital improvement financing for infrastructure and "quality of life" purposes resulted in the issuance of additional indebtedness during fiscal year 2022.

On May 7, 2022, voters approved a $1,200,000 bond program, the largest bond program in the City's history. On August 9, 2022, the City issued a portion of the authorized bond in $57,680 in General Improvement Bonds, Series 2022 and $100,520 in General Improvement Bonds, Taxable Series 2022. The General Improvement Bonds, Series 2022 included a premium of $6,790, and were issued to finance improvements to streets, bridges, and sidewalks; drainage and flood control; parks and recreation; library and cultural facilities; and public safety facilities. The Bonds have maturities ranging from 2023 to 2042, with interest rates ranging from 4.0% to 5.0%. The General Improvement Bonds, Taxable Series 2022 proceeds were issued to finance affordable housing. They have maturities ranging from 2023 to 2042, with interest rates ranging from 3.3% to 4.5%. These bonds represent the first installment of the Bond Program approved by voters in May 2022.

Additionally on August 9, 2022, the City issued $79,830 in Combination Tax and Revenue Certificates of Obligation, Series 2022; and $47,910 in Tax Notes, Series 2022. The Combination Tax and Revenue Certificates of Obligation, Series 2022 included a premium of $9,398, and were issued to finance improvements to municipal facilities; streets, sidewalks and drainage; and parks and recreation. The Certificates have maturities ranging from 2023 to 2042, with interest rates ranging from 4.0% to 5.0%. The Tax Notes, Series 2022 proceeds included a premium of $1,431, and were issued to finance improvements for information technology, municipal facilities, parks and recreation, and street maintenance projects. The Tax Notes have maturities ranging from 2023 to 2024, with an interest rate of 5.0%.

On August 30, 2022, the City issued $292,880 in Texas Public Facilities Corporation Lease Revenue Refunding and Improvement Bonds, Series 2022 to refinance existing debt for interest cost savings and to fund improvements to the Convention Center Facility. The refunding proceeds of $265,875 included a premium of $33,594 and were used to fund an escrow account for the partial redemption discharge and defeasance of the Texas Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012. As a result of the defeasance, the City will realize a total decrease of $22,630 in debt service payments and total deferred charges of $8,171. Through this defeasance, the City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $11,915. The refunding portion of proceeds have maturities ranging from 2023 to 2037, with an interest rate of 5.0%. Additional proceeds of $27,005 included a premium of $3,190. The bonds have maturities ranging from 2026 to 2042, with an interest rate of 5.0%.

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

### Issuances (Continued)

On March 3, 2022, City Council approved the issuance of bonds in an aggregate principal amount not to exceed $450,000 by a conduit issuer, the Public Finance Authority, a State of Wisconsin governmental entity to finance the costs of acquiring the Grand Hyatt San Antonio Riverwalk (Hotel) by CFC-SA, LLC an Arizona based non-profit. The Grand Hyatt San Antonio Riverwalk is the convention center headquarters hotel constructed on City owned land adjacent to the City's Convention Center. Proceeds of the 2022 issuance were used to pay Grand Hyatt for the purchase of the Hotel by CFC-SA, pay amounts owed to the City, fund certain reserves, and pay the costs of issuance. A portion of the sale proceeds were also used to defease the Convention Center Hotel Finance Corporation, a blended component unit of the City, Series 2005A and 2005B Bonds (originally issued to partially finance construction of the Hotel) in the outstanding amounts of $129,930 and $38,410, respectively. The 2005A and 2005B bonds had a pledge of certain City Hotel Occupancy Tax revenues in the event Hotel operating revenues were insufficient to pay all debt service. The City is not providing any support or pledged revenue for the 2022 bonds. Additionally, CFC-SA under its charitable purpose, will hold the Hotel in trust for the benefit of the City and once the bonds have been fully repaid, ownership of the Hotel will transfer from the non-profit to the City. Under a 30-year Qualified Management Agreement, Grand Hyatt continues to operate the Hotel as a premier, full-service, convention center hotel.

### Pledges and Significant Terms

The City's General Obligation Bonds, Certificates of Obligation, Tax Notes, and Public Property Finance Contractual Obligations are secured by ad valorem taxes levied upon all taxable property located within the City, within the limitations prescribed by law. The Certificates of Obligations are additionally secured by a lien on and pledge of certain revenues of the City's municipal parks system not to exceed $1 during the entire period the Certificates of Obligation or interest thereon remains outstanding in order to permit the Certificates of Obligation to be sold for cash. The total outstanding debt that is secured by an ad valorem tax pledge allocated to government-type activities is $2,270,095. Remedies for nonpayment of ad valorem tax-backed debt is bondholder suit in mandamus to compel the City's payment of scheduled debt service to occur in a given year. There is no lien on property, right to accelerate, or default rate of interest for City non-payment.

The Municipal Drainage Utility System Revenue Bond is secured by a lien on Stormwater revenues. Remedies for nonpayment of debt is limited to the right of bondholders to file a mandamus action to compel the City's payment of scheduled debt service to occur in a given year. There is no lien on property, right to accelerate, or default rate of interest for City non-payment.

The Starbright Industrial Development Corporation Contract Revenue Bonds are secured with a pledge of utility revenue received by the City from CPS Energy. Remedies for nonpayment by the City of sums due under the Economic Development Contract between the City and the issuer are limited to the right of the trustee to pursue any remedies authorized by applicable law. Remedies for nonpayment of debt are limited to the right of the trustee, on behalf of the bondholders, to file a mandamus action to compel the issuer's payment of scheduled debt service to occur in a given year. There is no lien on property, right to accelerate or default rate of interest for issuer or City non-payment.

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

### Pledges and Significant Terms (Continued)

Convention Center Hotel Finance Corporation Contract Revenue Empowerment Zone Bonds are secured by net operating revenues to be received from Convention Center Hotel operations. In the event that net operating revenues are insufficient to pay all debt service, City tax revenues are pledged in the following order of priority: first, from the Convention Center Hotel 7.0% local Hotel Occupancy Tax (HOT) revenues; and second, from available 2.0% Expansion HOT revenues; third, from the cash component in the debt service reserve fund ; fourth, from the Ambac Surety Policy in the debt service reserve fund; and fifth, from the Ambac Financial Guaranty Insurance Policy. In April 2022, bonds were issued by the Public Finance Authority, a State of Wisconsin governmental entity and a conduit issuer to finance the costs of acquiring the Grand Hyatt San Antonio Riverwalk by CFC-SA, LLC., an Arizona based non-profit. Proceeds of the 2022 issuance were used to pay Hyatt for the purchase of the Hotel by CFC-SA, pay amounts owed to the City, fund certain reserves, and pay the costs of issuance. A portion of the sale proceeds were also used to fully defease the outstanding Convention Center Hotel Finance Corporation Contract Revenue Empowerment Zone Bonds. The City is not providing any support or pledged revenue for the 2022 bonds. See "Issuances (Other)" in this section for additional detail.

The Texas Municipal Facilities Corporation (MFC) has secured bonds and loans. The 2011 MFC Bonds financed the construction of a new Fire and Police Emergency Dispatch Center, also known as the Public Safety Answering Point (PSAP) and are paid semi-annually by the General Fund. The payments from the General Fund are supported by appropriated lease payments which equal the annual debt service on the bonds. The 2021 MFC Bonds financed a portion of the acquisition and funded the renovation of the City Tower building for a consolidated City administrative office building. These Lease Revenue Bonds are paid semi-annually by the City Tower Fund and are supported by City department budget assessments, parking revenues, and external lease revenue held in the City Tower Lease Fund.
The 2019 MFC Contract Revenue Notes financed the redevelopment of two buildings at Brooks City Base for the City and are paid by annually appropriated Brooks City-Base Tax Increment Reinvestment Zone revenues. Payment of debt service on the bonds and notes is solely dependent upon the payment by the City (as the "lessee" under the related lease agreement) of lease payments under the lease. In the event the City fails to appropriate for the payment of lease payments during any fiscal year, the lease will terminate at the end of the fiscal year for which sufficient appropriations have been made, and the City must, upon the expiration of such fiscal year, surrender possession and control of the assets to the lessor or the trustee. Remedies available under the lease upon a failure of the City to pay lease payments from appropriated funds could include some of the following: (i) immediate acceleration of all lease payments due or to become due during the current fiscal year, (ii) termination of the City's leasehold interest in the assets, (iii) the right of the trustee to take possession and control of the asset, and to sell, or lease or otherwise dispose of the asset upon foreclosure under the related mortgage and security agreement, (iv) with or without terminating the primary lease, immediate acceleration of all operating expenses due or to become due during the current fiscal year, and (v) take any other action at law or in equity that may be necessary or desirable to collect lease payments, including filing a suit in mandamus to compel payment. Remedies available under the trust agreement upon a failure of the issuer to pay debt service on the bonds or the occurrence of an event of default under the lease agreement include, (i) with or without terminating the lease and to the extent permitted by law, immediate acceleration of all outstanding bonds at the option of the trustee or if directed by the holders of at least 25.0% in principal amount of the outstanding bonds, and (ii) the right of the trustee to terminate the lease and take possession and control of the asset, and to sell, or lease, sublease or otherwise dispose of the asset upon foreclosure under the related mortgage and security agreement.

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

### Pledges and Significant Terms (Continued)

For the Texas Municipal Facilities Corporation, City Tower Renovation Project, upon the occurrence of an Event of Default, the Master Trustee shall have the right to take one or any combination of the following remedial steps to the extent permitted by law (i) declare the principal of all outstanding parity bonds and all unpaid accrued interest thereon to be due and payable immediately, (ii) terminate the Sublease upon giving 30 days written notice to the City and the Corporation at the expiration of which period of time the City shall immediately surrender possession and control of the City Tower to the Master Trustee and the Master Trustee shall have the right, thereafter, to sublease the City Tower to any third party for a period up to but not exceeding the remaining Term of the Primary Lease, and (iii) exercise any rights, powers, or remedies it may have as a secured party under the Uniform Commercial Code of the State, or other similar laws in effect, and shall have the power to proceed with any available right or remedy granted by the financing documents, as it may deem best, including any suit, action, mandamus, or special proceeding in equity or at law or in bankruptcy or otherwise for the collection of all amounts due and unpaid under the Financing Documents, for specific performance of any covenant or agreement contained herein or therein, or for the enforcement of any legal or equitable remedy as the Master Trustee shall deem most effective to protect the rights aforesaid, insofar as such may be authorized by law.

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# Note 8 Long-Term Obligations (Continued)

## Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

### Pledges and Significant Terms (Continued)

Texas Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Convention Center Facilities, are paid by annually appropriated lease payments from any money that has not been encumbered to secure the payment of any indebtedness of the City and that may lawfully be used with respect to any payment obligated or permitted under the lease agreement, including but not limited to unencumbered and lawfully available revenues derived by the City from hotel occupancy taxes levied by the City; annual ad valorem taxes levied for maintenance and operation purposes; the 1.0% general sales and use tax levied by the City; and transfers from City-owned utility systems. The finance plan is based upon the utilization of hotel occupancy taxes and no other sources are anticipated to be used. In the event the City (as the "sublessee" under the related lease agreement) fails to appropriate for the payment of lease payments during any fiscal year, (i) the sublease will terminate at the end of the fiscal year for which sufficient appropriations have been made (but the primary lease will remain in existence and will not terminate), (ii) the City must, upon the expiration of such fiscal year, surrender possession and control of the Convention Center facilities to the trustee, and (iii) the City will be prohibited from conducting any operations or activities at the Convention Center facilities. Remedies available under the lease agreement upon a failure of the City to pay lease payments from appropriated funds include, (i) terminating the sublease upon the trustee giving 30 days written notice to the City, after which the City must surrender possession and control of the Convention Center facilities to the trustee, (ii) with or without terminating the sublease, (a) immediate acceleration of all lease payments due or to become due during the current fiscal year, and (b) the right of the trustee to take possession and control of the Convention Center facilities and exclude the City from using the Convention Center facilities, (iii) with or without terminating the primary lease, immediate acceleration of all operating expenses due or to become due during the current fiscal year, and (iv) take any other action at law or in equity that may be necessary or desirable to collect lease payments, including filing a suit in mandamus to compel payment. Remedies available under the trust agreement upon a failure of the issuer to pay debt service on the bonds or the occurrence of an event of default under the lease agreement include, (i) with or without terminating the sublease and to the extent permitted by law, immediate acceleration of all outstanding bonds at the option of the trustee or if directed by the holders of at least 25.0% in principal amount of the outstanding bonds, and (ii) the right of the trustee to terminate the sublease and take possession and control of the Convention Center facilities, and to sublease the Convention Center facilities for a period up to but not exceeding the remaining term of the primary lease.

### Prior Years' Defeased Debt

In prior years, the City advance refunded, prior to maturity, certain General Obligation Bonds, Revenue Bonds, Certificates of Obligation and Tax Notes. The refunding bonds were utilized to purchase securities, which are direct obligations of the United States of America (the Purchased Securities). The Purchased Securities plus cash were deposited into irrevocable escrow accounts in amounts scheduled to mature in principal amounts that, when added to interest earned on the Purchased Securities plus remaining balances in the escrow fund, are fully sufficient to make timely payment on the principal, premium if any, and interest scheduled to come due on the refunded obligations. The refunded obligations represent a legal defeasance and are no longer a liability of the City; therefore, they are not included in the City's financial statements. As of September 30, 2022, $125,590 of previously defeased bonds are outstanding.

# Note 8 Long-Term Obligations (Continued)

## Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

The following table is a summary of changes for the year-ended September 30, 2022 for governmental activities:

**Governmental Activities Long-Term Debt**

| | Time of Original Issuance | | | | | | |
|---|---|---|---|---|---|---|---|
| Issue | Original Amount | Final Principal Payment | Interest Rates (%) | Balance Outstanding October 1, 2021 | Additions During Year | Deletions During Year | Balance Outstanding September 30, 2022 |
| Tax-Exempt General Obligation Bonds: | | | | | | | |
| Series 2012 | $ 148,600 | 2032 | 2.000-5.000 | $ 6,490 | $ - | $ (6,490) | $ - |
| Series 2013 | 114,435 | 2033 | 2.000-5.000 | 4,860 | | (4,860) | |
| Series 2014 | 227,030 | 2034 | 2.000-5.000 | 63,255 | | (19,605) | 43,650 |
| Series 2014 Refunding | 51,955 | 2025 | 0.500-5.000 | 7,600 | | (1,740) | 5,860 |
| Series 2015 Refunding | 233,220 | 2035 | 4.000-5.000 | 102,230 | | (6,570) | 95,660 |
| Series 2016 Refunding | 193,875 | 2036 | 3.000-5.000 | 126,420 | | (17,615) | 108,805 |
| Series 2017 | 88,070 | 2037 | 4.000-5.000 | 67,660 | | (3,255) | 64,405 |
| Series 2018 | 154,850 | 2038 | 3.000-5.000 | 124,045 | | (4,810) | 119,235 |
| Series 2019 Refunding (HUD) | 24,570 | 2025 | 2.000-5.000 | 14,655 | | (3,480) | 11,175 |
| Series 2019 Refunding | 383,940 | 2040 | 3.000-5.000 | 366,505 | | (12,890) | 353,615 |
| Series 2020 Refunding | 27,770 | 2023 | 4.000-5.000 | 9,705 | | (4,730) | 4,975 |
| Series 2020 | 145,565 | 2040 | 3.000-5.000 | 131,645 | | (4,395) | 127,250 |
| Series 2021 | 128,295 | 2041 | 4.000-5.000 | 128,295 | | (13,590) | 114,705 |
| Series 2022 | 57,680 | 2042 | 4.000-5.000 | | 57,680 | | 57,680 |
| Total Tax-Exempt General Obligation Bonds | $ 1,979,855 | | | $ 1,153,365 | $ 57,680 | $ (104,030) | $ 1,107,015 |
| Taxable General Obligation Bonds: | | | | | | | |
| Series 2020 Refunding | $ 437,420 | 2034 | 0.314-2.013 | $ 428,710 | $ - | $ (20,290) | $ 408,420 |
| Series 2022 | 100,520 | 2042 | 3.274-4.531 | | 100,520 | | 100,520 |
| Total Taxable General Obligation Bonds | $ 537,940 | | | $ 428,710 | $ 100,520 | $ (20,290) | $ 508,940 |
| Tax-Exempt Certificates of Obligation: | | | | | | | |
| Series 2012 | $ 19,340 | 2032 | 1.000-5.000 | $ 930 | $ - | $ (930) | $ - |
| Series 2013 | 15,145 | 2028 | 2.000-5.000 | 1,015 | | (1,015) | |
| Series 2015 | 36,360 | 2035 | 1.500-5.000 | 19,385 | | (1,460) | 17,925 |
| Series 2016 | 78,270 | 2036 | 2.000-5.000 | 64,510 | | (3,120) | 61,390 |
| Series 2017 | 67,295 | 2037 | 3.000-5.000 | 49,415 | | (2,465) | 46,950 |
| Series 2018 | 109,235 | 2038 | 4.000-5.000 | 98,455 | | (3,830) | 94,625 |
| Series 2019 | 30,235 | 2039 | 4.000-5.000 | 26,980 | | (1,690) | 25,290 |
| Series 2020 | 40,500 | 2040 | 3.000-5.000 | 38,780 | | (1,610) | 37,170 |
| Series 2021 | 41,425 | 2041 | 3.000-5.000 | 41,425 | | (1,410) | 40,015 |
| Series 2022 | 79,830 | 2042 | 4.000-5.000 | | 79,830 | | 79,830 |
| Total Tax-Exempt Certificates of Obligation | $ 517,635 | | | $ 340,895 | $ 79,830 | $ (17,530) | $ 403,195 |
| Taxable Certificates of Obligation: | | | | | | | |
| Series 2015 | $ 43,820 | 2035 | 0.880-4.162 | $ 33,175 | $ - | $ (1,885) | $ 31,290 |
| Series 2016 | 24,830 | 2036 | 0.921-3.278 | 20,240 | | (1,645) | 18,595 |
| Series 2018 | 8,600 | 2038 | 2.580-4.050 | 7,655 | | (330) | 7,325 |
| Series 2020 | 15,440 | 2040 | 0.300-2.400 | 14,720 | | (695) | 14,025 |
| Series 2016 (Fixed Conversion) | 47,000 | 2046 | 0.793-2.933 | 47,000 | | | 47,000 |
| Series 2021A | 22,890 | 2041 | 0.220-2.670 | 22,890 | | (1,040) | 21,850 |
| Total Taxable Certificates of Obligation | $ 162,580 | | | $ 145,680 | $ - | $ (5,595) | $ 140,085 |
| Tax Notes: | | | | | | | |
| Series 2019 | $ 34,535 | 2022 | 5.000 | $ 12,035 | $ - | $ (12,035) | $ - |
| Series 2020 | 43,795 | 2023 | 5.000 | 29,750 | | (14,510) | 15,240 |
| Series 2021 | 36,530 | 2024 | 5.000 | 36,530 | | (11,670) | 24,860 |
| Series 2022 | 47,910 | 2024 | 5.000 | | 47,910 | | 47,910 |
| Total Tax Notes | $ 162,770 | | | $ 78,315 | $ 47,910 | $ (38,215) | $ 88,010 |
| Revenue Bonds: | | | | | | | |
| Series 2013 Municipal Drainage | $ 70,685 | 2030 | 3.000-5.000 | $ 44,370 | $ - | $ (4,605) | $ 39,765 |
| Series 2005A CCHFC Empowerment Zone | 129,930 | 2039 | 4.750-5.000 | 129,930 | | (129,930) | |
| Series 2005B CCHFC Empowerment Zone | 78,215 | 2028 | 4.500-5.310 | 38,410 | | (38,410) | |
| Series 2013 Starbright Industrial Dev Corp | 20,890 | 2033 | 1.078-4.750 | 15,220 | | (1,035) | 14,185 |
| Series 2011 Municipal Facilities Corp | 27,925 | 2041 | 2.000-5.000 | 22,350 | | (715) | 21,635 |
| Series 2021 Municipal Facilities Corp | 59,760 | 2048 | 3.000-5.000 | 59,760 | | | 59,760 |
| Series 2021 Taxable Municipal Facilities Corp | 30,550 | 2050 | 0.894 | 30,550 | | | 30,550 |
| Series 2012 Public Facilities Corp[1] | 550,374 | 2042 | 3.000-5.100 | 535,344 | | (279,044) | 256,300 |
| Series 2022 Public Facilities Corp and Refunding | 292,880 | 2042 | 5.000 | | 292,880 | | 292,880 |
| Total Revenue Bonds | $ 1,261,209 | | | $ 875,934 | $ 292,880 | $ (453,739) | $ 715,075 |
| Bonds from Direct Placements: | | | | | | | |
| Series 2019 Municipal Facilities Corp | $ 6,065 | 2034 | 2.390 | $ 5,435 | $ - | $ (360) | $ 5,075 |
| Series 2020 Public Facilities Corp - Contractual Obligations | 11,300 | 2025 | 1.701 | 9,115 | | (2,220) | 6,895 |
| Series 2021 Taxable Certificates of Obligation | 15,955 | 2035 | 2.010 | 15,955 | | | 15,955 |
| Total Bonds from Direct Placements | $ 33,320 | | | $ 30,505 | $ - | $ (2,580) | $ 27,925 |
| Total | $ 4,655,309 | | | $ 3,053,404 | $ 578,820 | $ (641,979) | $ 2,990,245 |

[1] A portion of the Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012 was sold as Capital Appreciation Bonds (CABS). Interest on the CABS accreted from the date of delivery and were fully refunded with the Series 2022 Public Facilities Corporation Refunding Bond.

*Year-Ended September 30, 2022* - 116 - *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

### Annual Requirements

The annual requirements to amortize all General Obligation Bonds, Certificates of Obligation, Tax Notes, Revenue Bonds, and Bonds from Direct Placements outstanding as of September 30, 2022 are as follows:

| | Principal and Interest Requirements | | | | | |
|---|---|---|---|---|---|---|
| | General Obligation Bonds[1] | | Certificates of Obligation[2] | | Tax Notes | |
| Year-Ending September 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | $ 138,700 | $ 56,135 | $ 24,550 | $ 21,603 | $ 50,800 | $ 3,655 |
| 2024 | 113,140 | 52,248 | 26,505 | 20,796 | 37,210 | 1,249 |
| 2025 | 110,670 | 48,102 | 27,355 | 19,690 | | |
| 2026 | 107,995 | 43,786 | 28,590 | 18,519 | | |
| 2027 | 100,685 | 39,917 | 28,455 | 17,282 | | |
| 2028-2032 | 493,425 | 147,758 | 153,765 | 66,912 | | |
| 2033-2037 | 369,635 | 70,716 | 158,400 | 33,886 | | |
| 2038-2042 | 181,705 | 14,184 | 79,205 | 8,775 | | |
| 2043-2047 | | | 16,455 | 1,018 | | |
| Total | $ 1,615,955 | $ 472,846 | $ 543,280 | $ 208,481 | $ 88,010 | $ 4,904 |

[1] Includes both Tax-Exempt and Taxable General Obligation Bonds.

[2] Includes both Tax-Exempt and Taxable Certificates of Obligation.

| | Principal and Interest Requirements | | | |
|---|---|---|---|---|
| | Revenue Bonds | | Bonds from Direct Placements | |
| Year-Ending September 30, | Principal | Interest | Principal | Interest |
| 2023 | $ 9,210 | $ 30,822 | $ 2,630 | $ 559 |
| 2024 | 11,275 | 30,342 | 2,680 | 512 |
| 2025 | 14,005 | 30,162 | 3,660 | 445 |
| 2026 | 17,020 | 29,506 | 1,335 | 377 |
| 2027 | 19,630 | 28,669 | 1,340 | 349 |
| 2028-2032 | 122,295 | 128,134 | 7,810 | 1,292 |
| 2033-2037 | 179,880 | 94,944 | 8,470 | 261 |
| 2038-2042 | 287,960 | 45,614 | | |
| 2043-2047 | 49,345 | 7,796 | | |
| 2048-2052 | 4,455 | 2,476 | | |
| Total | $ 715,075 | $ 428,465 | $ 27,925 | $ 3,795 |

*Year-Ended September 30, 2022* - 117 - *Amounts are expressed in thousands*

# Note 8 Long-Term Obligations (Continued)

## Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

In May 2022, the citizens authorized the City to sell $1,200,000 in debt for the 2022-2027 Bond Program. The program includes 183 projects designed to improve and enhance existing, as well as acquire or construct, streets, bridges, and sidewalks; drainage and flood control; parks, recreation, and open spaces; library, museum and cultural facilities; public safety facilities; and affordable housing. The Bonds are pledged with and will be repaid from ad valorem tax revenue the City collects on an annual basis.

**Authorized but Unissued General Obligation Debt**

| Authorization Date | Purpose | Amount Authorized | Bonds Previously Issued | Bonds Authorized but Unissued |
|---|---|---|---|---|
| 5/7/2022 | Streets, Bridges, and Sidewalks[1] | $ 471,557 | $ 30,653 | $ 440,904 |
| 5/7/2022 | Drainage and Flood Control[1] | 169,873 | 9,484 | 160,389 |
| 5/7/2022 | Parks, Recreation, and Open Space[1] | 271,915 | 17,089 | 254,826 |
| 5/7/2022 | Library, Museum, and Cultural Facilities[1] | 58,375 | 2,018 | 56,357 |
| 5/7/2022 | Public Safety Facilities[1] | 78,280 | 4,757 | 73,523 |
| 5/7/2022 | Affordable Housing[2] | 150,000 | 100,520 | 49,480 |
| Total | | $ 1,200,000 | $ 164,521 | $ 1,035,479 |

[1] The amount issued of $64,001 includes the par value of the bonds in the amount of $57,680, the premium of the bonds in the amount of $6,790, and less the cost of issuance of $469.

[2] The taxable amount issued of $100,520 is the par value of the bonds, which include project funding of $99,870 and cost of issuance of $650.

### Debt Limitation

The amount of debt that the City may incur is limited by City Charter and by the Constitution of the State of Texas. The City Charter establishes a limitation on the general obligation debt supported by ad valorem taxes to an amount not to exceed 10.0% of the total assessed valuation. The total assessed valuation for the fiscal year 2022 was $156,336,528 which provides a debt ceiling of $15,633,653. The total outstanding debt that is secured by an ad valorem tax pledge is $2,371,095 including $101,000 that is reported in business-type activities.

The Constitution of the State of Texas provides that the ad valorem taxes levied by the City for debt service and maintenance and operation purposes shall not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no limitation within the $2.50 rate for interest and sinking fund purposes; however, it is the policy of the Attorney General of the State of Texas to prohibit the issuance of debt by a city if such issuance produces debt service requirements that exceed the amount that can be paid from $1.50 tax rate calculated at 90.0% collections. The Debt Service component is determined by the City's debt service requirements. The fiscal year 2022 Debt Service rate was 21.150 cents per $100 of taxable valuation. (Amounts in this paragraph are not in thousands).

# Note 8 Long-Term Obligations (Continued)

## Primary Government (City) (Continued)

### *Governmental Activities Long-Term Obligations (Continued)*

### Interfund Borrowings

In 2016, the City authorized proceeds of $18,100 from the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016 to finance improvements to Hemisfair Park including continuing restoration of historic buildings, a civic park, landscaping, and other improvements. HPARC agreed to fund all regularly scheduled debt service on this debt. Until this debt has been fully repaid and retired, revenues from the North West Quadrant P3 development would be paid directly to the City, on behalf of HPARC, to fund the annual debt service requirements. To the extent that those revenues are not sufficient, HPARC would repay the debt service using other rental revenues. As a result of the COVID-19 pandemic and resulting delays in the development of the NW Quadrant P3, HPARC requested a five-year deferral with debt payments to the City resuming in fiscal year 2028. HPARC will begin accruing interest on the deferred amount in fiscal year 2023 at a rate of 4.0%. The first payment of $1,264 is due February 1, 2028. The total deferred amounts will be paid in full with interest on or before September 30, 2029. Included in their repayment schedule is $175 in cost of issuance expenses and $259 in deferred interest expenses offset by an initial principal payment made on the bond.

The following is HPARC's restructured debt schedule for fiscal year-ended September 30, 2022:

| | Principal and Interest Requirements | | |
|---|---|---|---|
| Year-Ending September 30, | Principal | Interest | Total |
| 2023-2027 | $ - | $ - | $ - |
| 2028-2032 | 12,582 | 3,081 | 15,663 |
| 2033-2037 | 5,952 | 335 | 6,287 |
| Total | $ 18,534 | $ 3,416 | $ 21,950 |

The City has authorized proceeds from various Certificates of Obligation issuances to MGA-SA to finance improvements to City owned golf courses. MGA-SA will repay the interfund borrowing with interest from revenues generated by its golf operations. Since MGA-SA is a blended component unit, activity between the Community Service Funds and MGA-SA are eliminated as part of government-wide reporting.

The following table is a summary of changes for the year-ended September 30, 2022:

| | Time of Original Issuance | | | | | | |
|---|---|---|---|---|---|---|---|
| Issue | Original Amount | Final Principal Payment | Interest Rates (%) | Balance Outstanding October 1, 2021 | Additions During Year | Deletions During Year | Balance Outstanding September 30, 2022 |
| Series 2010 | $ 1,185 | 2025 | 3.676 | $ 380 | $ - | $ (90) | $ 290 |
| Series 2015 | 4,000 | 2025 | 1.500-5.000 | 1,820 | | (420) | 1,400 |
| Series 2016 | 3,275 | 2031 | 2.000-5.000 | 2,420 | | (195) | 2,225 |
| Series 2018 | 1,315 | 2033 | 4.000-5.000 | 1,125 | | (70) | 1,055 |
| Series 2021 | 1,655 | 2031 | 5.000 | 1,655 | | (130) | 1,525 |
| Total | $ 11,430 | | | $ 7,400 | $ - | $ (905) | $ 6,495 |

*Year-Ended September 30, 2022* **- 119 -** *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Business-Type Activities Long-Term Obligations*

Business-Type Activities long-term obligations applies to those City operations that relate to business and quasi-business activities where net income and capital maintenance are measured (enterprise funds). Long-term debt, which is to be repaid from enterprise fund resources, is reported in the respective proprietary fund. The long-term indebtedness of the City's enterprise funds is presented in the discussion that follows.

#### Issuances

The City did not issue debt under Business-Type Activities in fiscal year 2022.

#### Pledges and Significant Terms

The Airport System includes the City of San Antonio International Airport, Stinson Municipal Airport, and all land, buildings, structures, equipment, and facilities pertaining thereto. The Airport System's long-term debt consists of Airport System Revenue Improvement Bonds (GARB), Passenger Facility Charge and Subordinate Lien Bonds (PFC), and Customer Facility Charge Revenue Bonds (CFC). GARBs are payable from and secured solely by an irrevocable first lien on and pledge of the gross revenues of the Airport System. Gross revenues of the Airport System include all revenues of any nature derived from contracts or use agreements with airlines and other users of the Airport System and its facilities. PFCs are payable from and secured by an irrevocable first lien on and pledge of the PFC revenues and a first lien on and pledge of the subordinate net revenues. CFCs are payable from and secured by an irrevocable first lien on and pledge of the CFC revenues. Remedies for nonpayment of debt related to GARB, PFC, and CFC is limited to the right of bondholders to file a mandamus action to compel the City's payment of scheduled debt service to occur in a given year. There is no lien on property, right to accelerate or default rate of interest for City non-payment. The Tax Notes, Taxable Series 2017 and 2021, are payable from Airport System Revenues and secured by an ad valorem tax pledge.

The Solid Waste Management operation includes the collection and processing of refuse, recycling, and brush. Long-term debt is allocated to Solid Waste Management on a pro rata basis from proceeds received from the issuance of general obligation bonds and certificates of obligation for Solid Waste Management related improvements and is paid from revenues derived from the operation of Solid Waste Management. The allocated debt is secured by an ad valorem tax pledge.

The Development Services operation includes coordinating land and building development throughout the City. Long-term debt is allocated to Development Services on a pro rata basis from proceeds received from the issuance of certificates of obligation and is paid from revenues derived from the operation of Development Services. The allocated debt is secured by an ad valorem tax pledge.

The Parking System operation includes the ownership and operation of parking facilities, parking lots, parking meters, and retail/office space. Long-term debt is allocated to the Parking System on a pro rata basis from proceeds received from the issuance of taxable general obligation bonds and is paid from revenues derived from the operation of the Parking System. The allocated debt is secured by an ad valorem tax pledge.

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Business-Type Activities Long-Term Obligations (Continued)*

### Pledges and Significant Terms (Continued)

The total outstanding debt that is secured by an ad valorem tax pledge allocated to business-type activities is $101,000. Remedies for nonpayment of ad valorem tax-backed debt is bondholder suit in mandamus to compel the City's payment of scheduled debt service to occur in a given year. There is no lien on property, right to accelerate or default rate of interest for City non-payment.

### Prior Years' Defeased Debt

As of September 30, 2022, business-type activities do not have previously defeased debt outstanding.

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# Note 8 Long-Term Obligations (Continued)

## Primary Government (City) (Continued)

### *Business-Type Activities Long-Term Obligations (Continued)*

The following table is a summary of changes for the year-ended September 30, 2022 for business-type activities:

| Business-Type Long-Term Debt | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Time of Original Issuance | | | | | | |
| Issue | Original Amount | Final Principal Payment | Interest Rates (%) | Balance Outstanding October 1, 2021 | Additions During Year | Deletions During Year | Balance Outstanding September 30, 2022 |
| **Airport System:** | | | | | | | |
| Revenue Bonds: | | | | | | | |
| Series 2012 Refunding | $ 70,135 | 2027 | 2.000-5.000 | $ 33,730 | $ - | $ (4,980) | $ 28,750 |
| Series 2012 PFC Refunding | 25,790 | 2027 | 2.000-5.000 | 12,695 | | (1,855) | 10,840 |
| Series 2015 | 38,805 | 2045 | 5.000 | 37,250 | | (835) | 36,415 |
| Series 2015 CFC | 123,900 | 2045 | 2.910-5.871 | 121,100 | | (1,450) | 119,650 |
| Series 2019A Refunding | 47,255 | 2032 | 5.000 | 43,120 | | (3,040) | 40,080 |
| Series 2019B Refunding | 36,280 | 2040 | 2.020-3.527 | 35,045 | | (1,260) | 33,785 |
| Series 2019A PFC Refunding | 63,405 | 2032 | 5.000 | 57,100 | | (4,405) | 52,695 |
| Series 2019B PFC Refunding | 31,535 | 2040 | 2.120-3.707 | 30,345 | | (1,215) | 29,130 |
| Subtotal | $ 437,105 | | | $ 370,385 | $ - | $ (19,040) | $ 351,345 |
| Bonds from Direct Placements: | | | | | | | |
| Taxable Tax Notes, Series 2017 | $ 36,000 | 2024 | 3.080 | $ 36,000 | $ - | $ - | $ 36,000 |
| Taxable Tax Notes, Series 2021 | 26,000 | 2024 | 2.180 | 26,000 | | | 26,000 |
| Subtotal | $ 62,000 | | | $ 62,000 | $ - | $ - | $ 62,000 |
| **Solid Waste Management:** | | | | | | | |
| Tax-Exempt General Obligation Bonds: | | | | | | | |
| Series 2014 Refunding | $ 245 | 2023 | 5.000 | $ 100 | $ - | $ (50) | $ 50 |
| Series 2015 Refunding | 1,290 | 2028 | 4.000-5.000 | 1,290 | | (140) | 1,150 |
| Series 2016 Refunding | 300 | 2026 | 3.000-5.000 | 155 | | (30) | 125 |
| Tax-Exempt Certificates of Obligation: | | | | | | | |
| Series 2016 | 6,585 | 2036 | 2.000-5.000 | 5,495 | | (250) | 5,245 |
| Series 2017 | 6,065 | 2037 | 3.000-5.000 | 4,465 | | (225) | 4,240 |
| Series 2018 | 22,375 | 2038 | 4.000-5.000 | 20,235 | | (785) | 19,450 |
| Subtotal | $ 36,860 | | | $ 31,740 | $ - | $ (1,480) | $ 30,260 |
| **Development Services:** | | | | | | | |
| Tax-Exempt Certificates of Obligation: | | | | | | | |
| Series 2019 | $ 6,190 | 2039 | 4.000-5.000 | $ 5,800 | $ - | $ (210) | $ 5,590 |
| Subtotal | $ 6,190 | | | $ 5,800 | $ - | $ (210) | $ 5,590 |
| **Parking System:** | | | | | | | |
| Taxable General Obligation Bonds: | | | | | | | |
| Series 2020 Refunding | $ 6,275 | 2024 | 0.314-0.613 | $ 4,715 | $ - | $ (1,565) | $ 3,150 |
| Subtotal | $ 6,275 | | | $ 4,715 | $ - | $ (1,565) | $ 3,150 |
| Total | $ 548,430 | | | $ 474,640 | $ - | $ (22,295) | $ 452,345 |

*Year-Ended September 30, 2022* **- 122 -** *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

#### *Business-Type Activities Long-Term Obligations (Continued)*

The annual requirements to amortize long-term debt for the City's Enterprise Funds related to General Obligation Bonds, Certificates of Obligation, Tax Notes, Revenue Bonds, and Bonds from Direct Placements outstanding at September 30, 2022 are as follows:

**Principal and Interest Requirements**

| Year-Ending September 30, | Airport System Principal | Airport System Interest | Airport System Total | Airport System Bonds from Direct Placements Principal | Airport System Bonds from Direct Placements Interest | Airport System Bonds from Direct Placements Total | Solid Waste Management Principal | Solid Waste Management Interest | Solid Waste Management Total |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | $ 20,115 | $ 17,109 | $ 37,224 | $ - | $ 1,676 | $ 1,676 | $ 1,545 | $ 1,413 | $ 2,958 |
| 2024 | 21,260 | 16,190 | 37,450 | 62,000 | 1,676 | 63,676 | 1,625 | 1,335 | 2,960 |
| 2025 | 22,505 | 15,213 | 37,718 | | | | 1,700 | 1,254 | 2,954 |
| 2026 | 23,960 | 14,171 | 38,131 | | | | 1,795 | 1,170 | 2,965 |
| 2027 | 25,315 | 13,075 | 38,390 | | | | 1,785 | 1,082 | 2,867 |
| 2028-2032 | 91,040 | 51,042 | 142,082 | | | | 9,440 | 4,112 | 13,552 |
| 2033-2037 | 55,910 | 32,623 | 88,533 | | | | 10,670 | 1,804 | 12,474 |
| 2038-2042 | 57,725 | 18,341 | 76,066 | | | | 1,700 | 85 | 1,785 |
| 2043-2047 | 33,515 | 3,878 | 37,393 | | | | | | |
| Total | $ 351,345 | $ 181,642 | $ 532,987 | $ 62,000 | $ 3,352 | $ 65,352 | $ 30,260 | $ 12,255 | $ 42,515 |

**Principal and Interest Requirements**

| Year-Ending September 30, | Development Services Principal | Development Services Interest | Development Services Total | Parking System Principal | Parking System Interest | Parking System Total |
|---|---|---|---|---|---|---|
| 2023 | $ 220 | $ 255 | $ 475 | $ 1,570 | $ 13 | $ 1,583 |
| 2024 | 230 | 244 | 474 | 1,580 | 5 | 1,585 |
| 2025 | 240 | 232 | 472 | | | |
| 2026 | 255 | 220 | 475 | | | |
| 2027 | 265 | 208 | 473 | | | |
| 2028-2032 | 1,545 | 824 | 2,369 | | | |
| 2033-2037 | 1,945 | 421 | 2,366 | | | |
| 2038-2042 | 890 | 54 | 944 | | | |
| 2043-2047 | | | | | | |
| Total | $ 5,590 | $ 2,458 | $ 8,048 | $ 3,150 | $ 18 | $ 3,168 |

*Year-Ended September 30, 2022* **- 123 -** *Amounts are expressed in thousands*

# Note 8 Long-Term Obligations (Continued)

## Primary Government (City) (Continued)

### *Government and Business-Type Activities Long-Term Obligations*

Long-term obligations and amounts due within one year:

| | Beginning Balance (Restated) | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| Tax-Exempt General Obligation Bonds | $ 1,153,365 | $ 57,680 | $ (104,030) | $ 1,107,015 | $ 77,255 |
| Taxable General Obligation Bonds | 428,710 | 100,520 | (20,290) | 508,940 | 61,445 |
| Tax-Exempt Certificates of Obligation | 340,895 | 79,830 | (17,530) | 403,195 | 18,885 |
| Taxable Certificates of Obligation | 145,680 | | (5,595) | 140,085 | 5,665 |
| Tax Notes | 78,315 | 47,910 | (38,215) | 88,010 | 50,800 |
| Revenue Bonds | 875,934 | 292,880 | (453,739) | 715,075 | 9,210 |
| Bonds from Direct Placements | 30,505 | | (2,580) | 27,925 | 2,630 |
| Gross Bonds Payable | $ 3,053,404 | $ 578,820 | $ (641,979) | $ 2,990,245 | $ 225,890 |
| Unamortized (Discount) / Premium | $ 194,557 | $ 54,403 | $ (44,836) | $ 204,124 | $ 28,846 |
| Net Bonds Payable | $ 3,247,961 | $ 633,223 | $ (686,815) | $ 3,194,369 | $ 254,736 |
| Other Payables: | | | | | |
| Leases Liability [4] | $ 84,723 | $ 14,883 | $ (7,059) | $ 92,547 | $ 9,773 |
| Financed Purchases [4] | 4,852 | 321 | (1,419) | 3,754 | 1,329 |
| Notes from Direct Borrowings | 147 | | (147) | | |
| Accrued Leave Payable | 245,897 | 102,701 | (101,877) | 246,721 | 109,695 |
| Net Pension Liability [1] | 732,908 | 886,778 | (1,243,497) | 376,189 | |
| Net OPEB Liability [2] | 868,828 | 39,811 | (150,485) | 758,154 | |
| Claims Payable Liability | 65,664 | 164,142 | (161,660) | 68,146 | 28,913 |
| Pollution Remediation Liability [5] | 3,489 | 1,917 | (2,641) | 2,765 | 2,696 |
| Asset Retirement Obligations [5] | 718 | 199 | (39) | 878 | 111 |
| Other Payable | 13 | 6 | | 19 | |
| Total Other Payables | $ 2,007,239 | $ 1,210,758 | $ (1,668,824) | $ 1,549,173 | $ 152,517 |
| Total Governmental Activities | $ 5,255,200 | $ 1,843,981 | $ (2,355,639) | $ 4,743,542 | $ 407,253 |
| Business-Type Activities: | | | | | |
| Bonds Payable: | | | | | |
| Tax-Exempt General Obligation Bonds | $ 1,545 | $ - | $ (220) | $ 1,325 | $ 220 |
| Taxable General Obligation Bonds | 4,715 | | (1,565) | 3,150 | 1,570 |
| Tax-Exempt Certificates of Obligation | 35,995 | | (1,470) | 34,525 | 1,545 |
| Revenue Bonds | 370,385 | | (19,040) | 351,345 | 20,115 |
| Bonds from Direct Placements | 62,000 | | | 62,000 | |
| Gross Bonds Payable | $ 474,640 | $ - | $ (22,295) | $ 452,345 | $ 23,450 |
| Unamortized (Discount) / Premium | $ 20,696 | $ - | $ (3,784) | $ 16,912 | $ 3,195 |
| Net Bonds Payable | $ 495,336 | $ - | $ (26,079) | $ 469,257 | $ 26,645 |
| Other Payables: | | | | | |
| Leases Liability [4] | $ 33 | $ 121 | $ (28) | 126 | $ 33 |
| Financed Purchases [4] | 1,146 | | (203) | 943 | 210 |
| Accrued Leave Payable | 7,653 | 5,240 | (5,737) | 7,156 | 5,326 |
| Net Pension Liability [1] | 86,749 | 62,684 | (71,289) | 78,144 | |
| Net OPEB Liability [2] | 64,342 | 2,853 | (13,380) | 53,815 | |
| Accrued Landfill Postclosure Costs [3] | 856 | 159 | (577) | 438 | 211 |
| Pollution Remediation Liability [5] | 1,274 | | | 1,274 | |
| Asset Retirement Obligations [5] | 543 | 44 | | 587 | |
| Total Other Payables | $ 162,596 | $ 71,101 | $ (91,214) | $ 142,483 | $ 5,780 |
| Total Business-Type Activities | $ 657,932 | $ 71,101 | $ (117,293) | $ 611,740 | $ 32,425 |

NOTE: A portion of the Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012, was sold as Capital Appreciation Bonds (CABS). Interest on the CABS accreted from date of delivery and were fully refunded with the Series

1 See Note 10 Pension and Retirement Plans for a description of the pension program.
2 See Note 11 Other Postemployment Benefits for a description of the postemployment program.
3 See Note 13 Commitments and Contingencies for a description of the Landfill Postclosure Care Costs.
4 See Note 14 Leases for a description of Lease Liability and Financed Purchases reporting.
5 See Note 15 Other Obligations for a description of the Pollution Remediation Liability and Asset Retirement Obligations.

*Year-Ended September 30, 2022* - 124 - *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Government and Business-Type Activities Long-Term Obligations (Continued)*

### Accrued Leave

The following is a summary of accrued leave payable for the fiscal year-ended September 30, 2022:

| | Governmental Activities | | | | |
|---|---|---|---|---|---|
| Fund Type | Short-Term Available | Short-Term Remaining | Total Short-Term | Long-Term | Total |
| Governmental Funds | $ 7,656 | $ 98,204 | $ 105,860 | $ 134,932 | $ 240,792 |
| Internal Service Funds | | 3,835 | 3,835 | 2,094 | 5,929 |
| Total Governmental Activities | $ 7,656 | $ 102,039 | $ 109,695 | $ 137,026 | $ 246,721 |

The General Fund accounts for approximately 63.2% of the City's employees; therefore, most of the accrued leave payable has been liquidated from the General Fund. When a City employee terminates, the fund that salary was last charged to, will be the same fund that will pay their accrued leave. However, there is an exception for some grant funds due to expenses being unallowable, which will be paid by the General Fund.

| | Business-Type Activities | | |
|---|---|---|---|
| Fund | Short-Term | Long-Term | Total |
| Airport System | $ 2,168 | $ 1,043 | $ 3,211 |
| Solid Waste Management | 1,836 | 704 | 2,540 |
| Nonmajor Enterprise Funds | 1,322 | 83 | 1,405 |
| Total Business-Type Activities | $ 5,326 | $ 1,830 | $ 7,156 |

### Component Unit Debt Obligations

The City facilitates the issuance of bonds to enable IDA and EFC, component units of the City, to provide financial assistance to various entities for the acquisition, construction, or renovation of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired property transfers to the entity served by the bond issuance. As of September 30, 2022, the aggregate principal amounts payable are as follows: eight series of EFC Revenue Bonds in the amount of $367,125; and one series of IDA Revenue Bonds in the amount of $4,500.

The City facilitates the issuance of single-family and multi-family bonds to enable the San Antonio Housing Trust Finance Corporation, a component of the City, to provide affordable housing to the citizens of San Antonio. The bonds are payable solely out of the revenues and receipts derived from any residential development or home mortgage financed by the bonds. As of September 30, 2022, the amount of debt was $771,047.

The City also facilitates the issuance of tax-exempt revenue bonds for SA Energy Acquisition Public Facility Corporation (SAEAPFC) to enter long-term prepaid purchases of natural gas. SAEAPFC, in turn, sells contracted volumes of the prepaid gas to CPS Energy monthly at a discounted rate, which is passed on to CPS Energy's gas customers through reduced utility costs. The bonds are secured by the gas supplier and are payable primarily from the contracted volume sales and associated gas swap payments. As of September 30, 2022, SAEAPFC has one series of tax-exempt revenue bonds with an aggregate principal amount outstanding of $133,925.

*Year-Ended September 30, 2022* - 125 - *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### Primary Government (City) (Continued)

### *Government and Business-Type Activities Long-Term Obligations (Continued)*

### Component Unit Debt Obligations (Continued)

Neither the City, the State of Texas, nor any political subdivision of the State of Texas is obligated in any manner for repayment of the aforementioned bonds, loans and leases. Accordingly, the bonds, loans, and leases are not reported as liabilities in the accompanying financial statements.

### CPS Energy

To support its long-term capital financing needs, CPS Energy uses several types of debt instruments. As of January 31, 2022, these included fixed-rate and variable-rate bonds, as well as commercial paper. Relative to the bond instruments, provisions may be included that allow for refunding after specified time periods during the bond term.

Subject to applicable timing restrictions that may prevent early payoff, CPS Energy also has the option to defease or extinguish debt. A defeasance occurs when funds are placed in an irrevocable trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, which fully discharges the bond issuer's obligation. At the time of an extinguishment, since the issuer no longer has the legal obligation, the defeased debt is removed from the Statement of Net Position, the related unamortized costs are expensed, and the gain or loss is immediately recognized.

Bond premiums and discounts are amortized using the effective interest method over the life of the related debt.

CPS Energy's outstanding debt agreements specify certain events of default or breach of a financial covenant or failure to make debt service. Such an event would trigger a covenant requiring the City to charge rates sufficient to make debt service payments and satisfy debt service coverage. During the year-ended January 31, 2022, CPS Energy did not default on any terms of its debt agreements.

As of January 31, 2022, the bond ordinances for senior lien New Series Bonds contained, among others, the following provisions:

Revenue deposited in CPS Energy's General Account shall be pledged and appropriated to be used in the following priority for:

- Maintenance and operating expenses of CPS Energy;
- Payment of the New Series Bonds;
- Payment of prior lien bonds, including junior lien obligations;
- Payment of the notes and the credit agreement (as defined in the ordinance authorizing commercial paper);
- Payment of any inferior lien obligations issued, which are inferior in lien to the New Series Bonds, the prior lien bonds and the notes and credit agreement;
- An annual amount equal to 6.0% of the gross revenues of CPS Energy to be deposited in the Repair and Replacement Account;
- Cash payments and benefits to the General Fund of the City not to exceed 14.0% of the gross revenues of CPS Energy; and
- Any remaining net revenues of CPS Energy in the General Account to the Repair and Replacement Account, which is used to partially fund construction costs.

## Note 8 Long-Term Obligations (Continued)

### CPS Energy (Continued)

The maximum amount in cash to be transferred or credited to the City's General Fund from the net revenues of CPS Energy during any fiscal year shall not exceed 14.0% of the gross revenues of CPS Energy, less the value of gas and electric services of CPS Energy used by the City for municipal purposes and the amounts expended during the fiscal year for additions to the street lighting system and other authorized exclusions. The percentage of gross revenues of CPS Energy to be paid over, or credited to, the City's General Fund each fiscal year shall be determined (within the 14.0% limitation) by the governing body of the City.

The net revenues of CPS Energy are pledged to the payment of principal and interest on the New Series Bonds, which are classified as senior lien obligations. All New Series Bonds and the interest thereon shall have a first lien upon the net revenues of CPS Energy.

The junior lien obligations are composed of two categories of debt: fixed interest rate and variable interest rate. The junior lien fixed interest rate Series Bonds are similar to the senior lien New Series Bonds, as they have fixed and set interest rates for the life of the bonds. The junior lien Variable-Rate Note Bonds are variable interest rate debt instruments of the City. The junior lien obligations are payable solely from, and equally and ratably secured by, a junior lien on and pledge of the net revenues of CPS Energy, subject and subordinate to liens and pledges securing the outstanding senior lien obligations and any additional senior lien obligations hereafter issued, and superior to the pledge and lien securing the currently outstanding commercial paper obligations, all as fully set forth in the ordinances authorizing the issuance of the junior lien obligations as noted below:

The City agrees that it will maintain rates and charges for the sale of electric energy, gas, or other services furnished, provided, and supplied by CPS Energy to the City and all other consumers, which shall be reasonable and nondiscriminatory, and which will produce income and revenues sufficient to pay:

- All operation and maintenance expenses, depreciation, replacement and betterment expenses, and other costs as may be required by Chapter 1502 of the Texas Government Code, as amended;
- The interest on, and principal of, senior lien bonds, as defined in the New Series Bond ordinances, as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the senior lien bonds;
- The interest on, and principal of, the prior lien bonds, including the junior lien obligations and any additional junior lien obligations hereafter issued (all as defined in the New Series Bond ordinances), as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the junior lien obligations and any additional junior lien obligations;
- To the extent the same are reasonably anticipated to be paid with available revenues (as defined in the ordinance authorizing the commercial paper), the interest on and principal of all notes (as defined in said ordinance), and the credit agreement (as defined in said ordinance); and
- Any inferior lien obligations or any other legal debt or obligation of CPS Energy as and when the same shall become due.

## Note 8 Long-Term Obligations (Continued)

### CPS Energy (Continued)

### *Revenue Bonds*

On April 8, 2021, CPS Energy issued $330,700 of Tax Exempt New Series 2021A Junior Lien Revenue Refunding Bonds. Bond proceeds, including the $91,606 premium associated with the bonds, were used to refund $305,000, $60,000, and $55,000 par value of the Commercial Paper Series A, Series B, and Series C, respectively. The term rate for these bonds is 5.0%, with an initial yield of 1.3% to 2.1% The true interest cost for this issue, which has maturities in 2031 through 2049, is 3.1%.

On December 1, 2021, CPS Energy remarketed $104,150 of the Series 2015B Variable-Rate Junior Lien Revenue Refunding Bonds. The issuance of the $19,651 premium, in conjunction with the remarketing, resulted in a principal paydown of the remarketed bonds of approximately $19,125. The bonds were converted from junior lien variable interest rate, to a junior lien fixed interest rate. The true interest cost for this issue, which has maturities in fiscal year 2029 through fiscal year 2033, is 1.4%.

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# Note 8 Long-Term Obligations (Continued)

## CPS Energy (Continued)

### *Revenue Bonds (Continued)*

**Long-Term Debt Activity**

| Issue | Original Amount | Final Principal Payment | Interest Rates (%) | Balance Outstanding February 1, 2021 | Additions During Year | Decreases During Year | Balance Outstanding January 31, 2022 |
|---|---|---|---|---|---|---|---|
| Revenue and Refunding Bonds: | | | | | | | |
| 2009C Taxable New Series [1] | $ 375,000 | 2039 | 6.051 | $ 375,000 | $ - | $ - | $ 375,000 |
| 2010A Taxable New Series [1] | 380,000 | 2041 | 3.834 | 280,000 | | | 280,000 |
| 2010A Taxable Junior Lien [1] | 300,000 | 2041 | 3.399 | 300,000 | | | 300,000 |
| 2012 Taxable New Series | 521,000 | 2042 | 4.382 | 404,225 | | | 404,225 |
| 2012 Tax Exempt New Series | 655,370 | 2025 | 2.552 | 579,615 | | (135,305) | 444,310 |
| 2014 Tax Exempt Junior Lien | 200,000 | 2044 | 4.142 | 200,000 | | | 200,000 |
| 2015A Tax Exempt Junior Lien | 125,000 | 2033 | Variable | 124,205 | | | 124,205 |
| 2015B Tax Exempt Junior Lien | 125,000 | 2033 | 1.427 | 123,275 | 104,150 | (123,275) | 104,150 |
| 2015 Tax Exempt Senior Lien | 320,530 | 2032 | 2.992 | 237,700 | | | 237,700 |
| 2015 Tax Exempt Senior Lien | 235,000 | 2039 | 3.476 | 235,000 | | | 235,000 |
| 2015C Tax Exempt Junior Lien | 100,000 | 2045 | Variable | 99,740 | | | 99,740 |
| 2015D Tax Exempt Junior Lien | 100,000 | 2046 | Variable | 99,450 | | | 99,450 |
| 2016 Tax Exempt Senior Lien | 544,260 | 2034 | 2.144 | 372,565 | | (29,190) | 343,375 |
| 2017 Tax Exempt Senior Lien | 267,320 | 2047 | 3.804 | 267,320 | | | 267,320 |
| 2017 Tax Exempt Senior Lien | 194,980 | 2047 | 3.619 | 194,980 | | | 194,980 |
| 2018 Tax Exempt Senior Lien | 218,285 | 2028 | 2.745 | 122,425 | | | 122,425 |
| 2018A Tax Exempt Senior Lien | 130,220 | 2048 | 3.654 | 130,220 | | | 130,220 |
| 2018 Tax Exempt Junior Lien | 134,870 | 2048 | Variable | 134,870 | | | 134,870 |
| 2019 Tax Exempt Senior Lien | 114,685 | 2030 | 1.462 | 114,685 | | | 114,685 |
| 2019 Tax Exempt Junior Lien | 252,640 | 2041 | 2.885 | 252,640 | | | 252,640 |
| 2020 Tax Exempt Senior Lien | 134,580 | 2049 | 3.132 | 134,580 | | | 134,580 |
| 2020 Tax Exempt Junior Lien | 127,770 | 2049 | Variable | 127,770 | | | 127,770 |
| 2020 Taxable New Series | 418,255 | 2048 | 2.864 | 418,255 | | | 418,255 |
| 2021A Tax Exempt Junior Lien | 330,700 | 2049 | 3.139 | | 330,700 | | 330,700 |
| Bonds Outstanding | | | | $ 5,328,520 | $ 434,850 | $ (287,770) | $ 5,475,600 |
| Bond Current Maturities | | | | (164,495) | (5,295) | | (169,790) |
| Bond (Discount)/Premium | | | | 335,654 | 111,257 | (45,444) | 401,467 |
| Revenue Bonds, Net | | | | $ 5,499,679 | $ 540,812 | $ (333,214) | $ 5,707,277 |
| Tax Exempt Commercial Paper (TECP) | | | Variable | 420,000 | 660,000 | (420,000) | 660,000 |
| Long-term debt, Net | | | | $ 5,919,679 | $ 1,200,812 | $ (753,214) | $ 6,367,277 |

[1] Direct Subsidy Build America Bonds

*Year-Ended September 30, 2022* **- 129 -** *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### CPS Energy (Continued)

### *Revenue Bonds (Continued)*

Build America Bonds Direct Subsidy - The American Recovery and Reinvestment Act of 2009 (ARRA) provided authority for the issuance of Build America Bonds (BABs), which were issuable in calendar years 2009 and 2010 as taxable bonds. The ARRA permitted the issuer or the issuer's paying agent to receive a subsidy payment equal to 35.0% of the bond's interest directly from the U.S. Department of Treasury. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government has reduced the BABs subsidy through sequestration reduction. For the year-ended January 31, 2022, after a sequestration reduction totaling $1,134, the total subsidy recorded for the 2009C and 2010A Senior Lien BABs and the 2010A Junior Lien BABs was $18,423.

As of January 31, 2022, principal and interest amounts due for all revenue bonds outstanding for each of the next five years and thereafter to maturity are:

**CPS Energy**
**Principal and Interest Requirements**

| Year | Principal | Interest | Direct Subsidy | Total |
|---|---|---|---|---|
| 2023 | $ 169,790 | $ 243,044 | $ (18,443) | $ 394,391 |
| 2024 | 172,780 | 240,877 | (18,443) | 395,214 |
| 2025 | 180,880 | 233,960 | (18,443) | 396,397 |
| 2026 | 152,730 | 235,527 | (18,443) | 369,814 |
| 2027 | 180,220 | 234,663 | (18,443) | 396,440 |
| 2028-2032 | 950,800 | 1,073,378 | (93,885) | 1,930,293 |
| 2033-2037 | 1,265,894 | 819,416 | (85,251) | 2,000,059 |
| 2038-2042 | 1,440,088 | 470,103 | (28,749) | 1,881,442 |
| 2043-2047 | 794,703 | 171,686 | | 966,389 |
| 2049-2049 | 167,715 | 12,583 | | 180,298 |
| Totals | $ 5,475,600 | $ 3,735,237 | $ (300,100) | $ 8,910,737 |

The above table includes senior lien and junior lien bonds. Interest on the senior lien bonds and the junior lien fixed-rate bonds are based upon the stated coupon rates of each series of bonds outstanding. The direct subsidy associated with the BABs has been presented in a separate column and includes the impact of sequestration. CPS Energy has taken the position that the BABs direct subsidy should be deducted when calculating total debt service since the subsidy is received directly by the trustee to be used solely for BABs debt service payments.

The Series 2015A Junior Lien Bonds were issued as multi-modal variable-rate bonds. The bonds were remarketed in fiscal year 2020 and utilize an interest rate of 1.8% through their term rate period's expiration in fiscal year 2025. A stepped rate of 7.0% is assumed in the previous table for this series thereafter through applicable final maturity.

The Series 2015C and Series 2015D Junior Lien Bonds were issued as multi-modal variable-rate bonds. The Series 2015C Junior Lien Bonds were remarketed in fiscal year 2020 and utilize an interest rate of 1.8% through their term rate period's expiration in fiscal year 2025. A stepped rate of 7.0% is assumed in the previous table for this series thereafter through applicable final maturity. The Series 2015D Junior Lien Bonds were remarketed in fiscal year 2021 and utilize an interest rate of 1.1% through their term rate period's expiration in fiscal year 2027. A stepped rate of 7.0% is assumed in the previous table for each series thereafter through applicable final maturity.

*Year-Ended September 30, 2022* **- 130 -** *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### CPS Energy (Continued)

#### *Revenue Bonds (Continued)*

The Series 2018 Junior Lien Bonds were issued as multi-modal variable-rate bonds that utilize an interest rate of 2.8% through their term rate period's expiration in fiscal year 2023. A stepped rate of 8.0% is assumed in the previous table for each series thereafter through applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective expiration date.

The Series 2020 Junior Lien Bonds were issued as multi-modal variable-rate bonds that utilize an interest rate of 1.8% through their term rate period's expiration in fiscal year 2026. A stepped rate of 7.0% is assumed in the previous page table for each series thereafter through applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective expiration date.

Pursuant to guidance provided in GASB Statement No. 65, debt reacquisition costs meet neither the definition of an asset nor a liability and are therefore required to be classified as deferred outflows or inflows of resources on the Statements of Net Position. The debt refundings that occurred in fiscal year 2022 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $(2,017). Debt reacquisition costs reported as deferred outflows of resources totaled $56,910 at January 31, 2022. These amounts are amortized as components of interest expense using the effective interest method over the shorter of the remaining life of the refunding or the refunded debt.

CPS Energy, as a rate-regulated entity and in accordance with guidance found in GASB Statement No. 62, establishes regulatory assets for debt issuance costs that would otherwise be required to be expensed in accordance with GASB Statement No. 65. This regulatory accounting treatment results in the amortization of these costs over the life of the related debt. Debt issuance costs, which are reported within other noncurrent assets on the Statement of Net Position, totaled $37,239 at January 31, 2022.

#### *Flexible Rate Revolving Notes*

In fiscal year 2010, the San Antonio City Council adopted an ordinance authorizing the establishment of the Flexible Rate Revolving Note (FRRN) Private Placement Program (Series A Flex Notes), under which CPS Energy may issue taxable or tax exempt notes, bearing interest at fixed or variable rates. This ordinance provides for funding to assist in the interim financing of eligible projects that include the acquisition or construction of improvements, additions or extensions to the electric and gas systems, including capital assets and facilities incident and related to the operation, maintenance and administration of fuel acquisition and development and facilities for the transportation thereof; capital improvements to CPS Energy; and refinancing or refunding of any outstanding obligations secured by the net revenues of CPS Energy; or with respect to the payment of any obligation of CPS Energy pursuant to any credit. The note purchase agreement that was entered into in fiscal year 2019, under the program, was not renewed and terminated in calendar year 2019. On May 27, 2020, the Board authorized for CPS Energy to enter into a new FRRN note purchase agreement not to exceed $100,000.

Additionally, on March 18, 2021, the City Council and the Board approved a second FRRN program (Series B Flex Notes) with an additional $500,000 in capacity to provide assurance of sufficient liquidity to address the costs incurred related to Winter Storm Uri.

## Note 8 Long-Term Obligations (Continued)

### CPS Energy (Continued)

### *Flexible Rate Revolving Notes (Continued)*

On February 26, 2021, CPS Energy issued a $100,000 taxable Series A Flex Rate Note, with JPMorgan Chase Bank, National Association, as the note purchaser under this program, by contractual agreement effective through February 26, 2022. On February 26, 2021, proceeds from the note were used to pay purchased power costs and conceded natural gas costs.

The Series A Flex Note has been classified as current in accordance with the financing terms under the taxable Note Purchase Agreement and is reported on the Statements of Net Position under current maturities of debt. The outstanding notes under this agreement, are secured by proceeds of the sale of CPS Energy revenues, the amounts held from time to time in the Program Note Security Fund, and a lien on and pledge of the net revenues not to exceed $100. The outstanding Series A Flex Rate Notes balance at January 31, 2022, was $100,000.

On February 26, 2022, the Note Purchase Agreement expired and was not renewed. On February 25, 2022, CPS Energy entered into a new agreement and issued $100,000 taxable Series A Flex Rate note with Wells Fargo Bank, National Association, as the note purchaser, by contractual agreement in effect through February 24, 2023. The proceeds from the note were used to pay down the $100,000 Series A Flex Rate Note that had been previously issued under the agreement with JPMorgan Chase Bank.

On April 27, 2021, the City entered into a Note Purchase Agreement under the Series B Flex Notes program, with JPMorgan Chase Bank, National Association, Wells Fargo Bank, National Association, and Frost Bank as the note purchasers by contractual agreement in effect through April 26, 2023, with the approval of $500,000 in additional capacity.

When issued, Series B Flex Notes will be classified as long-term in accordance with the financing terms under the Note Purchase Agreement. Any outstanding notes under Series B Flex Note will be secured by a lien on and pledge of the net revenues of CPS Energy and the proceeds of sale. There are no Series B Flex Notes outstanding at January 31, 2022. The current taxable Note Purchase Agreement will expire on April 26, 2023, but through a renewal process may be extended through April 1, 2031.

### *Accrued Leave*

Employees earn vacation benefits based upon their employment status and years of service. At January 31, 2022, the accruals for employee vested benefits were $22,834, which were reported under Accounts Payable and Other Current Liabilities on the Statement of Net Position. CPS Energy does not accrue a liability for sick leave since there is no cash payment made for sick leave when an employee terminates or retires.

### San Antonio Water System (SAWS)

City Ordinance No. 75686 requires that SAWS' gross revenues be applied in sequence to: (1) Payment of current maintenance and operating expenses including a two-month reserve amount based upon the budgeted amount of maintenance and operating expenses for the current fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) Payment of amounts required on Inferior Lien Obligations; and (7) Transfers to the City's General Fund and to SAWS' Renewal and Replacement Fund.

## Note 8 Long-Term Obligations (Continued)

### San Antonio Water System (SAWS) (Continued)

City Ordinance No. 75686 requires SAWS to make payments to the City each month after making all other payments required by the ordinance. The amount of the payment is determined by City Council from time to time and cannot exceed 5.0% of gross revenues. SAWS payment to the City in fiscal year 2021 was 4.0%. Gross Revenues consist of all revenue with respect to the operation and ownership of SAWS with the exception of capital contributions, payments received under the CPS Energy contract, the federal subsidy of interest on Build America Bonds and earnings on funds deposited in the Project Fund and Reserve Fund until the Reserve Fund contains the required reserve amount. The Ordinance does not allow for the provision of free services except for municipal fire-fighting purposes.

SAWS has a contract with CPS Energy, the City-owned electricity and gas utility, for the provision of reuse water. According to City Ordinance No. 75686, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any payments to the City's General Fund.

Net revenues of SAWS have been pledged to the payment and security of its debt obligations. Net revenues are defined by the City Ordinance No. 75686 as SAWS' gross revenues after deducting operating expenses before depreciation.

### *Revenue Bonds*

SAWS issues revenue bonds to finance capital improvement projects, refund outstanding bonds to reduce future debt service payments, and pay the cost of issuance. All SAWS' revenue bonds are secured by a lien on and pledge of net revenues of the system. Additionally, certain SAWS' bonds are further secured by the maintenance of a reserve fund established for the benefit of the bondholders.

On May 15, 2021, SAWS deposited $33,890 from available cash on hand to the paying agent for the redemption of $21,055 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011 and $12,835 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2011. The redemption of these bonds reduced future debt service by approximately $38,393 between 2022 and 2031.

On July 13, 2021, SAWS issued $274,375 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, (ii) refund $13,570 of the City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2011A, (iii) pay the cost of issuance. The refunding of the Series 2011A bonds reduced future debt service payments by approximately $3,131 and resulted in an economic gain of $2,033. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On November 1, 2021, SAWS remarketed $98,420 City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund) into a Fixed Rate Mode for a period of five years, ending October 31, 2026. The coupon rate for the bonds is 1.0% with a yield of 0.8%. The proceeds from the sale of the bonds were used to (i) pay the $98,795 principal of the maturing bonds, and (ii) pay the cost of issuance. There was no economic gain or loss on this transaction. The bonds are secured together with other outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

## Note 8 Long-Term Obligations (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Revenue Bonds (Continued)*

Senior lien water system revenue bonds outstanding as of December 31, 2021 consist of the Series 2009B, Series 2010B, Series 2012, and Series 2012A, outstanding in the amount of $280,565. Senior lien revenue bonds are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operation and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates on senior lien bonds range from 3.5% to 5.9%, exclusive of any federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

The junior lien water system revenue bonds are composed of two categories of debt: fixed rate debt and variable rate debt. The junior lien fixed rate debt is similar to the senior lien bonds, as they have fixed interest rates for the life of the bonds. The junior lien variable rate bonds have interest rates that are periodically reset throughout the life of the bonds. An additional component of the fixed rate junior lien debt is direct placement debt with the Texas Water Development Board (TWDB). Direct placement debt with TWDB is offered at subsidized interest rates for qualified water, wastewater and water supply projects. All the junior lien water system revenue bonds are collateralized by a junior lien and pledge of the gross revenue of SAWS after deducting the current expenses of operation and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien debt.

As of December 31, 2021, direct placement bonds with TWDB consist of Junior Lien Series 2012, Series 2013A, Series 2013C, Series 2013D, Series 2014C, Series 2014D, Series 2015A, Series 2016D, Series 2016E, Series 2018B, Series 2019B, Series 2020B, and Series 2020D in an outstanding amount of $315,555. Interest rates on the TWDB junior lien fixed rate bonds range from 0.0% to 3.4%.

As of December 31, 2021, the remaining junior lien fixed rate revenue bonds consist of Series 2012, Series 2013B, Series 2013E, Series 2014A, Series 2015B, Series 2016A, Series 2016C, Series 2017A, Series 2018A, Series 2019C, Series 2020A, Series 2020C, and Series 2021A (all No Reserve Fund), and Taxable Series 2016B an outstanding amount of $1,947,250. Interest rates on the junior lien fixed rate bonds range from 2.0% to 5.0%.

The junior lien variable rate bonds, comprised of the Bonds Series 2013F, Series 2014B, and the Series 2019A (all No Reserve Fund) are outstanding in the amount of $364,490 at December 31, 2021. The Series 2013F Bonds are tax-exempt variable rate notes initially issued in a Securities Industry and Financial Markets Association (SIFMA) Index Mode, with the interest rate reset weekly, through the initial interest period which expired October 31, 2016, at a par amount of $100,000. On November 1, 2021, SAWS remarketed $98,420 in Series 2013F Bonds into a five-year interest rate period ending October 31, 2026. The Series 2013F Bonds bear interest at 1.0% with a yield of 0.8%. The Series 2014B Bonds are tax-exempt variable rate notes initially issued in a SIFMA Index Mode, with the interest rate reset weekly, through the initial interest period expiring October 31, 2017. On November 1, 2017, SAWS remarketed $99,590 in Series 2014B Bonds into a five-year fixed interest rate period that ends October 31, 2022, the new interest period. The Series 2014B Bonds bear interest at 2.0% with a yield of 1.8%. The $166,480 of Series 2019A Bonds are tax-exempt variable rate notes initially issued in the term mode through April 30, 2024, the initial interest period, at an interest rate of 2.6% with a yield of 2.5%.

## Note 8 Long-Term Obligations (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Revenue Bonds (Continued)*

Upon conclusion of the initial interest period, SAWS is permitted to change the mode for all or any portion of the junior lien variable interest bonds to a different mode or to a SIFMA Index Mode of different duration. The Bonds are subject to a mandatory tender without right of retention at the conclusion of the initial interest period. The Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure to remarket the Bonds at the end of the initial interest period or subsequent new interest period will result in the rescission of the notice of mandatory tender with respect to the Bonds and SAWS has no obligation to purchase the Bonds at such time. The occurrence of a failed remarketing will not result in an event of default under the ordinance. Until SAWS redeems or remarkets the Bonds that had a failed remarketing, the Bonds shall bear interest at the stepped rate of 7.0% for the Series 2013F Bonds and Series 2014B Bonds, and 8.0% for the Series 2019A Bonds.

The following summarizes transactions of the Revenue Bonds for the year-ended December 31, 2021:

| | Beginning Balance January 1, 2021 | Additions | Reductions | Ending Balance December 31, 2021 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable | $ 2,414,435 | $ 372,795 | $ (194,925) | $ 2,592,305 | $ 67,315 |
| Direct Placement Bonds | 357,145 | | (41,590) | 315,555 | 13,595 |
| Unamortized Premium | 263,255 | 67,676 | (31,043) | 299,888 | |
| Unamortized Discount | (790) | | 43 | (747) | |
| Total Bonds Payable, Net | $ 3,034,045 | $ 440,471 | $ (267,515) | $ 3,207,001 | $ 80,910 |

The following table shows the annual debt service requirements on SAWS' debt obligations for each of the next five years and then in five-year increments:

**Annual Debt Service Requirements Revenue and Refunding Bonds**

| | Fixed Rate | | | | | | Variable Rate | |
|---|---|---|---|---|---|---|---|---|
| | Revenue Bonds | | | | Direct Placement Bonds | | Revenue Bonds | |
| Year-Ended December 31, | Principal | Interest Expense | Direct Subsidy[1] | Net Interest | Principal | Interest Expense | Principal | Interest Expense* |
| 2022 | $ 67,315 | $ 103,189 | $ (1,908) | $ 101,281 | $ 13,595 | $ 4,795 | $ - | $ 7,346 |
| 2023 | 64,600 | 101,363 | (1,908) | 99,455 | 13,710 | 4,681 | | 8,342 |
| 2024 | 69,175 | 98,021 | (1,908) | 96,113 | 13,835 | 4,554 | | 8,654 |
| 2025 | 74,220 | 94,584 | (1,875) | 92,709 | 13,980 | 4,408 | | 8,966 |
| 2026 | 80,420 | 90,849 | (1,797) | 89,052 | 14,155 | 4,242 | | 8,966 |
| 2027-2031 | 419,620 | 393,404 | (7,869) | 385,535 | 73,685 | 18,229 | 40,935 | 52,874 |
| 2032-2036 | 526,935 | 279,903 | (5,569) | 274,334 | 63,900 | 12,243 | 97,255 | 41,403 |
| 2037-2041 | 495,740 | 148,953 | (1,320) | 147,633 | 56,490 | 6,980 | 112,280 | 25,718 |
| 2042-2046 | 254,355 | 69,179 | | 69,179 | 42,880 | 1,705 | 84,360 | 9,383 |
| 2047-2051 | 175,435 | 16,033 | | 16,033 | 9,325 | 115 | 29,660 | 1,353 |
| Total | $ 2,227,815 | $ 1,395,478 | $ (24,154) | $ 1,371,324 | $ 315,555 | $ 61,952 | $ 364,490 | $ 173,005 |

[1] Federal interest rate subsidy on Build America Bonds (BABs) is utilized to pay interest on those bonds but is reported as nonoperating revenue. The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, reduced the BAB subsidy paid during fiscal years 2021-2030 by 5.7%. The BAB subsidy to be received by SAWS is reduced by this amount for all future payments.

* The variable rate bonds are currently in a fixed rate Term Mode through October 31, 2022, April 30, 2024, and October 31, 2026. Interest listed above is based on a 1.0%, 2.0%, or a 2.6% fixed rate through the interest period, and a budgeted rate of 3.0% thereafter.

*Year-Ended September 30, 2022* **- 135 -** *Amounts are expressed in thousands*

## Note 8 Long-Term Obligations (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Revenue Bonds (Continued)*

In fiscal year 2021, SAWS received a total of $1,910 in BABs subsidy.

SAWS is required to comply with various provisions included in the ordinances which authorized the bond issuances. SAWS believes it is in compliance with all significant provisions of the bond ordinances.

Under these bond ordinances, SAWS is required to establish and maintain rates and charges for services sufficient to produce Net Revenues sufficient to pay 1.3 times the annual debt service requirements on Senior Lien debt obligations (senior lien debt coverage ratio) and at least 1.0 times the current year annual debt service on outstanding Junior Lien debt. SAWS senior lien debt coverage ratio was 10.3 at December 31, 2021. The current annual combined debt coverage ratio was 1.7 at December 31, 2021.

In prior years, SAWS either legally defeased revenue bonds by placing revenues or proceeds of new bond issuance in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in SAWS' financial statements. At December 31, 2021, there were $127,275 of SAWS bonds outstanding that are considered legally defeased and $2,241 of the former Bexar Metropolitan Water District's bonds outstanding considered legally defeased.

#### *Accrued Leave*

SAWS records an accrual for vacation payable for all full-time employees and pays unused vacation hours available at the end of employment with the final paycheck. The current and long-term portion of these accruals are reported under the Accounts Payable and Other Current Liabilities and Other Payables line items, respectively, in the Statement of Net Position.

| Year-Ended | Liability Beginning Balance | Current-Year Accruals | Payments | Liability Ending Balance | Estimated Due Within One Year |
|---|---|---|---|---|---|
| December 31, 2021 | $ 13,197 | $ 6,485 | $ (6,148) | $ 13,534 | $ 6,148 |

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*Year-Ended September 30, 2022* - 136 - *Amounts are expressed in thousands*

# Note 9 Commercial Paper Program

## Primary Government (City)

The City had no commercial paper debt during fiscal year 2022.

## CPS Energy

As of January 31, 2022, the commercial paper ordinances contain, among others, the following provisions:

- Authorized capacity of $700,000;
- Allow flexibility to issue tax-exempt or taxable commercial paper;
- Allow the issuance of multiple series notes; and
- Final maturity on April 11, 2049.

Eligible projects include fuel acquisition, capital improvements to CPS Energy, and refinancing or refunding any outstanding obligations, which are secured by and payable from a lien and/or a pledge of net revenues of CPS Energy. Pledge of net revenues is subordinate and inferior to the pledge securing payment of existing senior lien and junior lien obligations. Scheduled maximum maturities cannot extend beyond April 11, 2049.

To secure the payment of commercial paper principal and interest, a pledge is made of:

- Proceeds from:
  - The sale of bonds and additional notes issued for such purposes, and
  - The sale of Project Notes;
- Loans under and pursuant to a revolving credit agreement;
- Amounts held in funds used specifically for payment of commercial paper principal and interest balances and unspent proceeds from commercial paper; and
- The net revenues of CPS Energy, after payment on New Series Bond requirements and prior lien bond obligations.

The commercial paper has been classified as long-term in accordance with the refinancing terms under three revolving credit agreements with a consortium of banks, which support the commercial paper program. Each revolving credit agreement relates to a particular series of notes and provides liquidity support in the amount specified. The Series A agreement provides $400,000 in liquidity support for the Series A Notes and is extended through June 21, 2026. The Series B provides $200,000 in liquidity support for the Series B Notes, and the Series C provides $100,000 in liquidity support for the Series C Notes. The Series B and Series C agreements were extended through June 21, 2023 and June 21, 2025, respectively. Under the terms of these revolving credit agreements, CPS Energy may borrow up to an aggregate amount not to exceed $700,000 for the purpose of paying principal due under the commercial paper program. At January 31, 2022, there was no amount outstanding under the revolving credit agreements. Further, there have been no borrowings under the agreements since inception of the program.

During fiscal year 2022, CPS Energy issued a total of $660,000 in commercial paper. As of January 31, 2022, the outstanding commercial paper balance was $660,000, of which $410,000 was issued as tax-exempt to fund construction and $250,000 was issued as taxable to fund fuel costs.

| | January 31, 2022 |
|---|---|
| Commercial Paper Outstanding | $ 660,000 |
| New Commercial Paper Issues | $ 660,000 |
| Weighted Average Interest Rate of Outstanding | 0.1% |
| Average Life Outstanding (Number of Days) | 31 |

*Year-Ended September 30, 2022* **- 137 -** *Amounts are expressed in thousands*

## Note 9 Commercial Paper Program (Continued)

### San Antonio Water System (SAWS)

SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements. The City Council has authorized the commercial paper program in an amount of $500,000. Notes payable under the program cannot exceed maturities of 270 days.

The City has covenanted in the Ordinance authorizing the commercial paper program (Note Ordinance) the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series A (Series A Notes), the issuance of City of San Antonio, Texas Water System Commercial Paper Notes, Series B (Series B Notes), and City of San Antonio, Texas Water System Commercial Paper Notes, Series C (Series C notes), and the maintenance at all times of credit facilities with banks or other financial institutions which would provide available borrowing capacity sufficient to pay the principal of the commercial paper program. The credit facility is maintained under the terms of a revolving credit agreement. The Note Ordinance also authorizes the ability to designate and issue subseries of notes. The Series A Notes are currently authorized as City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-1 (Subseries A-1 Notes) and City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-2 (Subseries A-2 Notes). The Subseries A-2 Notes are directly placed with JPMorgan Chase Bank under a Note Purchase Agreement. The capacity under the Series C Notes were fully consumed by a direct placement note with Wells Fargo Bank, N.A. with a maturity date of July 1, 2022. The $100,000 direct placement Series C Notes were redeemed on July 1, 2022 with $100,000 of notes from the Series A-1 Program.

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement. The capacity of the combined revolving credit and note purchase agreements is $500,000 with the Revolving Credit Agreement with JPMorgan Chase in the amount of $400,000, supporting the Series A Notes expiring October 4, 2023; and the Revolving Credit Agreement with Wells Fargo Bank, N.A. in the amount of $100,000, supporting the Series C Notes expiring January 5, 2024.

The issuance of commercial paper is further supported by the following agreements and related participants:

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities LLC., and Ramirez & Co., Inc.
- Issuing and Paying Agency Agreement with the Bank of New York Mellon Trust Company, N.A.

Commercial paper notes of $234,020 are outstanding as of December 31, 2021 with $132,020 outstanding under the subseries A-1 Notes, $2,000 outstanding under Subseries A-2 Notes, and $100,000 outstanding under Series C Notes. Interest rates on the Subseries A-1 Notes outstanding at December 31, 2021 range from 0.1% to 0.2% and maturities range from seven to 128 days. The interest rate on the Subseries A-2 Notes outstanding at December 31, 2021 is 1.4% with a maturity of 34 days. The interest rate on the Series C Notes outstanding at December 31, 2021 is 0.3% with a maturity of 269 days. All outstanding notes combined had an average rate of 0.3% and average 144 days to maturity.

SAWS intends to reissue maturing commercial paper, in accordance with the terms of the revolving credit agreement, and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, and since SAWS has the available $500,000 revolving credit agreement described above, SAWS has classified nearly all outstanding commercial paper notes as long-term debt. In accordance with the amortization schedule of the interest rate swap agreement, SAWS intends to redeem $4,435 of commercial paper in 2022. Therefore, this portion of outstanding commercial paper is classified as a current liability.

## Note 9 Commercial Paper Program (Continued)

### San Antonio Water System (SAWS) (Continued)

The commercial paper notes contain events of default and/or termination provisions with possible finance-related consequences and in the opinion of SAWS, the likelihood is remote that these provisions will have a significant effect on SAWS' financial position or results of operations.

The following table summarizes transactions of the program for the year-ended December 31, 2021.

| | Balance as of January 1, 2021 | Additions during year | Deletions during year | Balance as of December 31, 2021 | Due Within One Year |
|---|---|---|---|---|---|
| Tax Exempt Commercial Paper Notes | | | | | |
| Subseries A-1 Notes | $ 116,260 | $ 20,000 | $ (4,240) | $ 132,020 | $ 4,435 |
| Subseries A-2 Notes (Direct Placement) | 2,000 | | | 2,000 | |
| Series C Notes (Direct Placement) | 100,000 | | | 100,000 | |
| Total Tax Exempt Commercial Paper Notes | $ 218,260 | $ 20,000 | $ (4,240) | $ 234,020 | $ 4,435 |

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*Year-Ended September 30, 2022* - 139 - *Amounts are expressed in thousands*

# Note 10 Pension and Retirement Plans

## Summary of Pension and Retirement Plans

Pension and Retirement Plans provides information relating to various City and component unit pension plans. These pension and retirement plans include the City's TMRS Plan, the San Antonio Fire and Police Pension Plan, CPS All Employee Plan, the SAWS TMRS Plan, the SAWS Retirement Plan, and the SAWS District Special Project Retirement Income Plan.

| | City - TMRS | Fire and Police Pension Plan | Total City Pension Plans | CPS Energy All Employee Plan | SAWS-TMRS | SAWS Retirement Plan | District Special Project Retirement Income Plan |
|---|---|---|---|---|---|---|---|
| Total Pension Liability | $ 2,314,343 | $ 4,208,476 | $ 6,522,819 | $ 2,164,873 | $ 242,093 | $ 272,187 | $ 6,766 |
| Plan Fiduciary Net Position | 1,917,556 | 4,150,930 | 6,068,486 | 1,916,699 | 225,619 | 274,885 | 7,636 |
| Net Pension Liability (Asset) | $ 396,787 | $ 57,546 | $ 454,333 | $ 248,174 | $ 16,474 | $ (2,698) | $ (870) |
| Total Deferred Inflows of Resources | $ (129,686) | $ (387,756) | $ (517,442) | $ (65,428) | $ (6,153) | $ (24,872) | $ (1,687) |
| Deferred Outflows of Resources | 16,748 | 81,191 | 97,939 | 62,502 | 483 | 1,734 | 694 |
| Contributions Subsequent to Measurement Date | 41,598 | 67,924 | 109,522 | 62,101 | 4,450 | 6,136 | 175 |
| Total Deferred Outflows of Resources | $ 58,346 | $ 149,115 | $ 207,461 | $ 124,603 | $ 4,933 | $ 7,870 | $ 869 |
| Pension Expenses | $ 26,800 | $ (25,704) | $ 1,096 | $ 15,719 | $ 1,766 | $ 1,338 | $ (39) |

## Primary Government (City)

### *Texas Municipal Retirement System (TMRS)*

**Plan Description** — TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with Texas Government Code, Title 8, Subtitle G (TMRS Act) for the benefit of the employees of Texas participating cities. The TMRS Act places the administration and management of TMRS with a six-member Board of Trustees appointed by the Governor with the advice and consent of the Texas Senate. TMRS does not receive any funding from the State of Texas.

TMRS administers a defined benefit cash-balance plan for the eligible employees of 901 participating cities. Under GASB, TMRS is an agent multiple-employer public employee retirement system.

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

Benefits depend upon the sum of the employee's contributions to the TMRS plan, with interest, and the City-financed monetary credits with interest, and their age at retirement and other actuarial factors. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit, granted by the City, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times an employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3.00% annual interest, and including the matching ratio adopted by the City (2 to 1). Monetary credits for service since the TMRS plan began are a percentage of the employee's accumulated contributions. In addition, the City may grant, as often as annually or annually on a repeating basis, another type of monetary credit referred to as an updated service credit.

*Year-Ended September 30, 2022* - 140 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

### *Texas Municipal Retirement System (TMRS) (Continued)*

This monetary credit is determined by hypothetically re-computing the employee's account balance by assuming that the current employee deposit rate (6.00%) has always been in effect. The computation also assumes that the employee's salary has always been the employee's average salary, using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical amount is increased by 3.00% each year and increased by the City's match currently in effect (200.00%). The resulting sum is then compared to the employee's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity. Employees may choose to receive their retirement benefit in one of seven payment options: retiree life only, retiree life with 100.00% survivor benefit payments, retiree life with 75.00% survivor benefit payments, retiree life with 50.00% survivor benefit payments, retiree life with five years guaranteed balance payout to survivor, retiree life with ten years guaranteed balance payout to survivor, retiree life with 15 years guaranteed balance payout to survivor. Employees may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments under the retiree life only option, which cannot exceed 75.00% of the total employee's deposits and interest. The City may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of the calendar year. The City may also adopt annuity increases at a rate equal to 30.00%, 50.00%, or 70.00% of the increase in the Consumer Price Index – all Urban Consumers between the December preceding the employee's retirement date and the December one year before the effective date of the increase, minus any previously granted COLA increases.

City Council, based on available financial resources, may approve an annual ad hoc cost of living adjustment for the City's retirees as part of the annual adopted budget. The ad hoc cost of living adjustments were deemed to be substantively automatic in TMRS' actuarial report. The default method for determining whether ad hoc benefit enhancements are substantively automatic is if the City had granted them in one of the last two years and two of the last five years; the City has met these requirements. TMRS provisions and contribution requirements adopted by the City Council are within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes.

The following table presents information about TMRS Pension Plan participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the measurement date of December 31, 2021, for the fiscal year-ended September 30, 2022, were:

| | |
|---|---|
| Number of: | |
| Active Members | 7,057 |
| Retirees and Beneficiaries | 5,366 |
| Inactive Members [1] | 3,449 |
| Total | 15,872 |

[1] Inactive members are vested employees no longer employed by the City, but are eligible for a deferred retirement benefit. Amounts not in thousands.

# Note 10 Pension and Retirement Plans (Continued)

## Primary Government (City) (Continued)

### *Texas Municipal Retirement System (TMRS) (Continued)*

**Contributions** — The City must pay its required contribution rate, which is determined annually by TMRS' external actuary using the Entry Age Normal actuarial cost method based on the liabilities (assets) created from the benefit plan options selected by the City and any changes in benefits or actual experience over time. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for the City is the percentage of total gross payroll which, if applied to all employees' compensation throughout their period of anticipated employment with the City, would be sufficient to pay the expected benefits. The prior service contribution rate amortizes any unfunded (overfunded) actuarial accrued liability (asset) over the amortization period for the City. Both the normal cost and prior service contribution rates include the projected costs of annually repeating benefits adopted by the City, such as updated service credits and cost of living adjustments.

In the fiscal year 2022 budget, City Council adopted a one-time annuity increase that was provided to retired employees and to beneficiaries of deceased employees. The amount of the increase is computed as the sum of the prior service and current service annuities on the effective date of retirement of the person on whose service the annuities are based. This number was multiplied by 70.00% of the percentage change in the Consumer Price Index – all Urban Consumers, from December of the year immediately preceding the effective date of the person's retirement to the December that is 13 months before the effective date of the increase. The provision for the one-time annuity contribution increased from 12.35% to 12.40%, effective January 1, 2022.

The contribution rate for the City's employees is 6.00% of their annual gross earnings during the fiscal year and the matching percent was 12.40% for calendar year 2022, both as adopted by City Council. The City's contribution to TMRS for fiscal year 2022 was $83,592, with $27,276 contributed by City employees and $56,316 contributed by the City. These amounts were equal to required contributions.

As of September 30, 2022, the City reported a payable to TMRS in the amount of $9,329 for the outstanding amounts of contributions from the City and active civilian employees.

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# Note 10 Pension and Retirement Plans (Continued)

## Primary Government (City) (Continued)

### *Texas Municipal Retirement System (TMRS) (Continued)*

**Actuarial Assumptions** — The total pension liability calculated in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years (longest amortization ladder) |
| Asset Valuation Method | Ten-year smoothed market; 12.00% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% including inflation |
| Investment Rate of Return | 6.75%, including inflation, net of pension plan investment expense |
| Retirement Age | Experience-based table of rates specific to the City. |
| Cost-of-living Adjustments | Granted 70.00% ad hoc COLA |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.<br>Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |
| Notes | Opened plan to current and future San Antonio Council Aides Corporation employees. |

Salary increases were based on a service-based scale. The Retirement Age was last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018. Mortality rates for active members, retirees, and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality table for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

*Year-Ended September 30, 2022* - 143 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

### *Texas Municipal Retirement System (TMRS) (Continued)*

The long-term expected rate of return on pension plan investments is 6.75%. A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2021. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and projections of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the 24 years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Equity | 30.00% | 5.30% |
| Core Fixed Income | 10.00% | 1.25% |
| Non-Core Fixed Income | 20.00% | 4.14% |
| Real Return | 10.00% | 3.85% |
| Real Estate | 10.00% | 4.00% |
| Absolute Return | 10.00% | 3.48% |
| Private Equity | 10.00% | 7.75% |
| Total | 100.00% | |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** — The following presents the City's net pension liability, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.00% lower, 5.75%, or 1.00% higher, 7.75%, than the current rate:

| | 1.00% Decrease 5.75% | Current Discount Rate 6.75% | 1.00% Increase 7.75% |
|---|---|---|---|
| Net Pension Liability | $ 709,514 | $ 396,787 | $ 138,897 |

**Pension Plan Fiduciary Net Position** — Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at http://www.tmrs.com.

*Year-Ended September 30, 2022* - 144 - *Amounts are expressed in thousands.*

# Note 10 Pension and Retirement Plans (Continued)

## Primary Government (City) (Continued)

### *Texas Municipal Retirement System (TMRS) (Continued)*

**Schedule of Changes in Net Pension Liability and Related Ratios** — The following table presents the changes in the net pension liability for the year-ended September 30, 2022, based on the measurement date and actuarial valuation date of December 31, 2021.

| Changes in the Net Pension Liability | |
|---|---|
| Total Pension Liability | |
| Service Cost | $ 60,570 |
| Interest Cost | 146,526 |
| Difference Between Expected and Actual Experience | 17,753 |
| Benefit Payments, including Refunds of Employee Contributions | (101,939) |
| Net Change in Total Pension Liability | $ 122,910 |
| Total Pension Liability - Beginning | 2,191,433 |
| Total Pension Liability - Ending | $ 2,314,343 |
| | |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 49,827 |
| Contributions - Employee | 24,213 |
| Net investment Income | 224,308 |
| Benefit Payments, including Refunds of Employee Contributions | (101,939) |
| Administrative Expense | (1,039) |
| Other | 7 |
| Net change in Plan Fiduciary Net Position | $ 195,377 |
| Plan Fiduciary Net Position - Beginning | 1,722,179 |
| Plan Fiduciary Net Position - Ending | $ 1,917,556 |
| | |
| Net Pension Liability | $ 396,787 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.86% |

*Year-Ended September 30, 2022* - 145 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

### *Texas Municipal Retirement System (TMRS) (Continued)*

**Pension Expense** — For the year-ended September 30, 2022, based on the actuarial valuation of December 31, 2021, the City recognized pension expense of $26,800.

| Schedule of Pension Expense | |
|---|---|
| Total Service Cost | $ 60,570 |
| Interest Cost | 146,526 |
| Employee Contributions (Reduction of Expense) | (24,213) |
| Projected Earnings on Plan Investments (Reduction of Expense) | (116,248) |
| Administrative Expense | 1,039 |
| Other Changes in Fiduciary Net Position | (7) |
| Expensed Portion of Current Year Period Differences Between Expected and Actual Experience | 4,227 |
| Expensed Portion of Current Year Period Differences Between Projected and Actual Earnings | (21,612) |
| Current Year Recognition of Deferred Inflows Established in Prior Years | (6,186) |
| Current Year Recognition of Deferred Outflows Established in Prior Years | (17,296) |
| Total Pension Expense | $ 26,800 |

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** — At September 30, 2022, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Difference in Expected and Actual Experience | $ 13,527 | $ (14,569) |
| Changes of Assumptions | 3,221 | |
| Net Difference in Projected and Actual Earnings on Pension Plan Investments | | (115,117) |
| Contributions Subsequent to the Measurement Date | 41,598 | |
| Total | $ 58,346 | $ (129,686) |

$41,598 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-ending September 30, 2023.

*Year-Ended September 30, 2022* - 146 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

#### *Texas Municipal Retirement System (TMRS) (Continued)*

Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in future pension expense as follows:

| Year-Ending September 30, | Net Deferred Outflows (Inflows) of Resources | |
|---|---|---|
| 2023 | $ | (21,446) |
| 2024 | | (49,323) |
| 2025 | | (21,403) |
| 2026 | | (20,766) |
| Total | $ | (112,938) |

#### *City Deferred Compensation*

The City has a deferred compensation program for its employees, created in accordance with Internal Revenue Code Section 457(b). The program, available to all full-time civilian and uniform employees, permits them to defer a portion of their salary on a pre-tax basis. The compensation deferred under this program is not available to employees until termination, retirement, death, loan, or qualifying unforeseeable emergency. Participation in the program is voluntary. In fiscal year 2012, the City implemented a matching contribution of up to 1.00% of base salary to eligible executives who participated in the program. In fiscal year 2015, the City increased its matching contribution for executives up to 2.00% of base salary. Starting in fiscal year 2018, executives in the third and fourth quartile of their salary ranges received 1.00% of their performance pay for 2017's evaluation as a deferred compensation contribution, this was only in place for three years, from fiscal years 2018 to 2020 for performance of years 2017 to 2019. This 1.00% continues for the three years, where awarded continues to be paid annually by the City. Performance pay contributions do not count towards the employer match program. The City has no liability for losses under this plan and it does not meet the criteria of fiduciary activity as defined in GASB Statement No. 84, *Fiduciary Activities*.

#### *Fire and Police Pension Plan*

The Pension Fund is a single-employer defined benefit pension plan established in accordance with the laws of the State of Texas, administered by the San Antonio Fire and Police Pension Fund. The governing document for the Pension Fund is found in Vernon's Texas Civil Statutes, Article 6243o. The pension law governing the Pension Fund was amended on October 1, 2009. The Pension Fund meets the criteria of a fiduciary fund of the City as established by governmental standards and is therefore included in the City's financial statements as a pension trust fund. A more complete description of the Pension Fund is provided in the Pension Fund's 2021 separately issued financial statements.

*Year-Ended September 30, 2022* - 147 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Pension Plan (Continued)*

The following table presents information about Pension Plan participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the measurement date, for the fiscal year-ended December 31, 2021, were:

| | |
|---|---|
| Number of: | |
| Active Members | 4,155 |
| Retirees and Beneficiaries | 3,135 |
| Inactive Members [1] | 20 |
| Total | 7,310 |

[1] Inactive members are vested employees no longer employed by the City, but are eligible for a deferred retirement benefit. Amounts not in thousands. Includes terminated members due a refund of contributions.

Currently, the Pension Fund provides retirement benefits to eligible uniformed employees of the fire and police departments of the City who have served for 20 years or more. Employees who terminate prior to accumulating 20 years of service may apply to receive a refund of their contributions. Upon application for a service retirement pension from the Pension Fund, retiring employees are entitled to a retirement annuity computed based on the average of the employee's total salary, excluding overtime pay, for the highest three years of the last five years. The retirement annuity computation for employees retiring during the period covered by the financial statements and following, is 2.25% of such average for each of the first 20 years served, plus 5.00% of the participant's average total salary for each of the next seven years, plus 2.00% of the participant's average total salary for each of the next three years of service, plus 0.50% of the participant's average total salary for each of the next three years of service, with fractional years of service prorated based on full months served as a contributing participant. In making the computation for a year, the year is considered to begin on the first day a contribution is made. A retirement annuity under this subsection may not exceed, as of the date of retirement, 87.50% of the member's average total salary.

There is a provision for the Backwards Deferred Retirement Option Plan (BackDROP), which, as of October 1, 2009, permits retiring members who had actual service credit of at least 20 years and one month to elect to receive a lump-sum payment for a number of full months of service elected by the member that does not exceed the lesser of the number of months of service credit the member had in excess of 20 years or 60 months and a reduced annuity payment. For purposes of a BackDROP benefit calculation, the participant's salary beyond 34 years of service is used to determine the participant's average salary.

There is also a provision for a 13th and 14th pension check. At the end of each fiscal year, the Board may authorize the disbursement of a 13th monthly pension check if the annualized yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five-year fiscal period by at least 100 basis points (basis points not reported in thousands). In the same way, the Board may authorize a 14th monthly pension check if the annualized yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five-year period by at least 300 basis points. The 13th and 14th pension checks are paid to each retiree and beneficiary receiving a pension at the end of the fiscal year and are in an amount equal to the pension check paid in the last month of the preceding fiscal year of the Pension Fund (retirees/beneficiaries with less than one year of benefits will receive a prorated check, and no check will be paid to members who retired after the end of the fiscal year). Authorization for one year does not obligate the Board to authorize a 13th and 14th check for any other year. The Pension Fund met the criteria for the 13th and 14th checks for the year-ended December 31, 2021.

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Plan (Continued)*

The Pension Fund also provides benefits when service is terminated by reason of death or disability. The employee's beneficiary or the employee shall be entitled to one-half of the average of the employee’s total salary, excluding overtime pay, or vested benefit as is provided in the computation of normal retirement benefits, whichever is higher. If a member dies after retiring, spouses or beneficiaries who were married to, or dependents of, the member at the time of retirement receive the same annuity paid to the member as of the date of the member’s death up to the maximum benefit. The maximum benefit for surviving spouses and dependent children is equal to a 27-year service pension. As of October 1, 2009, the allocation of death benefits between a surviving spouse and the dependent children of a member is 75.00% to the spouse and 25.00% to the children. The spousal death benefit provided to a spouse who married a retiree after retirement, and at least five years prior to the date of the retiree’s death, is the same as a spouse who married a member prior to retirement. In the case of marriage after retirement, a spouse who is otherwise qualified to receive a pension is subject to a 55-year-old minimum age to begin receiving annuity payments. As of October 1, 2009, the spousal death benefit for a spouse who married a retiree after retirement, and less than five years prior to the date of the retiree’s death, is $15 if there are no other beneficiaries.

The Pension Fund provides a disability annuity equal to 87.50% of average total salary if the member suffers a catastrophic injury. A catastrophic injury is described as an irreparable physical bodily injury suffered during the performance of high-risk line of duty activities, when the injury results in the individual being unable to obtain any sort of employment sufficient to generate income above the poverty level.

The surviving spouse of an active member may elect to receive benefits in the form of a lump-sum payment and reduced annuity, similar to a BackDROP election made by a retiring member.

The estate of an active member who dies and does not leave a beneficiary will receive either ten times the amount of an annuity computed according to the Annuity Computation, using the deceased member’s service credit and average total salary as of the date of death, or the deceased member’s contributions that were picked up by the City. The estate of a retired member who dies and does not leave a beneficiary will receive a lump-sum benefit equal to ten times the amount of the annuity awarded by the Board effective on the retiree’s date of retirement, less any retirement or disability annuity and any lump-sum payments paid to the retiree. The Pension Fund also provides benefits when an eligible member is killed in the line of duty. The member’s surviving spouse and dependent children are entitled to a total pension equal to the member’s base salary at the time of death.

Another important provision of the Pension Fund is the Cost-of-Living Adjustment (COLA). The COLA is based on the Consumer Price Index for all Urban Consumers – U.S. City Average (CPI-U) as published by the Bureau of Labor Statistics. Members whose retirement, disability, or death occurred before August 30, 1971, receive an increase equal to 100.00% of the increase in the CPI-U. Members whose retirement, disability, or death occurred after August 30, 1971, but before October 1, 1999, receive an increase equal to 100.00% of the increase in the CPI-U up to 8.00% and 75.00% of the increase in the CPI-U in excess of 8.00%. Members whose retirement, disability, or death occurred after October 1, 1999, receive an increase equal to 75.00% of the increase in the CPI-U.

# Note 10 Pension and Retirement Plans (Continued)

## Primary Government (City) (Continued)

### *Fire and Police Pension Plan (Continued)*

The Pension Fund is funded in accordance with Texas state statutes and is not actuarially determined. In fiscal year 2022, the City was required to contribute 24.64% of salary, or $90,949, excluding overtime pay, and the employee contribution rate was 12.32%, or $45,474. New firefighters and police officers are immediately eligible for membership after they receive state certification and complete all other requirements. The new member contributes to the Pension Fund upon becoming eligible.

On September 30, 2022, the City paid the Pension Fund $5,172 for contributions from the City and active uniform employees. There was not an outstanding payable as of year-end.

The Pension Fund has a provision that allows the fire chief and police chief to opt out of membership in the Pension Fund.

The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to the period included in the measurement, with the results rolled forward to December 31, 2021:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, using 3.00% annual increases |
| Remaining Amortization Period | 12.09 years remaining as of January 1, 2021 |
| Asset Valuation Method | Five-year smoothed market value based on expected return of 7.25%. |
| Inflation | 3.00% |
| Salary Increases | 3.00% (plus merit scale of 0.00% - 11.00%) |
| Investment Rate of Return | 7.25% including inflation, net of pension plan investment expense |
| Cost-of-living Adjustments | 3.00% for retirements before October 1, 1999; 2.25% for retirements on or after October 1, 1999 |
| Retirement Rates | Fire: Rates based on years of service ranging from 20 to 43 years, with 100.00% retirement at the earlier of age 65 or 43 years of service.<br>Police: Rates based on years of service ranging from 20 to 40 years, with 100.00% retirement at the earlier of age 65 or 40 years of service. |
| Mortality: | |
| Pre-retirement | Sex-distinct PUBS-2010 Safety Employee Amount-Weighted Table. |
| Healthy Annuitant | Sex-distinct PUBS-2010 Safety Healthy Retiree Amount-Weighted Table. |
| Disabled Annuitant | Sex-distinct PUBS-2010 Safety Disabled Retiree Amount-Weighted Table. |
| Beneficiaries | Sex-distinct PUBS-2010 Safety Contingent Survivor Amount-Weighted Table. |
| Future Improvement | Generational Projection using Scale SSA2019-2D improvement scale. |

*Year-Ended September 30, 2022* - 150 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Pension Plan (Continued)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2021:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic)[1] |
|---|---|---|
| Large Cap U.S. Equities | 22.00% | 6.20% |
| Small Cap U.S. Equities | 5.00% | 7.20% |
| International Equities | 10.00% | 6.80% |
| International Small Cap Equities | 3.00% | 8.20% |
| Emerging Markets Equities | 6.00% | 8.50% |
| Private Equity | 7.00% | 10.40% |
| Core Bonds | 5.00% | 0.40% |
| High Yield | 5.00% | 2.60% |
| Bank Loans | 5.00% | 2.10% |
| TIPS | 3.00% | 0.30% |
| Emerging Market Debt | 5.00% | 2.80% |
| Private Debt | 9.00% | 5.30% |
| Unconstrained Fixed Income | 3.00% | 1.15% |
| Real Estate | 7.00% | 3.90% |
| Real Assets | 5.00% | 6.20% |
| Total | 100.00% | |

[1] Arithmetic real rates of return are net of assumed inflation of 3.00%

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed contributions will continue to be made at 12.32% of the compensation from plan members and 24.64% of the compensation from the City. Based on these assumptions, the Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Pension Fund's investments was applied to all periods of the projected benefit payments to determine the total pension liability.

*Year-Ended September 30, 2022* - 151 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Pension Plan (Continued)*

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, for the year-ended September 30, 2022, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower, 6.25%, or one percentage point higher, 8.25%, than the current rate:

| | 1.00% Decrease 6.25% | Current Discount Rate 7.25% | 1.00% Increase 8.25% |
|---|---|---|---|
| Net Pension Liability (Asset) | $ 652,852 | $ 57,546 | $ (428,852) |

The City is responsible for funding the deficiency, if any, between the amount available to pay all retirement annuities and other benefits owed by the Pension Fund and the amount required to pay such benefits.

**Schedule of Changes in Net Pension Liability and Related Ratios** — The following table presents the changes in the net pension liability for the year-ended September 30, 2022, based on the measurement date of December 31, 2021 and actuarial valuation date of January 1, 2021.

| Changes in the Net Pension Liability | |
|---|---|
| Total Pension Liability | |
| Service Cost | $ 78,637 |
| Interest Cost | 293,337 |
| Difference Between Expected and Actual Experience | (16,681) |
| Benefit Payments, including Refunds of Employee Contributions | (228,416) |
| Net Change in Total Pension Liability | $ 126,877 |
| Total Pension Liability - Beginning | 4,081,599 |
| Total Pension Liability - Ending | $ 4,208,476 |
| | |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 86,324 |
| Contributions - Employee | 43,213 |
| Net Investment Income | 521,575 |
| Benefit Payments, including Refunds of Employee Contributions | (228,415) |
| Administrative Expense | (2,963) |
| Net change in Plan Fiduciary Net Position | $ 419,734 |
| Plan Fiduciary Net Position - Beginning | 3,731,196 |
| Plan Fiduciary Net Position - Ending | $ 4,150,930 |
| | |
| Net Pension Liability | $ 57,546 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 98.63% |

*Year-Ended September 30, 2022* - 152 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Pension Plan (Continued)*

For the fiscal year-ended September 30, 2022, based on December 31, 2021 measurement date, the City recognized a reduction in pension expense of ($25,704). Amounts recognized in the fiscal year represent changes between current and prior measurement dates:

| Schedule of Pension Expense | |
|---|---|
| Service Cost | $ 78,637 |
| Interest Cost | 293,337 |
| Employee Contributions | (43,213) |
| Administrative Expenses | 2,963 |
| Expected Return on Assets | (266,820) |
| Expensed Portion of Current Year Period Differences Between Expected and Actual Experience | (1,854) |
| Expensed Portion of Current Year Period Assumption Changes | |
| Expensed Portion of Current Year Period Differences Between Projected and Actual Earnings | (50,951) |
| Current Year Recognition of Deferred Outflows Established in Prior Years | 92,655 |
| Current Year Recognition of Deferred Inflows Established in Prior Years | (130,458) |
| Total Expense | $ (25,704) |

At September 30, 2022, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Difference in Expected and Actual Experience | $ 27,809 | $ (74,217) |
| Changes of Assumptions | 53,382 | |
| Net Difference in Projected and Actual Earnings on Pension Plan Investments | | (313,539) |
| Contributions Subsequent to the Measurement Date | 67,924 | |
| Total | $ 149,115 | $ (387,756) |

$67,924 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-ending September 30, 2023.

*Year-Ended September 30, 2022* - 153 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Pension Plan (Continued)*

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year-Ending September 30, | Net Deferred Outflows (Inflows) of Resources |
|---|---|
| 2023 | $ (49,923) |
| 2024 | (120,387) |
| 2025 | (77,081) |
| 2026 | (52,286) |
| 2027 | 1,751 |
| Thereafter | (8,639) |
| Total | $ (306,565) |

The Pension Fund issues a publicly available financial report that includes financial statements and required supplemental information, and detailed information about the Pension Fund's net pension liability. That report may be obtained by writing to the Fire and Police Pension Fund of San Antonio, 11603 W. Coker Loop, Suite 210, San Antonio, Texas 78216 or by calling (210) 534-3262. You may also access the financial report at www.safppf.org.

### CPS Energy

#### *All Employee Plan*

**Plan Description** — The CPS Energy Pension Plan (the Pension Plan) is a self-administered, single-employer, defined-benefit contributory pension plan covering substantially all employees who have attained age 21 and completed one year of service. The Pension Plan is sponsored by and may be amended at any time by CPS Energy, acting by and through the Employee Benefits Oversight Committee (EBOC), which includes the President and CEO, the Chief Financial Officer, and the Audit & Finance Committee Chair of CPS Energy's board of trustees. Pension Plan assets are segregated from CPS Energy's assets and are separately managed by an Administrative Committee, whose members are appointed by the EBOC. The Pension Plan reports results on a calendar-year basis, and the separately audited financial statements, which contain historical trend information, may be obtained at www.cpsenergy.com or by contacting Benefit Trust Administration at CPS Energy. The Pension Plan's financial statements include certain disclosures related to CPS Energy's net pension liability. However, because the financial reporting and pension measurement dates for the Pension Plan and CPS Energy are not aligned, the Pension Plan's disclosures will vary from information provided by CPS Energy in this footnote and in the accompanying RSI.

In addition to the defined-benefit Pension Plan, CPS Energy has two Restoration Plans that were effective as of January 1, 1998, which supplement benefits paid from the Pension Plan due to Internal Revenue Code restrictions on benefit and compensation limits. The benefits due under those Restoration Plans have been paid annually by CPS Energy.

*Year-Ended September 30, 2022* - 154 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### CPS Energy (Continued)

### *All Employee Plan (Continued)*

**Benefits Provided** — Participants become fully vested in the benefits of the Pension Plan upon attainment of age 40 or after completion of seven years of vesting service before age 40. Normal retirement is age 65; however, early retirement is available with 25 years of benefit service, as well as to those employees who are age 55 or older with at least ten years of benefit service. Retirement benefits consist of a normal retirement annuity calculated based primarily on length of service and compensation. Benefits are reduced for retirement before age 55 with 25 years or more of benefit service or before age 62 with less than 25 years of service. If early retirement occurs due to disability, the reductions in benefits normally associated with early retirement are modified.

Payments to retirees are adjusted each year by an amount equal to 50.00% of the change in the Consumer Price Index-U, limited to a maximum adjustment of 5.00% each year, with no reduction allowed below the retirees' initial benefit levels.

The following table presents information about Pension Plan participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the January 31, 2021 measurement date, for the fiscal year-ended January 31, 2022, were:

| | |
|---|---|
| Number of: | |
| Active Members | 2,929 |
| Retirees and Beneficiaries | 2,525 |
| Inactive Members [1] | 234 |
| Total | 5,688 |

[1] Inactive members are Pension Plan participants that are entitled to deferred benefits.
Amount not in thousands.

**Contributions** — The current policy of CPS Energy is to use an actuarial valuation as the basis for determining employer contributions to the Pension Plan during the fiscal year beginning 13 months after the valuation date. With recommendations from the Administrative Committee, composed of a cross-functional group of active and retired CPS Energy employees, CPS Energy establishes funding levels, considering annual actuarial valuations. Generally, participating employees contribute 5.00% of their total compensation, commencing with the effective date of participation and continuing until normal or early retirement, completion of 44 years of benefit service, or termination of employment. Participants who leave CPS Energy service before becoming eligible for retirement benefits receive a return of the total amount they contributed to the Pension Plan, plus the vested portion of accumulated interest. Beginning January 1, 2018, the employee contribution interest crediting rate was 5.25%.

The balance of Pension Plan contributions is the responsibility of CPS Energy, giving consideration to actuarial information, budget controls, legal requirements, compliance, and industry and/or community norms. For fiscal year 2022, the amount to be funded was established using a general target near the 30-year layered amortization funding contribution level as determined by the Pension Plan's actuary using the entry-age normal cost method.

# Note 10 Pension and Retirement Plans (Continued)

## CPS Energy (Continued)

### *All Employee Plan (Continued)*

**Actuarial Assumptions** — Significant actuarial assumptions used in the January 1, 2020, valuation include:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent; Layered Periods |
| Remaining Amortization Period | 27 Years |
| Asset Valuation Method | Market value gains/losses recognized over five years, beginning with calendar year 2014; expected value adjusted market value for all prior periods. |
| Discount Rate | 7.00% |
| Inflation | 2.20%, compounded annually. |
| Salary Increases | 5.54%, average including inflation |
| Investment Rate of Return | 7.00% per year, compounded annually |
| Cost-of-living Increases | 1.25% per year |
| Mortality | Mortality rates were based on the Pri-2012 Employee/Retiree Mortality Tables (separate tables for males/females) projected with Mortality Improvement Scale MP-2019. Separate tables are used for disabled participants and contingent annuitants. |

The actuarial assumptions used in the January 1, 2020 valuation for amounts reported in fiscal year 2022 were based on the results of an actuarial experience study completed in 2020 covering experience for the period January 1, 2017, through December 31, 2019.

The long-term expected rate of return on Pension Plan investments was determined based on a blend of historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions, developed on a geometric basis. An economic simulation method was used in which best-estimate ranges of expected future rates of return (expected returns net of Pension Plan investment expense) for each major asset class were combined using simulations that ensure the economic consistency of each individual trial, and then reduced by a factor representing inflation to produce long-term expected real rates of return for each major asset class.

*Year-Ended September 30, 2022* **- 156 -** *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### CPS Energy (Continued)

### *All Employee Plan (Continued)*

The assumed allocation and expected real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Expected Real Rate of Return |
|---|---|---|
| Equities | 52.50% | 4.28% |
| Debt securities | 25.50% | 1.87% |
| Alternative Investments | 22.00% | 4.14% |
| Total Investments | 100.00% | |

**Discount Rate** — The discount rate used to measure the total pension liability for fiscal year 2022 was 7.00%, which was lowered from 7.25% from fiscal year 2021, to more closely reflect actual experience based on the actuarial experience study that was completed in 2020. The projection of cash flows used to determine the discount rate assumed that future employee contributions will be made at the current contribution rate and that future CPS Energy contributions will be made in a manner consistent with the current contribution practices. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of net pension liability calculation to a 1.00% increase and a 1.00% decrease in the discount rate used to measure the total pension liability.

| | 1.00% Decrease 6.00% | Current Discount 7.00% | 1.00% Increase 8.00% |
|---|---|---|---|
| Net Pension Liability | $ 520,067 | $ 248,174 | $ 20,913 |

**Pension Plan Fiduciary Net Position** — The financial results of the Pension Plan are included, in combination with the Employee Benefits Plans, in CPS Energy's Statement of Fiduciary Net Position. Detailed information about the Pension Plan's fiduciary net position is available in separately issued Pension Plan financial statements. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position for the Pension Plan, and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. Investments are stated at fair market value. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the Pension Plan.

*Year-Ended September 30, 2022* - 157 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### CPS Energy (Continued)

#### *All Employee Plan (Continued)*

**Schedule of Changes in Net Pension Liability and Related Ratios** — CPS Energy's net pension liability as of January 31, 2022 was measured as of January 31, 2021. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2020 and rolled forward using generally accepted actuarial procedures to the January 31, 2021 measurement date.

| Changes in Net Pension Liability | | |
|---|---|---|
| Total Pension Liability | | |
| Service Cost | $ | 35,403 |
| Interest Cost | | 148,068 |
| Difference Between Expected and Actual Experience | | (846) |
| Changes of Assumptions | | 28,832 |
| Benefit Payments | | (106,825) |
| Net Change in Total Pension Liability | $ | 104,632 |
| Total Pension Liability - Beginning | | 2,060,241 |
| Total Pension Liability - Ending | $ | 2,164,873 |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | $ | 56,025 |
| Contributions - Employee | | 13,890 |
| Net Investment Earnings | | 187,600 |
| Benefit Payments | | (106,825) |
| Administrative Expense | | (510) |
| Net Change in Plan Fiduciary Net Position | $ | 150,180 |
| Plan Fiduciary Net Position - Beginning | | 1,766,519 |
| Plan Fiduciary Net Position - Ending | $ | 1,916,699 |
| Net Pension Liability - Ending | $ | 248,174 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 88.54% |

CPS Energy recorded $15,719 in pension expense for the year-ended January 31, 2022.

*Year-Ended September 30, 2022* - 158 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### CPS Energy (Continued)

***All Employee Plan (Continued)***

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension** – The following table presents information about the pension-related deferred outflows of resources and deferred inflows of resources for CPS Energy as of January 31, 2022:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Difference in Expected and Actual Experience | $ 5,395 | $ (17,226) |
| Changes of Assumptions | 57,107 | (8,189) |
| Net Difference in Projected and Actual Earnings on Pension Plan Investments | | (40,013) |
| Contributions Subsequent to the Measurement Date | 62,101 | |
| Total | $ 124,603 | $ (65,428) |

$62,101 reported as deferred outflows of resources related to pension resulting from CPS contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year-ending January 31, 2023.

The following table presents the future amortization of pension-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Pension Plan in the current fiscal year and subsequent to the net pension liability measurement date. The deferred outflows of resources balance for such contribution amounts at the end of a fiscal period are recognized fully as adjustments to the net pension liability in the subsequent fiscal year.

| Year-Ended January 31, | Net Deferred Outflows (Inflows) of Resources |
|---|---|
| 2023 | $ (5,758) |
| 2024 | 18,953 |
| 2025 | (11,471) |
| 2026 | (8,510) |
| 2027 | 3,860 |
| Total | $ (2,926) |

*Year-Ended September 30, 2022* - 159 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS)

### *Texas Municipal Retirement System (TMRS)*

**Plan Description** — SAWS' pension program includes benefits provided by TMRS, the San Antonio Water System Retirement Plan (SAWSRP) and the District Special Project Retirement Income Plan (DSPRP).

SAWS provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide TMRS, an agent multiple employer public employee retirement system.

**Benefits Provided** — TMRS provides retirement benefits to eligible SAWS employees. All eligible employees of SAWS are required to participate in TMRS. Members are eligible to retire upon attaining the normal retirement age of 60 and above with five or more years of service, or with 20 years of service regardless of age. A member is vested after five years.

At retirement, the benefit is calculated as if the sum of the employee's contribution, with interest, and the SAWS financed monetary credits with interest were used to purchase an annuity. Members choose to receive their benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in the amount equal to 12, 24 or 36 monthly payments which cannot exceed 75.00% of the member's deposits and interest.

The following table presents information about SAWS TMRS participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the December 31, 2020 measurement date, for the fiscal year-ended December 31, 2021, were:

| | |
|---|---|
| Number of: | |
| Active Members | 1,767 |
| Retirees and Beneficiaries | 1,326 |
| Inactive Members [1] | 754 |
| Total | 3,847 |

[1] Inactive members are vested employees no longer employed by SAWS, but are eligible for a deferred retirement benefit. Amounts not in thousands.

**Contributions** — Under the state law governing TMRS, SAWS' contribution rate is determined annually by the actuary using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Eligible SAWS employees are required to contribute 3.00% of their annual gross earnings. The employer required contribution rate for SAWS was 3.64% in calendar year 2020. SAWS' contribution to TMRS totaled $8,100 for the year-ended December 31, 2020, with $3,660 contributed by SAWS' employees, and $4,440 contributed by SAWS. The total contribution equaled the required contributions.

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Texas Municipal Retirement System (TMRS) (Continued)*

**Actuarial Assumptions** — The total pension liability calculated in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 25 years |
| Asset Valuation Method | Ten-year smoothed market value; 12.00% soft corridor. |
| Inflation Rate | 2.50% |
| Salary Increases | 3.50% to 11.50%, including inflation |
| Investment Rate of Return | 6.75%, including inflation, net of pension plan investment expense |
| Retirement Age | Experience-based table of rates that are specific to SAWS plan of benefits. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the mortality study performed in 2013, with factors based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females.

Plan assets are managed on a total return basis with emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the plan actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

*Year-Ended September 30, 2022* - 161 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

### *Texas Municipal Retirement System (TMRS) (Continued)*

The target allocation and best estimates of arithmetic real rates of return for each major asset class. The long-term expected real rate of return amounts do not include inflation and are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Equity | 30.00% | 5.30% |
| Non-Core Fixed Income | 20.00% | 4.14% |
| Core Fixed Income | 10.00% | 1.25% |
| Real Return | 10.00% | 3.85% |
| Real Estate | 10.00% | 4.00% |
| Absolute Return | 10.00% | 3.48% |
| Private Equity | 10.00% | 7.75% |
| Total | 100.00% | |

The discount rate of 6.75% was used to measure the total pension liability in the December 31, 2020 actuarial valuation. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate** — The following presents the net pension liability (asset) as of December 31, 2021, calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1.00% lower, 5.75%, or 1.00% higher, 7.75%, than the current rate:

| | 1.00% Decrease 5.75% | Current Discount Rate 6.75% | 1.00% Increase 7.75% |
|---|---|---|---|
| Net Pension Liability (Asset) - TMRS | $ 47,908 | $ 16,474 | $ (9,657) |

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*Year-Ended September 30, 2022* - 162 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Texas Municipal Retirement System (TMRS) (Continued)*

**Schedule of Changes in Net Pension Liability and Related Ratios** — The table presents the components used to calculate the net pension liability for fiscal year-ended December 31, 2021, based on the measurement date and actuarial valuation date of December 31, 2020.

| Changes in the Net Pension Liability | |
|---|---|
| Total Pension Liability | |
| Service Cost | $ 6,233 |
| Interest Cost | 15,448 |
| Difference Between Expected and Actual Experience | (189) |
| Benefit Payments | (10,294) |
| Net Change in Total Pension Liability | $ 11,198 |
| Total Pension Liability - Beginning | 230,895 |
| Total Pension Liability - Ending | $ 242,093 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 4,440 |
| Contributions - Employee | 3,660 |
| Net Investment Income | 16,073 |
| Benefits Payments, including Refunds of Employee Contributions | (10,294) |
| Administrative Expense | (104) |
| Other | (4) |
| Net change in Plan Fiduciary Net Position | $ 13,771 |
| Plan Fiduciary Net Position - Beginning | 211,848 |
| Plan Fiduciary Net Position - Ending | $ 225,619 |
| Net Pension Liability | $ 16,474 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 93.20% |

#### *San Antonio Water System Retirement Plan (SAWSRP)*

**Plan Description** — The San Antonio Water System Retirement Plan (SAWSRP) is a single-employer pension plan controlled by the provisions of Ordinance No. 75686, which serves as a supplement to TMRS and Social Security. The plan has both a defined benefit and a defined contribution component. SAWS delegated to Principal Financial Group the authority to manage plan assets and administer the payment of benefits under the plan.

The financial information for SAWSRP is reported in the SAWS Fiduciary Funds financial statements. SAWSRP does not issue stand-alone financial statements.

*Year-Ended September 30, 2022* - 163 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *San Antonio Water System Retirement Plan (SAWSRP) (Continued)*

The following table presents information about SAWSRP Pension Plan participants covered by the benefits terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the January 1, 2021 measurement date, for the fiscal year-ended December 31, 2021, were:

| | |
|---|---|
| Number of: | |
| Active Members | 975 |
| Retirees and Beneficiaries | 1,145 |
| Inactive Members [1] | 558 |
| Total | 2,678 |

[1] Inactive members are vested employees no longer employed by SAWS, but are eligible for a deferred retirement benefit. Amounts not in thousands.

**Benefits Provided** — Eligible employees hired prior to June 1, 2014 participate in the defined benefit component of the plan. Eligible employees vest in this plan after completion of five years of service.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of 20 years of vesting service regardless of age or five years of vesting service and at least age 60. An employee is automatically 100.00% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

The normal retirement benefit is based upon two factors: average compensation and years of vesting service. Average compensation is defined as the monthly average of total compensation received for the three consecutive years-ending December 31, out of the last ten compensation years prior to normal retirement date, which gives the highest average.

The normal retirement benefit under SAWSRP is equal to the following:

- 1.20% of the average compensation, times years of credited service not in excess of 25 years, plus
- 0.75% of the average compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
- 0.38% of the average compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of eight alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides disability benefits.

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *San Antonio Water System Retirement Plan (SAWSRP) (Continued)*

The funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when they are due. Contribution requirements are established and may be amended by the SAWS Board. The actuarially determined contribution for 2021 was determined using Entry Age Normal cost method. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by participating employees during the year, with an additional amount to finance any unfunded accrued liability. Prior to 2015, active members made no contributions to the plan and all obligations with respect to the defined benefit feature of the plan were paid solely by SAWS. On January 1, 2015, active members began sharing in the cost of providing benefits under the plan by contributing 3.00% of their compensation.

**Contributions** — Eligible employees hired on or after June 1, 2014 participate in the defined contribution component of the plan. SAWS contributes 4.00% of participant's compensation into an individual retirement account. Participants are required to contribute 3.00% of their compensation into their individual retirement account. Contributions under the defined contribution feature of the plan are made to participants' individual retirement accounts on a bi-weekly basis based on the participants' compensation during the period. An eligible employee totally vests in SAWS contributions to the individual retirement account after one year of service and immediately vests in the employee's contributions to the plan. The employee directs the investments in their individual retirement account. SAWS has no liability for losses under the defined contribution component of the SAWSRP but does have the usual fiduciary responsibilities of a plan sponsor.

During the year-ended December 31, 2021, SAWS made contributions to participants' individual retirement accounts totaling $1,814, net of forfeitures of $21, and employees contributed $1,576.

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## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *San Antonio Water System Retirement Plan (SAWSRP) (Continued)*

**Actuarial Assumptions** — The total pension liability calculated in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Remaining Amortization Period | Unfunded liability at December 31, 2013 of $40,551 is being amortized over a 15 fixed year period. The annual impact of experience gains/losses, plan amendments and changes in plan assumptions are amortized over ten years. |
| Asset Valuation Method | Four-year smoothed market value |
| Inflation | 2.25% |
| Salary Increases | In 2021, changed to a new table based on management philosophies and more recent experience of plan participants. Previously, scale based on 2011-2013 SAWS |
| Retirement Age | Active: In 2020, changed to a table of rates starting at age 45 and ending at age 70. Inactive: In 2020, changed from 100.00% at age 62 to a table of rates starting at age 60 and ending at age 65. |
| Investment Rate of Return | 6.25%, net of pension expense, including inflation. |
| Mortality Table | In 2021, the mortality assumptions were based on PubG-2010 General base rate mortality table projected to future years with historical and assumed Mortality Improvement (MI) rates that were issued by the Society of Actuaries (SOA). PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The January 1, 2021 valuation was based on MP-2020, the most recent MI scale published in October 2020. |

The expected long-term return on plan assets assumption was developed as a weighted average rate based on target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) May 2020. The capital market assumptions were developed with a primary focus on forward-looking valuation models, interest rates, risk-premium, and long-term performance patterns of the applicable asset classes. Due to the long-term nature of pension obligations, the investment horizon for the CMA 2020 is 20 years.

*Year-Ended September 30, 2022* - 166 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

### *San Antonio Water System Retirement Plan (SAWSRP) (Continued)*

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table. The Long-term Expected Real Rate of Return amounts do not include inflation.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Total Return | 34.00% | 2.90% |
| US Equity - Large Cap | 19.00% | 5.10% |
| International Equity | 10.00% | 3.90% |
| US Mid Cap Equity | 10.00% | 7.40% |
| International Small/Mid Equity | 7.00% | 6.40% |
| US Small Cap Equity | 7.00% | 5.80% |
| Real Estate | 7.00% | 6.80% |
| High Yield Bond | 6.00% | 4.70% |
| Total | 100.00% | |

The discount rate used to measure the total pension liability was 6.25% at December 31, 2021. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on actuarial determined amounts. Based on that assumption, the SAWSRP defined benefit component's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate** — The following presents the net pension liability (asset), calculated using the discount rate of 6.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate of 1.00% lower, 5.25%, or 1.00% higher, 7.25%, than the current rate:

| | 1.00% Decrease 5.25% | Current Discount 6.25% | 1.00% Increase 7.25% |
|---|---|---|---|
| Net Pension Liability (Asset) - SAWSRP | $ 32,580 | $ (2,698) | $ (31,986) |

*Year-Ended September 30, 2022* **- 167 -** *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

### *San Antonio Water System Retirement Plan (SAWSRP) (Continued)*

**Schedule of Changes in Net Pension Liability and Related Ratios** — The following table summarizes changes in the SAWSRP net pension lability for the fiscal year-ended December 31, 2021, based on the measurement date and actuarial valuation date of January 1, 2021.

| Changes in the Net Pension Liability | |
|---|---|
| Total Pension Liability | |
| Service Cost | $ 5,187 |
| Interest Cost | 16,403 |
| Difference Between Expected and Actual Experience | (66) |
| Changes of Assumptions | (1,063) |
| Benefit Payments | (10,090) |
| Net Change in Total Pension Liability | $ 10,371 |
| Total Pension Liability - Beginning | 261,816 |
| Total Pension Liability - Ending | $ 272,187 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 9,131 |
| Contributions - Employee | 2,095 |
| Net Investment Income | 31,582 |
| Benefit Payments | (10,090) |
| Administrative Expense | (294) |
| Net Change in Plan Fiduciary Net Position | $ 32,424 |
| Plan Fiduciary Net Position - Beginning | 242,461 |
| Plan Fiduciary Net Position - Ending | $ 274,885 |
| Net Pension Assets | $ (2,698) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 100.99% |

### *District Special Project Retirement Income Plan (DSPRP)*

**Plan Description** — The District Special Project Retirement Income Plan (DSPRP) is a single-employer defined benefit pension plan that covers all eligible employees. The plan was originally established by Bexar Metropolitan Water District (BexarMet) to provide pension benefits to its employees. In 2008, the BexarMet Board elected to freeze pension benefits and entry into the plan effective September 30, 2008. In 2012, upon dissolution of BexarMet and the transfer of all assets and liabilities to the San Antonio Water System District Special Project (DSP). The plan was renamed District Special Project Retirement Income Plan (DSPRP). In 2016, DSP was merged into SAWS and DSPRP is now governed by SAWS, which is authorized to establish and amend all plan provisions. SAWS has delegated to Standard Insurance Company the authority to manage plan assets and administer the payment of benefits under the plan.

*Year-Ended September 30, 2022* - 168 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

### *District Special Project Retirement Income Plan (DSPRP) (Continued)*

The financial information for DSPRP is reported in the SAWS Fiduciary Funds financial statements. DSPRP does not issue stand-alone financial statements.

The following table presents information about DSPRP Pension Plan participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the January 1, 2021 measurement date, for the fiscal year-ended December 31, 2021, were:

| | |
|---|---|
| Number of: | |
| Active Members | 90 |
| Retirees and Beneficiaries | 12 |
| Inactive Members [1] | 38 |
| Total | 140 |

[1] Inactive members are vested employees no longer employed by DSP, but are entitled to a deferred retirement benefit.
Amounts not in thousands.

**Benefits Provided** — Prior to freezing entry into the plan, employees were eligible to enter on May 1st or November 1st following the completion of 12 months of employment and attaining the age of 21. Participating employees accrued benefits if they worked at least one hour per plan year (note: hours are reported in thousands). Eligible employees vested in this plan after the completion of five years of service. Employees are 100.00% vested in any benefits derived from employee contributions regardless of years of service. A terminating participant who has completed five years of service is entitled to receive a vested benefit starting on their normal retirement date.

The normal retirement benefit is a percentage of average monthly earnings. Prior to March 1, 1996, the monthly benefit was 60.00% of average monthly earnings reduced proportionately for less than 15 years of service. Effective March 1, 1996, the monthly benefit is 40.00% of average monthly earnings reduced proportionately for less than 20 years of service. Prior to March 1, 1996, average monthly earnings were based on the monthly earnings during the five consecutive and complete calendar years that produced the highest average. After March 1, 1996, average monthly earnings are determined by the ten consecutive and complete calendar years after December 31, 1990 which produce the highest average. Upon retirement, retirees may choose from three different types of annuities or receive a single lump sum distribution.

**Contributions** — The plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits as they come due. The contribution requirements of the plan are established and may be amended by the SAWS Board. The unit credit method was used to calculate the actuarial determined contribution for 2021. Under this method, the actual or expected accrued benefit of each participant is allocated to the year in which it accrues. The normal cost is the present value of benefits expected to accrue in the current year.

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *District Special Project Retirement Income Plan (DSPRP) (Continued)*

**Actuarial Assumptions** — The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date performed as of the measurement date:

| | |
|---|---|
| Actuarial Cost Method | Unit Credit |
| Amortization Method | Rolling level amortization over a declining period. |
| Remaining Amortization Period | Six-years |
| Asset Valuation Method | Fair Value with smoothing |
| Inflation | 2.25% |
| Salary Increase | Earned benefits frozen in 2008. |
| Investment Rate of Return | 6.25%, net of pension plan investment expense, including inflation. |
| Retirement Age | Normal retirement age - the earlier of (a) age 65 or (b) the "rule of 90" where the participant's age and years of service added together equal 90 or greater. |
| Mortality | Rates are based on the SOA RP-2014 table projected on a fully generational basis using mortality improvement scale MP-2018. |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the January 1, 2021 valuation are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Domestic Equity | 36.00% | 4.85% |
| Fixed Income | 40.00% | 1.40% |
| International Equity | 17.00% | 5.05% |
| Real Estate | 7.00% | 4.05% |
| Total | 100.00% | |

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Year-Ended September 30, 2022* **- 170 -** *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *District Special Project Retirement Income Plan (DSPRP) (Continued)*

**Sensitivity of the Net Pension Asset to Changes in the Discount Rate** — The following table presents the net pension asset, calculated at December 31, 2021 using the discount rate of 6.25%, as well as what the net pension asset would be if it were calculated using a discount rate that is 1.00% lower, 5.25%, or 1.00% higher, 7.25%, than the current rate.

| | 1.00% Decrease 5.25% | Current Discount 6.25% | 1.00% Increase 7.25% |
|---|---|---|---|
| Net Pension Asset - DSPRP | $ (372) | $ (870) | $ (1,296) |

**Schedule of Changes in Net Pension Liability and Related Ratios** — The following table summarizes the changes in the DSPRP net pension liability (asset) for the fiscal year-ended December 31, 2021 based on the measurement date of January 1, 2021.

| Changes in the Net Pension Liability | |
|---|---|
| Total Pension Liability | |
| Service Cost | $ 241 |
| Interest Cost | 409 |
| Difference Between Expected and Actual Experience | 375 |
| Benefit Payments | (408) |
| Net Change in Total Pension Liability | $ 617 |
| Total Pension Liability - Beginning | 6,149 |
| Total Pension Liability - Ending | $ 6,766 |
| | |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 400 |
| Net Investment Income | 998 |
| Benefit Payments, Including Refunds of Employee Contributions | (408) |
| Administrative Expense | (6) |
| Net change in Plan Fiduciary Net Position | $ 984 |
| Plan Fiduciary Net Position - Beginning | 6,652 |
| Plan Fiduciary Net Position - Ending | $ 7,636 |
| | |
| Net Pension Assets | $ (870) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 112.86% |

*Year-Ended September 30, 2022* - 171 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

***Other Pension Disclosures***

**Deferred Compensation Plans** — In November 2019, SAWS consolidated its prior deferred compensation plans into one plan with Empower Retirement, who acts as an independent administrator of the plan. The plan complies with Section 457(b) of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employee participation is voluntary, and SAWS makes no contributions to the plan. Empower Retirement issues a publicly available financial report that includes financial information relating to participating entities. The report may be obtained at: http://www.empower-retirement.com/about/financial-strength.

**Pension Expense** — For the year-ended December 31, 2021, SAWS recognized pension expense under the TMRS, SAWSRP, and DSPRP plans as follows:

| Schedule of Pension Expense | | |
|---|---|---|
| TMRS | $ | 1,766 |
| SAWSRP - Defined Benefit | | (476) |
| SAWSRP - Defined Contribution | | 1,814 |
| DSPRP | | (39) |
| Total Pension Expense | $ | 3,065 |

Amounts payable to the pension plans by SAWS for contributions totaled $225 at December 31, 2021.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** — At December 31, 2021, Deferred Outflows of Resources and Deferred Inflows of Resources associated with SAWS plans related to the following sources:

| | TMRS | | SAWSRP | | DSPRP | | ALL PLANS | |
|---|---|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred (Inflows) of Resources | Deferred Outflows of Resources | Deferred (Inflows) of Resources | Deferred Outflows of Resources | Deferred (Inflows) of Resources | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
| Difference in Expected and Actual Experience | $ 366 | $ (148) | $ 850 | $ (58) | $ 424 | $ (899) | $ 1,640 | $ (1,105) |
| Changes of Assumptions | 117 | | 884 | (1,090) | 270 | | 1,271 | (1,090) |
| Net Difference in Projected and Actual Earnings on Pension Plan Investments | | (6,005) | | (23,724) | | (788) | | (30,517) |
| Contributions Subsequent to the Measurement Date | 4,450 | | 6,136 | | 175 | | 10,761 | |
| Total | $ 4,933 | $ (6,153) | $ 7,870 | $ (24,872) | $ 869 | $ (1,687) | $ 13,672 | $ (32,712) |

$10,761 reported as deferred outflows of resources related to pension resulting from SAWS contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year-ending December 31, 2022.

*Year-Ended September 30, 2022* - 172 - *Amounts are expressed in thousands.*

## Note 10 Pension and Retirement Plans (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Other Pension Disclosures (Continued)*

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Net Deferred Outflows (Inflows) of Resources | | | |
|---|---|---|---|---|
| Year-Ending December 31, | TMRS | SAWSRP | DSPRP | Combined |
| 2022 | $ (2,072) | $ (7,122) | $ (292) | $ (9,486) |
| 2023 | 323 | (4,356) | (206) | (4,239) |
| 2024 | (3,544) | (8,384) | (297) | (12,225) |
| 2025 | (377) | (3,276) | (174) | (3,827) |
| 2026 | | | (46) | (46) |
| Thereafter | | | 22 | 22 |
| Total | $ (5,670) | $ (23,138) | $ (993) | $ (29,801) |

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*Year-Ended September 30, 2022* - 173 - *Amounts are expressed in thousands.*

# Note 11 Other Postemployment Benefits

## Summary of Other Postemployment Benefits

The other postemployment benefits are provided at the City and component unit levels. The City's and component units' other postemployment benefits include the City's Retiree Health Care Fund, the Retiree Health & Wellness San Antonio Fire and Police Fund, CPS Energy Health, Life, and Disability, and SAWS Retiree Health Trust.

| | Retiree Health Care Fund | Retiree Health & Wellness SA Fire and Police Fund (Health Fund) | Total City OPEB Plans | CPS Energy: Health, Life, and Disability | SAWS Retiree Health Trust |
|---|---|---|---|---|---|
| Total OPEB Liability | $ 265,083 | $ 1,117,052 | $ 1,382,135 | $ 303,117 | $ 120,795 |
| Plan Fiduciary Net Position | 5,906 | 564,260 | 570,166 | 358,018 | 104,337 |
| Net OPEB Liability (Asset) | $ 259,177 | $ 552,792 | $ 811,969 | $ (54,901) | $ 16,458 |
| Total Deferred Inflows of Resources | $ (271,451) | $ (195,719) | $ (467,170) | $ (37,960) | $ (33,279) |
| Deferred Outflows of Resources | 126,452 | 55,468 | 181,920 | 16,426 | 2,376 |
| Contributions Subsequent to Measurement Date | | 34,110 | 34,110 | 726 | 10,442 |
| Total Deferred Outflows of Resources | $ 126,452 | $ 89,578 | $ 216,030 | $ 17,152 | $ 12,818 |
| Total OPEB Expense | $ 8,773 | $ 37,909 | $ 46,682 | $ (9,718) | $ (7,521) |

## Primary Government (City)

**Plan Description** — In addition to the pension benefits discussed in Note 10 Pension and Retirement Plans, the City provides a single-employer defined benefit postemployment benefit plan for Medicare eligible civilian retirees, pre-Medicare eligible civilian retirees, and uniform employees who retired prior to October 1, 1989. Activity related to the postemployment benefits is reported in the Fiduciary Component Unit Retiree Health Care Fund. Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the City is required to account for and disclose its other postemployment liability for this plan. The City administers the plan and continues to actively review and have actuarial valuations performed for all programs as required. This plan is administered through an equivalent arrangement.

Medicare eligible retirees and surviving spouses, who have reached age 65 or have otherwise become eligible for Medicare may participate in one of three plans, Medicare Advantage PPO Plus, Medicare Advantage PPO, or a fully insured Medicare Part D Drug Plan. All retirees and surviving spouses are required to apply for and maintain Medicare Parts A & B coverage in order to participate in any of the three programs previously listed. Of the current 1,176 participating Medicare retirees and surviving spouses, 140 participate in Medicare Advantage PPO Plus plan, 1,034 participate in a Medicare Advantage PPO plan, and two participate in the Medicare Part D Drug Plan (participants not in thousands).

Pre-Medicare retirees and surviving spouses are covered under a program comprised of three self-funded medical plans administered by Blue Cross Blue Shield of Texas; Blue Essential HMO, Consumer Choice PPO, and New Value PPO. These plans may be amended at any time with approval from the City Council. As of September 30, 2022, there were 475 retirees and surviving spouses, who have not reached age 65 and are not eligible for Medicare, participating in the pre-Medicare eligible program (participants not in thousands).

Civilian retirees must be a minimum of age 60 and have at least five years of service or have at least 20 years of service at any age to be eligible for retiree health benefits.

# Note 11 Other Postemployment Benefits (Continued)

## Primary Government (City) (Continued)

Civilian retirees who qualify for a disability pension under TMRS rules are also eligible to receive the retiree medical benefit under this plan. There is no minimum length of service or age required to be eligible.

A dental and vision insurance benefit is made available to eligible retired employees on a fully contributory basis. Since retirees pay the full premium for dental and vision benefits, there is no liability associated with either benefit.

**Contributions** — The two postemployment benefit programs are funded on a pay-as-you-go basis with an aggregate sharing of premium costs based on the following targets: 67.00% by the City and 33.00% by the retiree for those retirees hired prior to October 2007. With the adoption of the fiscal year 2008 Budget, additional changes were made to this retirement health plan. For all non-uniformed employees beginning employment on or after October 1, 2007, a revised schedule for sharing of the costs on a pay-as-you-go basis is effective. The revised schedule is as follows: (1) Employees who separate from the City with less than five years of service are not eligible to participate in the program; (2) Employees who separate with at least five years of service but less than ten years of service are eligible to participate in the program but without City subsidy; and (3) Employees who separate from employment with ten years of service or more will pay for 50.00% of the pay-as-you-go contributions to the program and the City will contribute the remaining 50.00%. The program requires employees to meet the retirement eligibility criteria set forth by TMRS and accrued actual years of service with the City.

Retirees may waive coverage at retirement but must do so at the exact time of retirement. These retirees are allowed a one-time opportunity to re-enter the plan at a later date upon submitting proof of continuous health coverage. Retirees may only enroll dependents that were covered at the time coverage was waived. Dependents must return to the plan with the retiree, otherwise coverage for the dependent is forfeited.

The following table presents information about OPEB participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the total OPEB liability, as of the measurement date, for the fiscal year-ended September 30, 2022, were:

| | |
|---|---|
| Number of: | |
| Active Members | 7,413 |
| Retirees and Beneficiaries | 1,629 |
| Inactive Members [1] | 1,307 |
| Total | 10,349 |

[1] Inactive members are vested employees no longer employed by the City, but are eligible for a deferred retirement benefits.
Amounts not in thousands.

The cost of the program is reviewed annually, and the costs of medical claims are funded jointly by the City and retirees on a pay-as-you-go basis, based on the allocations described above. No contributions were made in fiscal year 2022 to prefund benefits. Total contributions by the City and Retirees for fiscal year-ended September 30, 2022 were $6,666 and $1,599 respectively. The plan's fiduciary net position is a result of the accumulation of prescription rebates earned and savings from claim payments being lower than anticipated.

# Note 11 Other Postemployment Benefits (Continued)

## Primary Government (City) (Continued)

**Actuarial Assumptions** — Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. This valuation's assumptions are as follows:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal based on level percentage of projected salary |
| Amortization Method | Experience/Assumptions gains and losses are amortized over a closed period of 12.1 years starting on the current fiscal year, equal to the average remaining service of active and inactive plan members (who have no future service) |
| Asset Valuation Method | Fair Market Value |
| Inflation | 2.00% |
| Remaining Amortization Period | 11.1 years |
| Salary Increase Rate | 3.50% per annum |
| Discount Rate | 4.00% per annum (EOY) |
| Healthcare and Prescription Cost Trend Rates | Pre-65 Select 7.00% and Ultimate 4.00%; Post-65 Select 6.00% and Ultimate 4.00%; Stop Loss Fees Select 7.00% and Ultimate 4.00%; Administrative Fees Select 4.00% and Ultimate 4.00% |
| Mortality | PUB-2010 headcount weighted base mortality table, projected generationally using Scale MP-2021, applied on a gender-specific and job class basis (teacher, safety, or general, as applicable). |

The City's retiree participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 60.00% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. Additionally, current waived retirees that are eligible to return to the plan have a 10.00% participation rate for returning to a Medicare Advantage plan.

Annual retirement probabilities have been determined based on the TMRS Actuarial Valuation as of December 31, 2021. The annual retirement probability is dependent on an employee's gender, entry age group, and age. Additional criteria that adjust the base table rates include employee contribution rate, employer match, and if the City has a recurring cost-of-living adjustment.

The rate of withdrawal for reasons other than death and retirement has been developed from the TMRS Actuarial Valuation as of December 31, 2021. The annual termination probability is dependent on an employee's age, gender, and years of service. Additional criteria that adjust the base table rates include employee group (Police, Fire, Other) and a city multiplier.

*Year-Ended September 30, 2022* - 176 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

The target allocation for each major asset class are summarized in the following table:

| Asset Class | Target Allocation |
|---|---|
| U.S. Government Agency Securities | 42.50% |
| U.S. Treasuries | 37.10% |
| Money Market Mutual Funds | 6.70% |
| Government Investment Pool | 13.60% |
| Repurchase Agreement | 0.10% |
| **Total** | 100.00% |

The long-term investment return is 4.00% per annum, which includes inflation of 2.00%.

**Discount Rate —** The discount rate used to measure the total OPEB Liability was 4.00%, based on the Expected Return on Assets assumption. The City's OPEB Trust is assumed fully funded to cover all future expected benefit payments based on the current OPEB Trust Funding Policy. As of the current valuation, the Policy is to fund, annually, an amount equal to the benefit payments required each year.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** — The following shows the net OPEB liability, calculated using the discount rate of 4.00% in comparison to what the net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (3.00%) or 1.00% higher (5.00%) than the current rate:

| | 1.00% Decrease 3.00% | Current Discount 4.00% | 1.00% Increase 5.00% |
|---|---|---|---|
| Net OPEB Liability | $ 287,406 | $ 259,177 | $ 228,839 |

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rates** — The following shows the current net OPEB liability, calculated using the assumed health benefit cost trend rates, in comparison to what the net OPEB liability would be if it were calculated using trend rates that are 1.00% lower (6.00% decreasing to 3.00%) or 1.00% higher (8.00% decreasing to 5.00%) than the assumed health benefit costs trend rates:

| | 1.00% Decrease (6.00% decreasing to 3.00%) | Assumed Rates (7.00% decreasing to 4.00%) | 1.00% Increase (8.00% increasing to 5.00%) |
|---|---|---|---|
| Net OPEB Liability | $ 224,243 | $ 259,177 | $ 293,717 |

*Year-Ended September 30, 2022* **- 177 -** *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

**Changes in the Net OPEB Liability** — The following table shows the changes in the net OPEB liability as of the fiscal year-ended September 30, 2022.

| Changes in the Net OPEB Liability | |
|---|---|
| Total OPEB Liability | |
| Service Cost | $ 12,177 |
| Interest Cost | 7,157 |
| Difference Between Expected and Actual Experience | (792) |
| Changes of Assumptions | (56,399) |
| Benefit Payments | (7,607) |
| Net Change in Total OPEB Liability | $ (45,464) |
| Total OPEB Liability - Beginning | 310,547 |
| Total OPEB Liability - Ending | $ 265,083 |
| | |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 6,666 |
| Contributions - Employee | 1,599 |
| Net investment income (loss) | (61) |
| Benefit Payments, including Refunds of Employee Contributions | (7,607) |
| Administrative Expense | (24) |
| Other | 5,333 |
| Net change in Plan Fiduciary Net Position | $ 5,906 |
| Plan Fiduciary Net Position - Beginning | - |
| Plan Fiduciary Net Position - Ending | $ 5,906 |
| | |
| Net OPEB Liability | $ 259,177 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability | 2.23% |

*Year-Ended September 30, 2022* **- 178 -** *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

**OPEB Expense** — For the year-ended September 30, 2022, the City recognized OPEB expense of $8,773.

| Schedule of OPEB Expense | | |
|---|---|---|
| Service Cost | $ | 12,177 |
| Interest Cost | | 7,157 |
| Expected return on assets | | (61) |
| Employee Contributions | | (1,599) |
| Administrative expenses | | 24 |
| Current Recognized Deferred Outflows/(Inflows): | | |
| Differences Between Expected and Actual Experience | | (25,480) |
| Changes in Assumptions or Other Inputs | | 16,531 |
| Projected Investment earnings difference | | 24 |
| Total OPEB Expense | $ | 8,773 |

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** — At September 30, 2022, the City reported OPEB related deferred outflows of resources and deferred inflows of resources from the following:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Net difference in projected and actual earnings on OPEB plan investments | $ 97 | $ - |
| Changes of Assumptions | 126,355 | (62,506) |
| Difference in Expected and Actual Experience | | (208,945) |
| Total | $ 126,452 | $ (271,451) |

*Year-Ended September 30, 2022* - 179 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year-Ending September 30, | Net Deferred Outflows (Inflows) of Resources |
|---|---|
| 2023 | $ (8,926) |
| 2024 | (8,926) |
| 2025 | (6,741) |
| 2026 | (7,105) |
| 2027 | (17,580) |
| Thereafter | (95,721) |
| Total | $ (144,999) |

**Contact Information** — For additional information regarding the separately issued actuarial valuation report contact the City of San Antonio Human Resource Department, Employee Benefit Division, at P.O. Box 839966, San Antonio, Texas, 78283-3966. The City's Retiree Health Care Fund's financials are reported as a fiduciary fund in the City's Annual Comprehensive Financial Report (ACFR). The City's ACFR is available for viewing at www.sanantonio.gov.

### *Retiree Health & Wellness SA Fire and Police Fund*

**Plan Description** — The Retiree Health & Wellness San Antonio Fire and Police Fund (Health Fund) is a Texas statutory retirement health trust for firefighters and police officers of the City, established under Article 6243q, Vernon's Texas Civil Statutes. The trust holds assets and liabilities of the City's Fire and Police Retiree Health Care Plan (Plan). This Plan is a single-employer defined benefit postemployment health care plan that was created in October 1989 in accordance with provisions established by contract with the local fire and police unions to provide postemployment healthcare benefits to police officers and firefighters of the City retiring after October 1, 1989. Authority to establish and amend the Plan's postemployment health care benefits is based on regulations enacted by the Texas Legislature that control the operation of the Health Fund. The statutory trust is governed by a Board of Trustees that meet on a monthly basis. The Board consists of nine members: the Mayor or his representative; two members of the City Council; one retired and two active duty police officers; and one retired and two active duty firefighters. The City is the only participating employer in the Plan. The plan is operated on an advance-funded basis and has established the Health Fund as the trust for accumulating assets.

WEB-TPA Employer Services, LLC and WellDyncRx serve as the medical and prescription third party administrators for the Health Fund.

*Year-Ended September 30, 2022* - 180 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Benefits Provided** — The Health Fund provides postretirement health benefits for uniform employees of the fire and police departments who become eligible retirees, and their spouses. Eligible retirees are those who retire after October 1, 1989. Eligible spouses are spouses at the time of retirement of the eligible retirees and either remain married to or survive the eligible retiree. In addition, eligible spouses include the surviving spouses of active members whose death was duty-related or who died while eligible for retirement. Retirement eligibility is according to the provisions of the Fire and Police Pension Fund, San Antonio, which requires 20 or more years of service after completing the required training to be certified.

The health benefits are indemnity style coverage. As of January 1, 2022 actuarial valuation date, the maximum in-network annual deductible per individual was $997 and the maximum in-network out-of-pocket payments per individual were $3,786 (amounts not expressed in thousands). After age 65, the benefits are coordinated with Medicare. The maximum deductible and out-of-pocket payments are indexed according to the annual increase in the medical care category of the CPI-U.

**Contributions** — Since its inception, the Health Fund has been funded primarily by contributions from the City and active firefighters and police officers, as part of the compensation for services rendered by members, and by contributions made by retirees for their dependents. As of the January 1, 2022 valuation date, the contributions required by the City were 14.30% of average covered pay of the combined fire and police departments for the City's fiscal year 2022. For the active fire and police employees, the contributions required were 7.15% of the average covered pay for the City's fiscal year 2022.

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## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

Total contributions by the City and active members for fiscal year-ended September 30, 2022 were $46,098 and $23,054 respectively.

Going forward, the total statutorily determined contribution rates effective October 1, 2022 through October 1, 2024 are presented in the table below.

| Contribution Rates | | | |
|---|---|---|---|
| **Effective Date** | **City** | **Member** | **Total** |
| 10/1/2022 | 14.30% | 7.15% | 21.45% |
| 10/1/2023[1] | 14.30% | 7.15% | 21.45% |
| 10/1/2024[1] | 14.30% | 7.15% | 21.45% |

[1] The January 1, 2023 actuarial valuation will determine the actual increase beginning October 1, 2024, where necessary.

Ultimately, the contribution policy also depends upon the total return of the Health Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the Board of Trustees. The Board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year-ending December 31, 2021, the money-weighted rate of return on plan investments was 11.98%. The measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

The following table presents information about OPEB participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net OPEB liability, as of the measurement date of December 31, 2021, were:

| | |
|---|---|
| Number of: | |
| Active Members | 4,124 |
| Retirees and Beneficiaries | 4,385 |
| Total | 8,509 |

Amounts not in thousands.

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Actuarial Assumptions** — The net OPEB liability in the January 1, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Period | 21 years |
| Asset Valuation Method | Adjusted market value gains/losses spread over a five-year period |
| Inflation | 2.75% |
| Salary Increases | 2.75% plus merit and promotion increases that vary by service |
| Discount Rate | 7.00% |
| Health Benefit Costs Trend Rates | 6.25% for 2023, decreasing 0.50% per year to an ultimate rate of 4.25% for 2027 and beyond |
| Mortality | Based on the PubS.H-2010 (public safety, headcount weighted) total dataset mortality tables for employees and retirees (sex distinct), projected for mortality improvement generationally using the projection scale SSA2019-2D |

The assumed retirement rates, termination rates, and rates of merit and promotion increases were based on an experience study of the Pension Fund over the four plan years ending in 2018. The discount rate was based on the expected long-term rate of return for the Health Fund.

The long-term expected rate of return on plan investments is reviewed for each actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by target asset allocation percentage (currently resulting in 5.30%) and by adding expected inflation (2.75%). In addition, the final 7.00% assumption was selected by rounding down.

*Year-Ended September 30, 2022* **- 183 -** *Amounts are expressed in thousands*

# Note 11 Other Postemployment Benefits (Continued)

## Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Net Real Rate of Return |
|---|---|---|
| **Equities** | | |
| Domestic Large Cap | 15.00% | 6.39% |
| Domestic Small/Mid Cap | 5.00% | 6.37% |
| International Developed | 6.00% | 6.48% |
| Emerging Markets | 8.00% | 8.14% |
| **Fixed Income** | | |
| Domestic Core Plus | 5.00% | 2.13% |
| Domestic Treasury Inflation Protected Securities | 4.00% | 1.39% |
| Bank Loans | 5.00% | 2.56% |
| Emerging Markets | 3.00% | 2.22% |
| Domestic High Yield | 4.00% | 2.72% |
| **Alternatives** | | |
| Private Equity | 20.00% | 7.76% |
| Real Estate | 10.00% | 3.56% |
| Private Debt | 14.00% | 4.35% |
| **Cash** | 1.00% | 0.00% |
| **Total** | 100.00% | |
| Weighted Average | | 5.30% |

**Discount Rate** — The discount rate used to measure the net OPEB liability was 7.00%. No projection of cash flows was used to determine the discount rate because the January 1, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 21 years beginning in 2022. Because the 21-year amortization period of the UAAL, the plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on plan investments of 7.00% was applied to all periods of projected benefit payments as the discount rate to determine the net OPEB liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** — The following shows the net OPEB liability, calculated using the discount rate of 7.00% in comparison to what the net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate:

| | 1.00% Decrease 6.00% | Current Discount 7.00% | 1.00% Increase 8.00% |
|---|---|---|---|
| Net OPEB Liability | $ 722,765 | $ 552,792 | $ 414,559 |

*Year-Ended September 30, 2022* - 184 - *Amounts are expressed in thousands*

# Note 11 Other Postemployment Benefits (Continued)

## Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rates** — The following shows the current net OPEB liability, calculated using the assumed health benefit cost trend rates, in comparison to what the net OPEB liability would be if it were calculated using trend rates that are 1.00% lower (5.25% decreasing to 3.25%) or 1.00% higher (7.25% decreasing to 5.25%) than the assumed health benefit costs trend rates:

| | 1.00% Decrease (5.25% decreasing to 3.25%) | Assumed Rates (6.25% decreasing to 4.25%) | 1.00% Increase (7.25% decreasing to 5.25%) |
|---|---|---|---|
| Net OPEB Liability | $ 399,047 | $ 552,792 | $ 746,990 |

**Changes in the Net OPEB Liability** — The following table shows the changes in the net OPEB liability for the year ended September 30, 2022 based on the measurement period ended December 31, 2021.

| Changes in the Net OPEB Liability | |
|---|---|
| Total OPEB Liability | |
| Service Cost | $ 28,869 |
| Interest Cost | 78,094 |
| Difference Between Expected and Actual Experience | 2,387 |
| Changes of Assumptions | (59,131) |
| Benefit Payments | (39,850) |
| Net Change in Total OPEB Liability | $ 10,369 |
| Total OPEB Liability - Beginning | 1,106,683 |
| Total OPEB Liability - Ending | $ 1,117,052 |
| | |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 42,030 |
| Contributions - Employee | 21,012 |
| Net Investment Income | 59,256 |
| Benefit Payments, including Refunds of Employee Contributions | (39,849) |
| Administrative Expense | (3,794) |
| Other | 1,545 |
| Net change in Plan Fiduciary Net Position | $ 80,200 |
| Plan Fiduciary Net Position - Beginning | 484,060 |
| Plan Fiduciary Net Position - Ending | $ 564,260 |
| | |
| Net OPEB Liability | $ 552,792 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 50.51% |

*Year-Ended September 30, 2022* **- 185 -** *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

**OPEB Expense** — For the year-ended September 30, 2022, based on the actuarial valuation of December 31, 2021, the recognized OPEB expense was $37,909. Amounts recognized in the fiscal year represent changes between current and prior measurement dates.

| Schedule of OPEB Expense | |
|---|---|
| Service Cost | $ 28,869 |
| Interest Cost | 78,094 |
| Employee Contributions | (21,012) |
| Projected Earnings on OPEB Plan Investments | (34,617) |
| Amortization of Differences Between Projected and Actual Earnings on Plan Investments | 1,052 |
| Amortization of Changes of Assumptions | (20,953) |
| Amortization of Differences Between Expected and Actual Experience | 4,228 |
| OPEB plan administrative expenses | 3,793 |
| Other Contributions (Retirees) | (1,545) |
| Total OPEB Expense | $ 37,909 |

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** — At September 30, 2022, the City reported OPEB related deferred outflows of resources and deferred inflows of resources from the following:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Difference in Expected and Actual Experience | $ 34,839 | $ (2,672) |
| Changes of Assumptions | 20,629 | (170,145) |
| Net Difference in Projected and Actual Earnings on OPEB Plan Investments | | (22,902) |
| Contributions Subsequent to the Measurement Date | 34,110 | |
| Total | $ 89,578 | $ (195,719) |

$34,110 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year-ending September 30, 2023.

*Year-Ended September 30, 2022* - 186 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### Primary Government (City) (Continued)

#### *Retiree Health & Wellness SA Fire and Police Fund (Continued)*

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year-Ended September 30, | Net Deferred Outflows (Inflows) of Resources | |
|---|---|---|
| 2023 | $ | (15,665) |
| 2024 | | (25,521) |
| 2025 | | (26,964) |
| 2026 | | (21,653) |
| 2027 | | (16,725) |
| Thereafter | | (33,723) |
| Total | $ | (140,251) |

**Contact Information** — Additional information regarding the Health Fund separately issued stand-alone financial report, or the actuarial valuation report for OPEB, may be obtained at 11603 W. Coker Loop, Suite 210, San Antonio, Texas, 78216.

### CPS Energy

CPS Energy provides certain health, life insurance and disability income benefits for active and retired employees. CPS Energy employees and their dependents may elect to participate in the plans and most CPS Energy employees continue eligibility upon retirement from CPS Energy. Disclosures in this footnote are limited to information related only to those benefits provided on a postemployment basis. Assets of the plans are held in three separate, single-employer defined benefit contributory plans:

- CPS Energy Group Health Plan (Health Plan) – a defined-benefit contributory group health plan that provides health, dental and vision insurance benefits.
- CPS Energy Group Life Insurance Plan (Life Plan) – a defined-benefit contributory plan that provides life insurance benefits.
- CPS Energy Long-Term Disability Income Plan (Disability Plan) – a defined-benefit contributory plan that provides disability income benefits.

The Employee Benefit Plans may be amended at any time by CPS Energy, acting by and through the Employee Benefits Oversight Committee (EBOC), which includes the President and CEO, the Chief Financial Officer, and the Audit & Finance Committee of the Board.

*Year-Ended September 30, 2022* - 187 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### CPS Energy (Continued)

The Employee Benefit Plans' assets are segregated from CPS Energy's assets and are separately managed by an Administrative Committee whose members are appointed by the EBOC. The plans report results on a calendar-year basis and issue separately audited financial statements that may be obtained by contacting Benefit Trust Administration at CPS Energy. The Employee Benefit Plans' financial statements include certain disclosures related to CPS Energy's Net OPEB (asset) liability. However, because the financial reporting and OPEB measurement dates for the Employee Benefits Plans and CPS Energy are not aligned, the Employee Benefit Plans' disclosures will vary from information provided by CPS Energy in this footnote and in the accompanying RSI.

**Benefits Provided** — The Health Plan provides health, dental and vision benefits to eligible retirees, including their enrolled dependents, and the spouse and dependent children of deceased employees. The Life Plan provides life insurance benefits and death benefits to eligible retired employees and enrolled dependents. The Disability Plan provides disability income benefits to employees as of an employee's date of hire; however, benefits under the Plan are reduced if the employee is receiving certain other disability, retirement, or welfare benefits.

The following table presents information about OPEB participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net OPEB asset, as of the measurement dates, for the fiscal year-ended January 31, 2022, were:

| | Health | Life | Disability |
|---|---|---|---|
| Number of: | | | |
| Active Members | 2,900 | 2,900 | 3,000 |
| Retirees and Beneficiaries | 1,927 | 2,438 | 75 |
| Total | 4,827 | 5,338 | 3,075 |

Amounts not in thousands.

**Contributions** — The funding requirements for both the plan participants and the employer are established by and may be amended by CPS Energy. Funding is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by CPS Energy. The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the plans during the fiscal year beginning 13 months after the valuation date. The January 1, 2020 valuation was the basis for contributions in fiscal year 2022.

Retired employees contribute to the Health Plan in varying amounts depending upon an equity formula that considers age and years of service. Individuals who retired before February 1, 1993, contribute a base rate plus 2.25% of the difference between that amount and the aggregate rate for each year that the sum of age and service is less than 95. Those who retired on or after February 1, 1993, contribute a base rate plus a percentage of the CPS Energy contribution, based on the number of years of service, if they retired with less than 35 years of service.

Based on the funded status of the Health Plan, CPS made no contributions in fiscal year 2022.

## Note 11 Other Postemployment Benefits (Continued)

### CPS Energy (Continued)

The Medicare Prescription Drug Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D entitled the Health Plan to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by the Health Plan on behalf of certain plan participants. These payments totaled $924 for fiscal year 2022. In accordance with GASB Technical Bulletin 2006-01, *Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D,* future projected payments from the federal government have not been used to lessen total projected obligations under CPS Energy's Health Plan.

Active employees contribute to the Life Plan at a rate of $0.13 per $1 of insurance per month on amounts in excess of $20. Employees who retired prior to February 1, 1993, contribute to the Life Plan at a rate of $0.13 per $1 of insurance per month on amounts in excess of $20 plus 2.25% of the difference between that amount and the aggregate rate for retiree coverage for each year the sum of retirement age and service is less than 95. Those who retired on or after February 1, 1993, contribute $0.13 per $1 of insurance per month on amounts in excess of $20 plus a percentage of the CPS Energy contribution, based on number of years of service, if they retired with less than 35 years of service. Based on the funded status of the Life Plan, CPS Energy made no contributions in fiscal year 2022.

Beginning in fiscal year 2015, the Disability Plan has been funded by a combination of employee and employer contributions. Active employee contribution rates are determined by CPS Energy and may be adjusted on an annual basis. CPS Energy's contributions are determined on a discretionary basis and are generally based on the actuarial valuation calculations. Retired employees are not eligible to participate and therefore do not contribute to the Disability Plan. Prior to fiscal year 2015, the Disability Plan was funded completely by CPS Energy. CPS Energy's average contribution rate was 0.28% of covered-employee payroll in fiscal year 2022.

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## Note 11 Other Postemployment Benefits (Continued)

### CPS Energy (Continued)

**Actuarial Methods and Assumptions** — Significant actuarial assumptions used in the calculations for the January 1, 2020, actuarial valuation for fiscal year 2022 included:

| | Health | Life | Disability |
|---|---|---|---|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level percent; layered periods | Level dollar; layered periods | Level dollar; layered periods |
| Remaining Amortization Period | 27 years | Five years | Five years |
| Asset Valuation Method | Market value gains/losses recognized over five years. | Market value gains/losses recognized over five years. | Market value gains/losses recognized over five years. |
| Inflation | 2.20%, compounded annually | 2.20%, compounded annually | 2.20%, compounded annually |
| Salary Increase | 3.20% to 11.47% | 3.20% to 11.47% | 3.20% to 11.47% |
| Investment Rate of Return | 7.00% per year, compounded annually | 7.00% per year, compounded annually | 7.00% per year, compounded annually |
| Healthcare Cost Trend Rates | 6.70% initial, decreasing to an ultimate rate of 3.80%. | N/A | N/A |
| Mortality | Based on Pri-2012 Employee/Retiree Mortality (headcount weighted) projected forward (fully generational) with MP-2019, with employee rates before termination and healthy annuitant rates after termination. | Based on Pri-2012 Employee/Retiree Mortality (headcount weighted) projected forward (fully generational) with MP-2019, with employee rates before termination and healthy annuitant rates after termination. | Healthy mortality based on Pri-2012 Employee/Retiree Mortality (headcount weighted) projected forward (fully generational) with MP-2019 Disabled mortality based on Pri-2012 Private Retirement Plans Disabled Mortality Table (headcount weighted) projected with Mortality Improvement Scale MP-2020 (adopted January 1, 2021). |

The actuarial assumptions used in the January 1, 2020 valuation for amounts reported in fiscal year 2022 were based on the results of an actuarial experience study completed in 2020 covering experience for the period January 1, 2017 through December 31, 2019.

*Year-Ended September 30, 2022* **- 190 -** *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### CPS Energy (Continued)

The long-term expected rate of return on OPEB plan investments was determined based on a blend of historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions, developed on a geometric basis. An economic simulation method was used in which best-estimate ranges of expected future rates of return (expected returns on Employee Benefit Plans investment expense) for each major asset class were combined using simulations that ensure the economic consistency of each individual trial, then reduced by a factor representing inflation to produce long-term expected real rates of return for each major asset class. The assumed allocation and expected real rates of return for each major asset class are summarized in the table below.

| | Assumed Asset Allocation | Expected Real Rate of Return |
|---|---|---|
| Asset Class | | |
| Equities | 54.50% | 4.27% |
| Debt Securities | 28.50% | 1.78% |
| Alternative Investments | 17.00% | 4.32% |
| Total Investments | 100.00% | |

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate** — The discount rate used to measure the total OPEB liability for fiscal year 2022 was 7.00%. The projection of cash flows used to determine the discount rate assumed that CPS Energy contributions will be made in a manner consistent with the current contribution practices. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table present the sensitivity of the net OPEB (asset) calculation to a 1.00% increase and a 1.00% decrease in the discount rate used to measure the total OPEB liability:

| | 1.00% Decrease 6.00% | Current Discount 7.00% | 1.00% Increase 8.00% |
|---|---|---|---|
| Health | $ (32,871) | $ (57,804) | $ (79,281) |
| Life | 9,302 | 2,314 | (3,395) |
| Disability | 831 | 589 | 363 |
| Total | $ (22,738) | $ (54,901) | $ (82,313) |

*Year-Ended September 30, 2022* - 191 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### CPS Energy (Continued)

**Sensitivity of the Net OPEB Asset to Changes in the Health Care Trend Rates -** The following table presents the sensitivity of net Health Plan OPEB asset calculation to a 1.00% increase and a 1.00% decrease in the healthcare cost trend rates used to measure the total Health Plan OPEB asset:

| | 1.00% Decrease (5.70% decreasing to 2.80%) | Current Discount (6.70% decreasing to 3.80%) | 1.00% Increase (7.70% decreasing to 4.80%) |
|---|---|---|---|
| Health Plan OPEB (Asset) | $ (83,560) | $ (57,804) | $ (26,854) |

**Net OPEB Asset** — CPS Energy's net OPEB asset at January 31, 2022 was measured as of January 31, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by actuarial valuations as of January 1, 2020, rolled forward using generally accepted actuarial procedures to the January 31, 2021 measurement date. At January 31, 2022, the net OPEB asset was ($54,901), and is reflected as part of the Other Noncurrent Assets on the Statement of Net Position.

**Changes in Net OPEB Asset**

| | Health | Life | Disability | Total |
|---|---|---|---|---|
| Total OPEB Liability | | | | |
| Service Cost | $ 3,772 | $ 517 | $ 557 | $ 4,846 |
| Interest Cost | 17,089 | 3,400 | 384 | 20,873 |
| Differences Between Expected and Actual Experience | (11,592) | 4,766 | (156) | (6,982) |
| Changes of Assumptions | (5,962) | 4,044 | 1,993 | 75 |
| Benefit Payments | (13,398) | (3,987) | (1,142) | (18,527) |
| Net Change in Total OPEB Liability | $ (10,091) | $ 8,740 | $ 1,636 | $ 285 |
| Total OPEB Liability - Beginning | 250,115 | 47,260 | 5,457 | 302,832 |
| Total OPEB Liability - Ending | $ 240,024 | $ 56,000 | $ 7,093 | $ 303,117 |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | $ - | $ - | $ 614 | $ 614 |
| Contributions - Employee | | 1,077 | 276 | 1,353 |
| Medicare Part D Payment | 924 | | | 924 |
| Earnings on Plan Assets | 26,613 | 4,031 | 539 | 31,183 |
| Benefit Payments | (13,398) | (3,987) | (1,142) | (18,527) |
| Administrative Expense | (1,297) | (25) | (21) | (1,343) |
| Net Change in Plan Fiduciary Net Position | $ 12,842 | $ 1,096 | $ 266 | $ 14,204 |
| Plan Fiduciary Net Position - Beginning | 284,986 | 52,590 | 6,238 | 343,814 |
| Plan Fiduciary Net Position - Ending | $ 297,828 | $ 53,686 | $ 6,504 | $ 358,018 |
| Net OPEB (Asset) Liability | $ (57,804) | $ 2,314 | $ 589 | $ (54,901) |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 124.08% | 95.87% | 91.70% | 118.11% |

CPS Energy recorded ($9,718) in OPEB expense for the year-ended January 31, 2022.

*Year-Ended September 30, 2022* - 192 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### CPS Energy (Continued)

**Plan Fiduciary Net Position** — Detailed information about the OPEB plans' fiduciary net position is available in the separately issued Employee Benefit Plans financial statements. For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position for the Employee Benefit Plans and additions to/deductions from the Employee Benefit Plans' fiduciary net position have been determined on the same basis as they are reported by the Employee Benefit Plans. Investments are stated at fair value. Benefit payments are recognized when due and payable in accordance with the terms of the Employee Benefit Plans.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** — The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for CPS Energy at January 31, 2022:

| | Health | Life | Disability | Total |
|---|---|---|---|---|
| **Deferred Outflows of Resources** | | | | |
| Differences Between Expected and Actual Experience in the Measurement of Total OPEB Liability | $ 1,100 | $ 5,308 | $ 73 | $ 6,481 |
| Changes of Assumptions | 4,139 | 3,967 | 1,839 | 9,945 |
| Contributions Subsequent to the Measurement Date | | | 726 | 726 |
| **Total Deferred Outflows of Resources** | $ 5,239 | $ 9,275 | $ 2,638 | $ 17,152 |
| **Deferred Inflows of Resources** | | | | |
| Differences Between Projected and Actual Earnings on OPEB Assets | $ (3,939) | $ (61) | $ (10) | $ (4,010) |
| Differences Between Expected and Actual Experience in the Measurement of Total OPEB Liability | (23,085) | (504) | (949) | (24,538) |
| Changes in Assumptions | (9,216) | (196) | | (9,412) |
| **Total Deferred Inflows of Resources** | $ (36,240) | $ (761) | $ (959) | $ (37,960) |

$726 reported as deferred outflows of resources in Disability Plan related to OPEB resulting from CPS contributions subsequent to the measurement date, will be recognized as an adjustment of the net OPEB asset in the year-ending January 31, 2023.

*Year-Ended September 30, 2022* - 193 - *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### CPS Energy (Continued)

The following table presents the future amortization of OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Employee Benefit Plans in the current fiscal year and subsequent to the net OPEB asset measurement date. The deferred outflows of resources balance for such contribution amounts at the end of a fiscal period are recognized fully as adjustments to the net OPEB (asset) in the subsequent fiscal year.

| Year-ended January 31, | Health | Life | Disability | Total |
|---|---|---|---|---|
| 2023 | $ (6,636) | $ 1,540 | $ 160 | $ (4,936) |
| 2024 | (2,105) | 2,429 | 218 | 542 |
| 2025 | (8,378) | 887 | 60 | (7,431) |
| 2026 | (7,512) | 1,418 | 130 | (5,964) |
| 2027 | (4,774) | 1,439 | 218 | (3,117) |
| Thereafter | (1,596) | 801 | 167 | (628) |
| Total | $ (31,001) | $ 8,514 | $ 953 | $ (21,534) |

### San Antonio Water System (SAWS)

SAWS provides certain healthcare and life insurance benefits for eligible retirees, their spouses, and their dependents through San Antonio Water System Retiree Health Trust (SAWS OPEB Plan), a single-employer defined benefit plan administered by SAWS. The authority to establish and amend the OPEB provisions is vested in the SAWS Board of Trustees.

SAWS does not issue a separate financial report for its OPEB plan.

By State law, any employee that retires under either the TMRS or SAWS retirement plans is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Retirees may also purchase coverage for their spouse and qualifying dependents at group rates partially subsidized by SAWS. Any plan participant eligible for Medicare is required to enroll in a Medicare Advantage Plan. No supplemental health benefits are provided to those participants enrolled in Medicare Advantage Plans. Employees hired after December 31, 2013 will not be eligible for any subsidized medical benefits upon retirement from SAWS.

The following table presents information about OPEB participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net OPEB liability, as of the measurement date, for the fiscal year-ended December 31, 2021, were:

| | |
|---|---|
| Number of: | |
| Active Members | 957 |
| Retirees and Beneficiaries | 801 |
| Total | 1,758 |

Amount not in thousands.

## Note 11 Other Postemployment Benefits (Continued)

### San Antonio Water System (SAWS) (Continued)

**Contributions** — The contribution requirements of plan participants are established and may be amended by the SAWS Board. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service, and the health care options selected. Plan participants made contributions toward plan benefits totaling $1,840 for year-ended December 31, 2021.

SAWS contributions to the plan are also established by the SAWS Board. Prior to 2012, SAWS only funded the shortfall between annual benefit payments and retiree contributions (current benefit payments). In March 2012, SAWS established an OPEB Trust for the exclusive purpose of prefunding future benefit payment for eligible retirees and their dependents. In addition to making contributions to the trust, SAWS has continued to fund current benefit payments outside of the trust. SAWS intends to fund current benefit payments as well as make annual contributions to the trust in accordance with a plan that, at a minimum, fully funds the actuarially determined annual required contributions for these benefits thereby improving the funded status of the SAWS OPEB Plan over a period of time.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between SAWS and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Actuarial Methods and Assumptions** — Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following table summarizes the actuarial methods and assumptions used in the most recent actuarial valuation for SAWS' OPEB plan.

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Value of Assets | Market Value |
| Remaining Amortization Period | 13 Years - Closed |
| Inflation Rate | 2.50% |
| Salary Increases | 3.75% to 9.00%, varies by age |
| Investment Rate of Return | 6.25% |
| Healthcare Cost Trend: | |
| Initial | Pre-65 initial trend is 6.00%. Post 65 trend is -2.00%. |
| Ultimate | 4.04% |
| Mortality | In 2021, the mortality rate was based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2020 published in October 2020. |

*Year-Ended September 30, 2022* **- 195 -** *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### San Antonio Water System (SAWS) (Continued)

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The discount rate used to measure the total OPEB liability at December 31, 2021 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contributions. Based on those assumptions, the defined benefit component's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the defined benefit component's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the SAWS OPEB Plan net OPEB liability calculated at December 31, 2021 using the discount rate of 6.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

| | 1.00% Decrease 5.25% | Current Discount 6.25% | 1.00% Increase 7.25% |
|---|---|---|---|
| Net OPEB Liability | $ 30,909 | $ 16,458 | $ 4,443 |

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rates** – The following table presents the change in the SAWS OPEB net liability calculated at December 31, 2021 assuming healthcare cost trends decrease or increase by one percentage point from the assumptions used in total OPEB liability.

| | 1.00% Decrease (5.00%/-3.00% decreasing to 3.04%) | Assumed Rates (6.00%/-2.00% decreasing to 4.04%) | 1.00% Increase (7.00%/-1.00% decreasing to 5.04%) |
|---|---|---|---|
| Net OPEB Liability | $ 7,630 | $ 16,458 | $ 27,032 |

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table. The long-term expected rate of return amounts does not include inflation.

| Asset Class | Target Allocation | Long-term expected real rate of return |
|---|---|---|
| Fixed Income - Core Bond | 37.00% | 1.46% |
| Domestic Equity - Large Cap | 30.40% | 6.54% |
| Foreign Equity - Developed International | 11.30% | 5.93% |
| Domestic Equity - Small Cap | 6.40% | 8.06% |
| Domestic Equity - Mid Cap | 6.30% | 7.36% |
| Foreign Equity - Emerging Markets | 3.10% | 8.28% |
| Fixed Income - High Yield | 3.00% | 4.46% |
| Real Estate | 2.50% | 6.14% |
| Total | 100.00% | |

*Year-Ended September 30, 2022* **- 196 -** *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### San Antonio Water System (SAWS) (Continued)

The following table summarizes the change in net OPEB liability at December 31, 2021.

| Changes in the Net OPEB Liability | |
|---|---|
| Total OPEB Liability | |
| Service Cost | $ 1,750 |
| Interest Cost | 7,688 |
| Difference Between Expected and Actual Experience | (8,867) |
| Changes of Assumptions | 2,089 |
| Benefit Payments | (6,141) |
| Net change in Total OPEB Liability | $ (3,481) |
| Total OPEB Liability - Beginning | 124,276 |
| Total OPEB Liability - Ending | $ 120,795 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | $ 13,641 |
| Contributions - Employee | |
| Net Investment Income | 13,747 |
| Benefit Payments | (6,141) |
| Administrative Expense | (187) |
| Net change in Plan Fiduciary Net Position | $ 21,060 |
| Plan Fiduciary Net Position - Beginning | 83,277 |
| Plan Fiduciary Net Position - Ending | $ 104,337 |
| Net OPEB Liability | $ 16,458 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 86.38% |

SAWS recognized ($7,521) in OPEB expense for the fiscal year-ended December 31, 2021 based on a measurement date of December 31, 2020.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – The following table summarizes Deferred Outflows of Resources and Deferred Inflows of Resources associated with the SAWS OPEB plan at December 31, 2021 from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Difference in Expected and Actual Experience | $ - | $ (21,371) |
| Changes of Assumptions | 2,376 | (1,957) |
| Net Difference in Projected and Actual Earnings on OPEB Plan Investments | | (9,951) |
| Contributions Subsequent to the Measurement Date | 10,442 | |
| Total | $ 12,818 | $ (33,279) |

*Year-Ended September 30, 2022* **- 197 -** *Amounts are expressed in thousands*

## Note 11 Other Postemployment Benefits (Continued)

### San Antonio Water System (SAWS) (Continued)

$10,442 is reported as deferred outflows of resources related to OPEB resulting from SAWS contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year-ending December 31, 2022.

Other amounts reported as deferred inflow of resources will be recognized in OPEB expense as follows:

| Year-Ended December 31, | Net Deferred Outflows (Inflows) of Resources | |
|---|---|---|
| 2022 | $ | (10,978) |
| 2023 | | (7,733) |
| 2024 | | (9,173) |
| 2025 | | (3,019) |
| Thereafter | | |
| Total | $ | (30,903) |

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*Year-Ended September 30, 2022* - 198 - *Amounts are expressed in thousands*

## Note 12 CPS Energy South Texas Project (STP)

### Joint Operations

**Units 1 and 2** – CPS Energy is one of three participants in STP, a two-unit nuclear power plant located in Matagorda County, Texas approximately ten miles from the Texas gulf coast. The units have a combined nominal output of 2,633 MW. CPS Energy's ownership share (40.0%) in STP Units 1 and 2 represents approximately 1,053 MW of total plant capacity. In addition, STP is owned by NRG Energy (44.0%) and the City of Austin, Texas (16.0%).

The units, along with their support facilities and administrative offices, are located on a 12,220-acre site that is adjacent to the lower Colorado river in Matagorda County. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2.

Effective November 17, 1997, the Participation Agreement among the owners of STP was amended and restated. At that time, South Texas Nuclear Operating Company (STPNOC), a Texas nonprofit, nonmember corporation created by the owners, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. STPNOC is financed and controlled by the owners pursuant to an operating agreement among the owners and STPNOC. Currently, a four-member board of directors governs STPNOC, with each owner appointing one member to serve with STPNOC's chief executive officer.

In September 2017, the Nuclear Regulatory Commission (NRC) approved STPNOC's license renewal applications for STP Units 1 and 2, which extends the operating licenses to 2047 and 2048, respectively.

Under the Nuclear Waste Policy Act (NWPA), the Department of Energy (DOE) has an obligation to provide for the permanent disposal of high-level radioactive waste, which includes used nuclear fuel at U.S. commercial nuclear power plants such as STP. To fund that obligation, all owners or operators of commercial nuclear power plants entered into a standard contract under which the owners paid a fee to the DOE based on the amount of electricity generated and sold from the power plant, along with additional assessments. In exchange for collecting this fee and the assessments, the DOE undertook the obligation to develop a high-level waste repository for safe, long-term storage of the fuel and, no later than January 31, 1998, to transport and dispose of the used fuel. The National Association of Regulatory Utility Commissioners (NARUC) challenged further collection of this fee; and on November 19, 2013, the Court ruled in favor of NARUC and ordered the DOE to submit to the U.S. Congress a proposal to reduce the fee to zero until certain conditions are met. While the reporting to the DOE of used nuclear fuel volumes will continue, effective May 16, 2014, the rate was reduced to zero.

Multiple cases have been filed in the U.S. Court of Federal Claims by the existing owners or operators of nuclear facilities against the DOE related to its failure to meet its obligations under the NWPA. The owners/operators were seeking damages related to ongoing used nuclear fuel storage costs incurred because the DOE did not meet its obligation. On August 31, 2000, in *Maine Yankee Atomic Power Company, et al. v. United States*, the U.S. Court of Appeals for the Federal Circuit affirmed that the DOE had breached its obligations to commercial nuclear power plant owners for failing to live up to its obligations to dispose of used nuclear fuel. STPNOC, on behalf of the owners of STP, and other utilities have reached settlement agreements with the DOE. In the most recent settlement agreement dated September 1, 2020, the DOE extended its commitment to reimburse STP for allowable spent fuel management expenditures through calendar year 2022.

## Note 12 CPS Energy South Texas Project (STP) (Continued)

### Joint Operations (Continued)

Pursuant to STPNOC's analysis of NRC guidance, the first dry cask storage campaign was completed in calendar year 2019, with 12 dry casks stored at the Independent Spent Fuel Storage Installation (ISFSI). On January 20, 2022, STP completed the dry cask loading prerequisites and commenced the second dry cask loading campaign. In total, STP plans to load 444 fuel assemblies into 12 casks (222 assemblies and 6 casks per unit). The loading campaign was completed in July 2022.

Ongoing costs for the spent fuel management project are being funded by the STP owners as expenditures are incurred. CPS Energy is entitled to request reimbursements at its discretion from its Decommissioning Trusts for CPS Energy's portion of allowable costs. Annually, STPNOC submits claims to the DOE for the reimbursement of allowable costs for spent fuel management. Allowable costs are returned to the owners by STP upon receipt of funds from the DOE. Qualifying spent fuel management costs not reimbursable by the DOE are funded by the Trusts. Any costs not reimbursable by the DOE or the Trusts are recorded as an STP operating and maintenance expense or capital costs.

### Nuclear Insurance

STP maintains required insurance coverage pursuant to the Price-Anderson Act, providing limitations on liability and governmental indemnities with respect to nuclear incidents. Pursuant to the Price-Anderson Act, the maximum amount that each licensee may be assessed as secondary financial protection following a nuclear incident at any insured facility is $138,000 taking into account a 5.0% adjustment for administrative fees and subject to adjustment for inflation every five years, with the next adjustment expected to be effective no later than November 1, 2023, for the number of operating nuclear units and for each licensed reactor, payable at $20,000 per year per reactor for each nuclear incident. CPS Energy and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests. For purposes of these assessments, STP currently has two licensed reactors. The participants have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC in accordance with the financial protection requirements of the Price-Anderson Act. A nuclear liability policy, with a maximum limit of $450,000 for the nuclear industry, provides primary protection from nuclear-related liability claims. A Master Worker Certificate policy, also with a maximum limit of $450,000 for each nuclear facility, provides primary protection from radiation tort claims of workers at nuclear facilities. A Master Worker Certificate policy, with a maximum limit of $450,000 for the nuclear industry, provides protection from radiation tort liability claims of workers at nuclear facilities.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage nuclear accident stabilization and decontamination insurance in a minimum amount of approximately $1,100,000. NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

The owners of STP Units 1 and 2 currently maintain nuclear property insurance at or above the regulatory required amount. CPS Energy also maintains accidental outage insurance through STP's Nuclear Elective Insurance Limited (NEIL) membership that provides weekly indemnity payments for an insured property loss subject to an applied deductible period. The nuclear property and/or accidental insurance may be subject to a retrospective assessment being paid by members of NEIL and European Mutual Association for Nuclear Insurance (EMANI). A retrospective assessment could occur if losses, as a result of an accident at any nuclear plant insured by NEIL or EMANI, exceed the desired funds of NEIL and/or EMANI.

## Note 12 CPS Energy South Texas Project (STP) (Continued)

### Nuclear Decommissioning

In 1991, CPS Energy started accumulating funds for the decommissioning of its 28% ownership in STP Units 1 and 2 in an external trust in accordance with the NRC regulations. The 28% Decommissioning Trust's assets and related liabilities are included in CPS Energy's financial statements as a component unit. Excess or deficient funds related to the 28% Trust will be distributed to or received from CPS Energy's ratepayers after decommissioning is complete.

In conjunction with the acquisition of the additional 12.0% interest in STP Units 1 and 2 in May 2005, CPS Energy also assumed control of a relative portion of the Decommissioning Trust previously established by the prior owner, American Electric Power (AEP). The 12% Decommissioning Trust's assets and related liabilities are also included in CPS Energy's financial statements as a component unit. Subject to Public Utility Commission of Texas (PUCT) approval as may be requested in the future, excess or deficient funds related to the 12% Trust will be distributed to or received from AEP's ratepayers after decommissioning is complete.

CPS Energy, together with the other owners of STP Units 1 and 2, files a certificate of financial assurance with the NRC for the decommissioning of the nuclear power plant every two years or upon transfer of ownership. The certificate assures that CPS Energy and the other owners meet the minimum decommissioning funding requirements mandated by the NRC. The owners agreed in the financial assurance plan that their estimate of decommissioning costs would be reviewed and updated periodically.

In fiscal year 2009, CPS Energy determined that some preshutdown decommissioning and spent fuel management activities would be required prior to shutdown of STP Units 1 and 2. As a result, separate trust accounts were created to pay for preshutdown decommissioning activities. Additionally, funds in the Trusts applicable to spent fuel management were transferred to separate spent fuel management accounts so that they were not commingled with funds allocable to preshutdown or postshutdown decommissioning costs. Based on projected costs, the spent fuel management accounts are currently fully funded; therefore, no contributions were made to these accounts in fiscal year 2022. In fiscal year 2022, no contributions were made to fund preshutdown decommissioning costs for CPS Energy's 28.0% ownership in STP. No preshutdown decommissioning expenses were incurred for the 28.0% ownership in calendar year 2021. For the 12% Trust, preshutdown costs were funded by AEP's ratepayers. The 12% Trust incurred no preshutdown decommissioning expenses in calendar year 2021.

The most recent cost study, which was finalized in May 2018, estimated decommissioning costs for the 28.0% ownership in STP Units 1 and 2 at $694,056 and $297,452 for the 12.0% ownership in STP Units 1 and 2 in 2018 dollars. Included in the cost study was a 10.0% contingency component as required to comply with the PUCT. Based on the level of funds accumulated in the 28% Trust and an analysis of this cost study, CPS Energy determined that no further decommissioning contributions would be required to be deposited into the Trust.

As of December 31, 2021, CPS Energy had accumulated $557,205 in the 28% Trust. Total funds are allocated to decommissioning costs, preshutdown decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC as of December 31, 2020, the 28% Trust funds allocated to decommissioning costs totaled $329,048 which exceeded the calculated financial assurance amount of $118,270. Financial assurance is performed every two calendar years and will be performed at the end of calendar year 2022.

## Note 12 CPS Energy South Texas Project (STP) (Continued)

### Nuclear Decommissioning (Continued)

As of December 31, 2021, $204,635 had been accumulated in the 12% Trust. Total funds are allocated to decommissioning costs, preshutdown decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC as of December 31, 2020, the 12% Trust funds allocated to decommissioning costs totaled $131,406 which exceeded the calculated financial assurance amount of $50,687. Financial assurance is performed every two calendar years and will be performed at the end of calendar year 2022.

CPS Energy accounts for decommissioning in accordance with GASB Statement No. 83 by recognizing its pro rata share of an ARO based on the best estimate of the current values of outlays expected to be incurred, determined by the most recent cost study. A new cost study is performed every five years; in years subsequent to the latest study, GASB Statement No. 83 requires the current value of CPS Energy's ARO be adjusted for the effects of inflation or deflation, at least annually. In addition to the ARO, CPS Energy has recorded a deferred outflow of resources that is being amortized over the remaining useful life of the plant.

Both Decommissioning Trusts also have separate calendar year financial statements, which are separately audited and can be obtained by contacting the Controller at CPS Energy.

### STP Pension Plans and Other Post-Retirement Benefits

STPNOC maintains several pension and other post-retirement benefit plans covering most employees, including a noncontributory defined-benefit pension plan, defined-benefit post-retirement plan, supplementary nonqualified unfunded pension plan, supplemental retirement plan, deferred compensation program, and a contributory savings plan. The owners of STPNOC, including CPS Energy, although not sponsors to the STPNOC plans, share in all plan costs in the same proportion as their respective ownership percentages.

The noncontributory defined-benefit pension plan covers certain employees. Effective January 1, 2007, STPNOC approved a change to the pension plan to preclude the eligibility of employees hired after December 31, 2006, in the plan. Employees hired after this date receive enhanced matching contributions under the STP Nuclear Operating Company Savings Plan.

On June 4, 2019, STP's Board of Directors approved freezing the Retirement Plan for non-bargaining participants, effective December 31, 2021.

STPNOC also maintains a defined-benefit post-retirement plan that provides post-retirement health and welfare benefits. As of May 1, 2014, certain STPNOC employees voted to transition STPNOC's medical plan to a Taft-Hartley multi-employer health and welfare plan. During calendar year 2018, there were additional plan design changes related to the STPNOC post-retirement health and welfare benefits resulting in additional employees transitioning to the Taft-Hartley multi-employer plan, therefore, reducing STPNOC's OPEB liability as of December 31, 2019. STPNOC pays monthly premiums for the benefits, to be partially funded by participating employees.

Employees whose eligible compensation exceeds the limitations established under the 1974 Employee Retirement Income Security Act, $290 for calendar year 2021, are covered by a supplementary nonqualified, unfunded pension plan, which is provided for by charges to operations sufficient to meet the projected benefit obligations. The accruals for the costs of that plan are based on substantially the same actuarial methods and economics as the noncontributory defined-benefit pension plan.

## Note 12 CPS Energy South Texas Project (STP) (Continued)

### STP Pension Plans and Other Post-Retirement Benefits (Continued)

An unfunded supplemental retirement plan and other unfunded deferred compensation programs are maintained by STPNOC for certain key individuals.

The effect to CPS Energy of funding obligations related to the defined-benefit plans sponsored by STPNOC was $43,415 for fiscal year 2022 and was reflected as an Adjustment for STP Pension Cost on the Statement of Activities.

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# Note 13 Commitments and Contingencies

## Primary Government (City)

### *Grants*

The City has received significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a materially adverse effect on the City's financial position at September 30, 2022. Grant and local funding received from federal, state, and other governmental agencies but not yet earned as of September 30, 2022 was $251,904, of which $240,539 is reported in the COVID-19 Funds.

### *Capital Improvement Program*

The City will be undertaking various capital improvements during fiscal year 2023. The estimated cost of these improvements is $651,387; of this amount $114,285 will be funded from the 2017 General Obligation Bond Program, and $159,195 will be funded from the 2022 General Obligation Bond Program. The 2023 Capital Improvements Program consists of the following:

| Function/Program | | 2023 |
|---|---|---|
| **General Government** | | |
| Information Technology | $ | 30,482 |
| Municipal Facilities and Other | | 72,469 |
| **Total General Government** | $ | 102,951 |
| **Public Health & Safety** | | |
| Drainage | $ | 42,607 |
| Fire Protection | | 2,577 |
| Law Enforcement | | 14,617 |
| **Total Public Health & Safety** | $ | 59,801 |
| **Recreation & Culture** | | |
| Libraries | $ | 10,005 |
| Parks | | 84,525 |
| **Total Recreation & Culture** | $ | 94,530 |
| **Transportation** | | |
| Air Transportation | $ | 83,329 |
| Street | | 210,906 |
| **Total Transportation** | $ | 294,235 |
| **Total Neighborhood Improvements** | $ | 99,870 |
| **Total Capital Plan** | $ | 651,387 |

These projects are scheduled to be funded with a combination of grants, contributions from others, bonds, certificates, notes and other designated City resources.

*Year-Ended September 30, 2022* - 204 - *Amounts are expressed in thousands*

## Note 13 Commitments and Contingencies (Continued)

### Primary Government (City) (Continued)

***Litigation***

The City is a party to various claims and lawsuits alleging personal and property damages, wrongful death, breach of contract, environmental matters, compliance claims, civil rights violations, and employment matters. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund in the amount $31,064. The City estimates the amounts of unsettled claims under its self-insurance program and believes that the self-insurance reserves recorded as appropriations in the Insurance Reserve Fund are adequate to cover losses for which the City may be liable. Whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the basic financial statements cannot be determined.

**Rogelio Carlos III, et al. v. Carlos Chavez, et al.** 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 Plaintiff and was assisted by SAPD SWAT officers. 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, Plaintiff underwent surgery. The plaintiff was left paralyzed by the surgical procedure. Plaintiff has filed suit against the City and various officers under 42 U.S.C. § 1983. 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. Discovery is ongoing. 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 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 attorney’s fees in an amount in excess of $250 which is still pending. This matter is not currently set for trial.

## Note 13 Commitments and Contingencies (Continued)

### Primary Government (City) (Continued)

#### *Litigation (Continued)*

**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 that required surgery. Discovery is on-going. This matter was continued from the January 23, 2023 trial date. A new trial date has not yet 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. Discovery is ongoing. No trial date has been set.

**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-trailer 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 Plaintiffs properties. Plaintiff alleges the project as built, substantially altered portions of Plaintiffs 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 USC 4621 and 49 CFR, Part 24 ("URA") 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 unspecified amount of damages for relocation entitlements and payments due and owing to Plaintiff, and attorney's 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 sued 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 have been served and answered. Discovery is ongoing and the case has not been set for trial.

## Note 13 Commitments and Contingencies (Continued)

### Primary Government (City) (Continued)

### *Litigation (Continued)*

**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 Bexar County Sherriff's Office deputy. When police officers attempted to contact him at a gas station, he fled for 40 minutes before going the wrong way on IH 35, striking a vehicle and causing the death of Asante Contreras. Plaintiff filed suit in state court alleging violations of 42 U.S.C. § 1983, the Texas Tort Claims Act and general negligence. Plaintiff's has 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 case is set for trial February 5, 2024.

**Tyshell Klinedinst, Indiv. and a/n/f of Shyla Klinedinst, Jhase Klinedinst, and Dominik Sally, Minor children, and Necoa 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 pick-up. Plaintiff suffered a back injury with a recommendation for future surgery. Discovery is on-going. The trial of this matter was continued to February 12, 2024.

**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 right of way and collided with her vehicle. Plaintiff suffered significant bodily injuries to her neck and back. Discovery is on-going. This matter is tentatively set for trial on July 17, 2023.

**Jordan Foster Construction v. City of San Antonio.** Jordan Foster Construction 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. This case is recently filed. No trial date has been set.

**Angelic Barron, et al. v City of San Antonio, et al.** SAPD responded to a call for shots fired in an apartment with children inside. Officers identified the apartment and surrounded it. Subsequently, plaintiff Barron and the children were released from the apartment without incident. Officers then entered the apartment and found decedent Plaintiff Victor Sanchez in a bathroom with a weapon. Officers attempted to talk to Sanchez but at some point, he brandished the weapon, placing officers in fear that he would shoot them. Several officers opened fire, killing Sanchez. Plaintiff Barron filed suit on her own behalf, on behalf of the minor children in the apartment, and on behalf of decedent Sanchez. Suit was filed in Federal Court pursuant to 42 U.S.C. § 1983 against the City and several officers at the scene, alleging use of excessive force. Discovery is on-going. This case has not been set for trial.

## Note 13 Commitments and Contingencies (Continued)

### Primary Government (City) (Continued)

*Litigation (Continued)*

**Maria Monsibais v City of San Antonio.** Plaintiff alleges that 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 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 of San Antonio to operate the City's waste transfer station on Starcrest Road. TDS alleges that the rates allowed under the contract, even with Consumer Price Index adjustments, does not properly compensate them and sought to change the terms of the contract, which the City denied. TDS brought suit against the City in late 2022 claiming the City has breached the terms of the contract and seeking damages in excess of $250. This case is set for trial on December 4, 2023.

**Samantha Nichole Houston Goodale, Individually and as next friend of L.R.G., Minor Child of Randall Glen Goodale, Jr., Deceased v. Mark Seguin, Nathan Bundy, and The City of San Antonio, Texas.** SAPD officers assisted the U.S. Marshall's office in executing a federal felony warrant on Randall Goodale at his home. When the Marshall service arrived at his home, Goodale jumped into his truck and started the engine. A Marshall made a statement indicating that the car was in drive. The SAPD officer heard a gun fire and the windshield cracked. The SAPD officer then shot toward the driver's side window. The suspect's car proceeded forward, hitting a vehicle placed to block the driveway. Goodale was determined to be deceased. Plaintiffs filed suit against the Marshall, the SAPD officer and the City. The Marshall has been dismissed on qualified immunity. This case is still in the discovery phase. No trial date has been set.

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# Note 13 Commitments and Contingencies (Continued)

## Primary Government (City) (Continued)

### *Landfill Postclosure Care Costs*

In October 1993, the City Council approved closure of the Nelson Gardens Landfill, which immediately stopped accepting solid waste. Subsequent to landfill closure, federal and state laws required the City to incur certain postclosure care costs over a period of 30 years. As of September 30, 1994, the City estimated these costs for postclosure of the Nelson Gardens Landfill at $3,825. The estimate was based on projected costs for installation of a leachate and groundwater collection system, installation of a methane recovery system, geotechnical and environmental engineering services, and monitoring and maintaining the facility for a 30-year period. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost*, the estimated postclosure cost for the Nelson Gardens Landfill is recorded as a liability and expensed in the Solid Waste Management Fund. This cost is an estimate and is subject to changes resulting from inflation/deflation, advances in technology, or changes in applicable laws or regulations. Each fiscal year, the City performs an annual re-evaluation of the postclosure care costs associated with the Nelson Gardens Landfill. The annual re-evaluation conducted for the fiscal year-ended September 30, 2022, resulted in an estimated postclosure care liability for the Nelson Gardens Landfill of $438. The City contracted with a third party in 2010 to capture and sell methane gas in exchange for a percentage of the revenue earned and postclosure maintenance costs assumed by the third party. This resulted in the City reducing its postclosure liability by $418 from the prior fiscal year.

### *Texas Commission on Environmental Quality (TCEQ) Financial Assurance*

The City is required, under the provision of the Texas Administrative Code, to provide financial assurance to the Texas Commission on Environmental Quality (TCEQ) related to the closure of municipal solid waste operations including, but not limited to, storage, collection, handling, transportation, processing, and disposal of municipal solid waste. In relation to new and modification permits for closed landfills from TCEQ, the City has an obligation to provide financial assurance of the postclosure cost estimates for landfills. Additionally, financial assurance is required to demonstrate financial responsibility for underground storage petroleum facilities. Based on the number of underground petroleum storage tanks, the City is required to provide $1,000 of financial assurance related to the underground storage facilities. The City completes and submits its financial assurance to TCEQ annually.

### *Arbitrage*

The City has issued certain tax-exempt obligations that are subject to IRS arbitrage regulations. Noncompliance with these regulations, which pertain to the utilization and investment of proceeds, can result in penalties, including the loss of the tax-exempt status of the applicable obligations retroactive to the date of original issuance. In addition, the IRS requires that interest income earned on proceeds in excess of the arbitrage rate on applicable obligations be rebated to the federal government. The City monitors its bond proceeds in relation to arbitrage regulations, and “arbitrage rebate” is estimated and recorded in the government-wide and proprietary financial statements when susceptible to accrual, and in the governmental fund type when matured. As of September 30, 2022, the City has no arbitrage liability for its governmental or proprietary funds.

## Note 13 Commitments and Contingencies (Continued)

### CPS Energy

#### *Litigation*

In the normal course of business, CPS Energy is involved in legal proceedings related to alleged personal and property damages, breach of contract, condemnation appeals, and discrimination cases. In addition, CPS Energy's power generation activities and other utility operations are subject to extensive state and federal environmental regulation. In the opinion of CPS Energy's management, the outcome of such proceedings will not have a material adverse effect on the financial position or results of operations of CPS Energy.

#### *Other*

Purchase and construction commitments approximated $6,075,360 at January 31, 2022. This amount includes construction commitments, provisions for coal purchases through December 2021, and natural gas purchases through June 2027; the actual amount to be paid will depend on CPS Energy's actual requirements during the contract period and the price of gas. Also included are provisions for wind power through 2038, solar power through 2044, landfill power through 2029, and raw uranium associated with STP fabrication and conversion services needed for refueling through 2026.

On January 20, 2009, the Board approved a policy statement affirming that CPS Energy's strategic direction centers on transforming from a company focused on providing low-cost power from traditional generation sources to a company providing competitively priced power from a variety of sources, including low and noncarbon emitting sources. As a community owned provider and as part of the *Flexible Path*SM strategy, CPS Energy has a balanced approach of leveraging the community-owned assets with the emergence of new technology. CPS Energy's strategy is focused around energy considerations of *Reliability, Customer Affordability, Safety, Security, Environmental Responsibility,* and *Resiliency*. The *Flexible Path*SM strategy has a foundational commitment of an 80% reduction in carbon emissions by 2040. In August 2019, the CPS Energy Board signed a resolution to support the City of San Antonio's Climate Action and Adaptation Plan (CAAP) with a target of net-zero carbon emissions by 2050 through implementation of the *Flexible Path*SM. To be sustainable, CPS Energy needs to balance its financial viability, environmental commitments and social responsibility as a community-owned provider.

In fiscal year 2008, CPS Energy entered into a Natural Gas Supply Agreement with SA Energy Acquisition Public Facility Corporation (SAEAPFC), a component unit of the City, to purchase, to the extent of its gas utility requirements, all-natural gas to be delivered under a Prepaid Natural Gas Sales Agreement. Under the Prepaid Natural Gas Sales Agreement between SAEAPFC and a third-party gas supplier, SAEAPFC has prepaid the cost of a specified supply of natural gas to be delivered over 20 years since inception, through the middle of fiscal year 2028.

In fiscal year 2003, CPS Energy entered into a 20-year agreement with Brooks, a component unit of the City, to upgrade the electric and gas utility systems located within the Brooks City-Base. CPS Energy and Brooks have each committed to invest $6,323 ($4,284 in year 2002 dollars, which accumulates interest at the rate of 3.7% compounded annually) to upgrade the infrastructure at that location. Annual reductions to Brooks' obligation were made from incremental revenues to the City for electric and gas sales to customers that reside on the Brooks' developed property. Annual reductions to Brooks' obligation were also made in accordance with contract terms for economic development at Brooks City-Base that benefited CPS Energy's Systems. As of January 31, 2022, capital renewals and upgrades of $15,147 have surpassed the $12,646 commitment. Brooks has met its obligation, net of annual interest, of $4,192.

## Note 13 Commitments and Contingencies (Continued)

### CPS Energy (Continued)

### *Other (Continued)*

In September 2010, CPS Energy and the University of Texas at San Antonio (UTSA) entered into an agreement (Strategic Alliance) whereby UTSA agreed to perform services for CPS Energy in support of its function as a provider of electric and gas utility services while supporting the progress of the City of San Antonio in renewable energy technologies and energy research. The original agreement under the Strategic Alliance called for CPS Energy to invest up to but not exceeding $50,000 over ten years. The original agreement expired September 2020 with all commitments met by CPS Energy. In October 2020, CPS Energy entered into a new annual research agreement with UTSA to continue the Strategic Alliance with no commitments on funding amounts and annual renewal terms. As of January 31, 2022, CPS Energy has renewed the annual agreement that is focused on UTSA conducting energy industry related research that will benefit both our utility and local community.

CPS Energy sells excess power into the wholesale market with a balanced portfolio that includes a mix of short-term (less than a month) and mid-term (one month to a year) transactions with market participants and long-term (one to five years) and super long-term (five years or more) wholesale power agreements with other public power entities and cities. CPS Energy currently has agreements to provide either full or partial requirements to six other public power entities. These agreements have varying terms expiring between December 2022 and December 2025. The capacities committed under these agreements represent approximately 5.0% of current nameplate capacity.

On June 20, 2011, CPS Energy announced its New Energy Economy initiative. The program is designed to focus on more clean energy sources rather than traditional energy sources and includes several major initiatives to which CPS Energy has committed:

- CPS Energy offers customers the opportunity to better manage their home’s energy use through the Wi-Fi Thermostat Rewards program. The program gives customers access to a wide choice of programmable thermostat options. Customers benefit from better control of their home’s air conditioning use and the visibility to program settings from their mobile devices. Customers in Wi-Fi Thermostat Rewards can choose to have a CPS Energy contractor install a free programmable thermostat in their place of residence. Alternatively, they can purchase and self-install their own thermostat from a list of qualifying devices and receive a rebate from CPS Energy. In exchange for the rebate, customers allow CPS Energy to periodically control and interrupt service to manage peak energy periods. The program is funded through Save for Tomorrow Energy Plan (STEP). As of January 31, 2022, there were 149,329 (not reported in thousands) CPS Energy customers enrolled in Wi-Fi Thermostat Rewards.

- CPS Energy completed the replacement of approximately 23,500 high pressure sodium vapor streetlights with 250-Watt equivalent Light Emitting Diode (LED) streetlights for the City. The streetlights use 60.0% less energy than standard sodium lights and are designed to last 12 to 15 years, thereby reducing maintenance costs. Approximately $2,200 of the deployment costs were funded through STEP, with the remainder being funded by the City. The installation of an additional 1,500 LED streetlights is currently on hold pending direction from the City on lighting for the downtown area. (Streetlights in this paragraph are not reported in thousands).

## Note 13 Commitments and Contingencies (Continued)

### CPS Energy (Continued)

*Other (Continued)*

- The City also requested the replacement of 30,000 residential streetlights with 100-Watt equivalent LED streetlights. CPS Energy began this project in Districts 2 and 5, where a total of 5,100 replacement LED lights were installed in fiscal year 2017. A total of 4,275 were installed in fiscal year 2018. This project has been placed on hold at the request of the City until further notice. At this time, any new lights installed or replaced are done so on an exception basis upon request by the City. LED streetlights have become the standard for ongoing city-wide streetlight maintenance. As older sodium lights fail, they will be replaced with LED equivalents. (Streetlights in this paragraph are not reported in thousands).

- In November 2011, CPS Energy entered into a $77,025 prepaid agreement for purchased power equal to approximately 60.0% of the anticipated output from 30 MW of solar energy facilities in the San Antonio area. The unamortized balance of the prepayment was $47,570 at January 31, 2022. The agreement expires in 2037, and the purchase of the balance of the output is on a pay-as-you-go basis.

- In July 2012, CPS Energy executed a Master Agreement with OCI Solar Power (OCI) for approximately 400 MW from seven facilities. All seven facilities became operational by the end of 2017. In March 2017, CPS Energy and OCI executed an Amended and Restated Master Power Purchase and Economic Development Agreement. The original Master Agreement was replaced in order to simplify the agreement and reflect pertinent terms going forward. In addition, CPS Energy also executed two separate 25-year Purchase Power Agreements for Project Pearl and for Project Ivory for 50 MW each.

The table below represents a total capacity of approximately 494 MW for all solar farm facilities included in 25-year power purchase agreements mentioned above:

| Facility | Capacity in MW [1] | Achieved Commercial Operations |
|---|---|---|
| Alamo 1 | 39.2 | December 2013 |
| St. Hedwig (Alamo 2) | 4.4 | March 2014 |
| Walzem (Alamo 3) | 5.5 | January 2015 |
| Eclipse (Alamo 4) | 37.6 | August 2014 |
| Helios (Alamo 5) | 95.0 | December 2015 |
| Sirius 1 (Alamo 6) | 108.3 | March 2017 |
| Solara (Alamo 7) | 104.5 | September 2016 |
| Sirius 2 (Pearl) | 49.1 | October 2017 |
| Lamesa 2 (Ivory) | 50.0 | December 2018 |
| Total 25-years Power Purchase Agreements | 493.6 | |

[1] Capacity in MW from facilities may vary from year to year based on revised annual output estimates.

## Note 13 Commitments and Contingencies (Continued)

### CPS Energy (Continued)

*Other (Continued)*

- Simply Solar is the trademarked name for CPS Energy's Roofless Solar and SolarHostSA Programs. Roofless Solar was launched by CPS Energy in 2015 in partnership with Clean Energy Collective (CEC). CEC built a 1 MW community solar farm in the CPS Energy service territory and sold 107.5-Watt panels in the array to customers who wanted to enjoy the benefits of solar power without having to install their own system. On June 18, 2015, CPS Energy entered into an agreement to purchase the output from the solar farm for 25 years. During fiscal year 2021, CPS Energy opted to purchase the solar farm from CEC and assumed maintenance and operational responsibility for the solar farm. On December 17, 2018, CPS Energy entered into a 25-year agreement with Big Sun SA 1 (Big Sun) to expand the Roofless Solar program by an additional 5 MW. Big Sun successfully installed community solar panels on carports at commercial businesses across San Antonio. The panels were sold to customers who will receive bill credits from CPS Energy for their share of the solar production. For the SolarHostSA program, CPS Energy partnered with PowerFin Partners to install up to 5 MW of rooftop systems on customer homes and businesses. The program provides participating customers a monthly credit for hosting the systems on their rooftops. The program makes solar accessible to more customers by eliminating the significant upfront cost of traditional rooftop systems. On August 12, 2015, CPS Energy entered into an agreement to purchase the output from the rooftop systems for an initial term of 20 years.

In fiscal year 2018, CPS Energy entered into a 50-year Utilities Privatization Contract (Contract) with the Defense Logistics Agency to operate and maintain the natural gas and the electric utility systems at three Joint Base San Antonio (JBSA) installations: JBSA Randolph, JBSA Lackland and JBSA Chapman Training Annex (formerly Lackland Training Annex). The DOD will reimburse CPS Energy for the costs to operate, maintain and upgrade these systems throughout the contract term. Should the contract be terminated, the assets associated with the utility systems at the three JBSA installations owned by CPS Energy would be transferred back to Department of Defense ownership. Additionally, CPS Energy would be reimbursed by the Government for any unrealized investments made into the systems prior to the contract termination date.

In December 2021, ERCOT completed the Public Utility Regulatory Act Chapter 39, Subchapter M, disbursement of an $800,000 securitization to market participants that were owed due to short payments for operating days February 12 to 20, 2021. Over the next 25 to 30 years, ERCOT is requiring CPS Energy to make monthly payments of its share of the $800,000, which are expected to total $16,000, and CPS Energy is currently making these payments under protest. Additionally, ERCOT claims that CPS Energy may be responsible for additional market uplifts related to other market participants that are in default with ERCOT. The amount of CPS Energy's share of these possible uplifts, which are currently being disputed, cannot be estimated at this time.

## Note 13 Commitments and Contingencies (Continued)

### CPS Energy (Continued)

### *Other (Continued)*

On March 12, 2021, CPS Energy filed suit against ERCOT in the Bexar County District Court seeking, among other things, a declaratory judgment to prevent ERCOT from wrongfully declaring a default by CPS Energy based on a force majeure event and due to ERCOT's prior material breach for $18,264 in short payments to CPS Energy, of which approximately $10,057 remains outstanding. The requested judgment also seeks to prevent ERCOT from requiring CPS Energy and its customers to pay for other market participants' default (i.e., Uplift) based on excessive prices and to prevent ERCOT from charging CPS Energy for any amounts associated with the Pricing Errors identified in the Potomac report issued by the Independent Market Monitor. In December 2021, the Fourth Court of Appeals dismissed CPS Energy's petition on procedural grounds, without addressing the merits of the case, stating that the PUCT has exclusive original jurisdiction. On January 27, 2022, CPS Energy filed its petition for review to the Texas Supreme Court. On February 15, 2022, the Texas Supreme Court requested that ERCOT file a response, which it did on April 18, 2022. The outcome of this pending litigation remains uncertain.

CPS Energy purchases natural gas from its suppliers pursuant to market standard contracts promulgated by the North American Energy Standards Boards. Pursuant to these market standard contracts, CPS Energy, in the event of a dispute concerning the payment, is permitted to pay the undisputed portion of amounts invoiced for natural gas delivered and withhold the balance pending resolution of the payment dispute (Disputed Payment Provision). CPS Energy was charged exorbitant amounts for natural gas deliveries throughout Winter Storm Uri, with some suppliers charging more than $500/MMBtu. CPS Energy believes that these charges, reflective in some cases representing a 15,000% price increase compared to the pre-storm price of the same commodity, are unconscionable and reflect predatory pricing for items essential to its customers during and after declared disasters, such as Winter Storm Uri. CPS Energy has challenged these prices under the Disputed Payment Provision and anticipates continuing to use this contractual procedure when appropriate for each of its natural gas supply contracts. (Amounts in this paragraph are not in thousands)

CPS Energy has and will continue to timely pay its natural gas suppliers, once properly invoiced, in accordance with the Disputed Payment Provision and other applicable provisions of the natural gas supply contracts. CPS Energy makes no guarantees or predictions regarding the success or failure of its efforts to dispute purported natural gas charges under the Disputed Payment Provision or the reactions of its natural gas suppliers in response to CPS Energy's invoking the Disputed Payment Provision.

CPS Energy is currently engaged in litigation against four natural gas suppliers, in which CPS Energy is disputing (under the Disputed Payment Provision) approximately $362,251 in natural gas prices charged by those suppliers for natural gas during Winter Storm Uri as being unconscionable and in violation of public policy in Texas. The pending gas supplier lawsuits have been consolidated and assigned to a judge in Bexar County for pretrial proceedings. The outcomes of these pending cases remain uncertain.

CPS Energy has also been named as one of many defendants in various other lawsuits arising out of the Winter Storm. The outcomes of these pending lawsuits remain uncertain. Additionally, CPS Energy is involved in a number of other lawsuits unrelated to the Winter Storm. The outcomes of these pending lawsuits are uncertain.

## Note 13 Commitments and Contingencies (Continued)

### San Antonio Water System (SAWS)

***Litigation***

SAWS is the subject of various claims and potential litigation, which arise in the ordinary course of its operations. Management, in consultation with legal counsel, makes an estimate of potential costs that are expected to be paid in the future as a result of known claims and potential litigation and records this estimate as a contingent liability.

***Other***

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (EPA) of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows (SSOs). The EPA subsequently referred the matter to the United States Department of Justice (DOJ) for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. In June 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas to resolve this enforcement action. During the 10 to 12-year term of the Consent Decree, SAWS estimated the cost to perform the operating and maintenance requirements of the Consent Decree to be approximately $250,000. SAWS estimates that capital expenditures associated with the requirements of the Consent Decree could range from $1,200,000 to $1,300,000. As with any estimate, the actual amounts incurred could differ materially.

Through December 31, 2021, capital expenditures related to the Consent Decree totaled $952,767, which includes certain work which was previously planned prior to entry into the Consent Decree. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and management believes SAWS is in material compliance with such terms, conditions and requirements. Since 2010, SAWS has seen a significant reduction in annual SSOs, from 538 in 2010 to 228 in 2021. (Sanitary sewer overflows not reported in thousands).

SAWS operated the Mitchell Lake Site Wastewater Treatment Facility pursuant to a Texas Pollutant Discharge Elimination Permit (Permit) issued by the TCEQ under a delegation of authority from the EPA. In October 2015, the EPA notified SAWS that SAWS violated the effluent discharge limitations provided in that Permit as a result of discharges occurring during significant rainfall events.

On August 18, 2016, SAWS received an Administrative Order from the EPA that alleged SAWS violated the Permit by failing to meet effluent limits, as required by the Permit. Mitchell Lake is not a standard brick and mortar wastewater treatment facility. Instead, Mitchell Lake is a unique and environmentally sensitive natural facility that has become a wildlife refuge and an active destination attraction within the City. Mitchell Lake and adjacent wetlands cover approximately 600 acres (not in thousands) and provide an essential habitat where migrating birds can rest and feed. Discharges from Mitchell Lake only occur after significant rainfall events. The intermittent nature of the discharges after rainfall makes traditional treatment options impractical.

Upon receiving the Administrative Order, SAWS began working with consulting experts and conducted preliminary feasibility evaluations of a potential solution that has two major components: (a) modifications to the existing dam with the construction of a new spillway and (b) constructing treatment wetlands of approximately 83 acres (not in thousands) below Mitchell Lake.

## Note 13 Commitments and Contingencies (Continued)

### San Antonio Water System (SAWS) (Continued)

### *Other (Continued)*

By letter dated February 28, 2019, the EPA delivered a second Administrative Order to SAWS that includes a Schedule of Activities, which requires completion of the wetlands project by September 30, 2024. To inform the design and operation of a full-scale constructed wetlands, SAWS commenced a pilot wetlands study in 2019 of approximately 1.3 acres. Operations began in the summer of 2019 and after a one-year operation period, a final report was produced in December of 2020. This report adequately documented the efficacy of using constructed wetlands to comply with permitted water quality requirements. SAWS had previously purchased a 283-acre tract of land, a portion of which has been determined to be surplus to the needs of SAWS, and the balance of which is anticipated to be used to implement the downstream wetlands project. Negotiations are ongoing for the acquisition of an additional 234-acre tract that will be necessary for the implementation of the downstream wetlands project. At this time, projected costs for the constructed wetlands project are estimated to be $72,000. To date, no monetary penalties have been assessed, although the EPA reserves all rights to seek any appropriate remedies. (Acres referenced in this paragraph are not reported in thousands).

In January 2020, SAWS partnered with the U.S. Army Corps of Engineers (USACE) on an Aquatic Ecosystem Restoration Feasibility Study for Mitchell Lake. The study identified potential future projects for restoring lost and/or degraded ecological functions in several areas adjacent to Mitchell Lake. SAWS cost-share portion of funding for the study was $520.

In March 2021, engineering design commenced for the dam modifications, new spillway and constructed wetlands. Construction is currently scheduled to commence in 2024. At the direction of EPA, SAWS explored the conversion of Mitchell Lake from its long-held classification as a wastewater treatment facility to a new classification as a Best Management Practice in a Municipal Separate Storm Sewer System (MS4) permit held jointly by SAWS and the City. The new permit was issued by the TCEQ on December 17, 2021.

### *Arbitrage*

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. A liability is recorded once payment appears to be probable. As of December 31, 2021, SAWS has no arbitrage rebate liability associated with any outstanding bonds.

# Note 14 Leases

## Primary Government (City)

In fiscal year 2022, the City implemented GASB Statement No. 87, *Leases*. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset for a specified period of time. The contractual right to use must be for a period of greater than one year in an exchange or exchange-like transaction.

For leases in which the City is the lessee, the leases are recognized as a lease liability and a lease asset. The lease liability is measured at the present value of the payments expected to be made for the duration of the lease term, with the liability reduced as payments are made. An outflow of resources is recognized for interest paid on the liability. The lease asset is recognized at the initial measurement amount of the lease liability plus additional payments made to the lessor at or before the commencement of the lease and applicable direct costs. The asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

For leases in which the City is the lessor, the leases are recognized as a lease receivable measured at the present value of payments expected to be received during the lease term. A deferred inflow of resources is recognized at the measured value of the receivable plus additional payments made at or before the commencement of the lease term for future periods. Additionally, interest revenue is recognized with the lease receivable and as an inflow of resources from the deferred inflow of resources.

### *Governmental Activities*

### Lessee

The City leases various assets such as copiers and office buildings. The various contractual agreements include both fixed payments and variable payments that are fixed in substance. Variable payments that are fixed in substance are based on indexes and rates such as market interest rates or the Consumer Price Index. The following table is a summary of the leases for the year-ended September 30, 2022.

| | October 1, 2021 (Restated) | Additions | Reductions | September 30, 2022 |
|---|---|---|---|---|
| Lease Asset: | | | | |
| Land | $ 11,958 | $ - | $ - | $ 11,958 |
| Buildings | 53,941 | 12,393 | | 66,334 |
| Equipment | 18,824 | 2,490 | | 21,314 |
| Total | $ 84,723 | $ 14,883 | $ - | $ 99,606 |
| Accumulated Amortization: | | | | |
| Land | $ - | $ 603 | $ - | $ 603 |
| Buildings | | 7,756 | | 7,756 |
| Equipment | | 1,752 | | 1,752 |
| Total | $ - | $ 10,111 | $ - | $ 10,111 |
| Lease Asset, Net | $ 84,723 | $ 4,772 | $ - | $ 89,495 |

*Year-Ended September 30, 2022* - 217 - *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### Primary Government (City) (Continued)

### *Governmental Activities (Continued)*

### Lessee (Continued)

As of September 30, 2022, the principal and interest requirements to maturity for lease liability are as follows:

| Year-Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 9,773 | $ 1,745 | $ 11,518 |
| 2024 | 8,626 | 1,563 | 10,189 |
| 2025 | 7,145 | 1,409 | 8,554 |
| 2026 | 7,184 | 1,266 | 8,450 |
| 2027 | 6,530 | 1,129 | 7,659 |
| 2028-2032 | 21,283 | 4,015 | 25,298 |
| 2033-2037 | 8,722 | 2,765 | 11,487 |
| 2038-2042 | 7,630 | 1,899 | 9,529 |
| 2043-2047 | 6,005 | 1,272 | 7,277 |
| 2048-2052 | 1,527 | 851 | 2,378 |
| 2053-After | 8,122 | 3,967 | 12,089 |
| Total | $ 92,547 | $ 21,881 | $ 114,428 |

### Lessor

The City leases and subleases City-Owned properties such as land, buildings, and infrastructure. Similar to the City's lessee agreements, as lessor, the City's contracts include fixed payments and variable payments that are fixed in substance. The variable payments that are fixed in substance are based on market interest rates, the Consumer Price Index, and future performance. Variable payments that are fixed in substance are included in the measurement of the lease receivable. The major leasing activities of the City's governmental funds are presented in the discussion that follows.

The major contributors to the City's lease revenue include Community & Visitor Facilities Fund which accounts for revenues generated from Convention and Tourism activities relating from City of San Antonio owned facilities such as the Convention Center and Alamodome. Also, the Center City Development Operations division leases tenant space of La Villita and the Riverwalk area under various leases, a majority of which are non-cancellable. Hemisfair Park Area Redevelopment Corporation (HPARC) has leases with various parties involving building, restaurant, and parking garage spaces in areas in or adjacent to Hemisfair through 2095. Certain provisions of the leases provide for fixed and variable rental payments, and all are generally designed to allow the City to meet its debt service requirements and recover certain operating and maintenance costs. In addition, certain of the agreements under which the City receives revenue are from the operation of concessions and provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum. Total lease revenue received for the fiscal year-ended September 30, 2022 was $33,459 which consisted of $15,279 in fixed payments and $18,180 in variable payments, including interest, for Governmental Activities.

*Year-Ended September 30, 2022* **- 218 -** *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### Primary Government (City) (Continued)

### *Governmental Activities (Continued)*

### Lessor (Continued)

As of September 30, 2022, the principal and interest to maturity for the lease receivable are as follows:

| Year-Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 12,977 | $ 1,880 | $ 14,857 |
| 2024 | 13,363 | 1,625 | 14,988 |
| 2025 | 12,840 | 1,365 | 14,205 |
| 2026 | 12,645 | 1,107 | 13,752 |
| 2027 | 12,217 | 854 | 13,071 |
| 2028-2032 | 13,804 | 3,222 | 17,026 |
| 2033-2037 | 6,450 | 2,308 | 8,758 |
| 2038-2042 | 3,330 | 1,856 | 5,186 |
| 2043-2047 | 3,529 | 1,514 | 5,043 |
| 2048-2052 | 3,892 | 1,134 | 5,026 |
| 2053-2057 | 2,780 | 807 | 3,587 |
| 2058-2062 | 2,718 | 515 | 3,233 |
| 2063-After | 3,926 | 1,333 | 5,259 |
| Total | $ 104,471 | $ 19,520 | $ 123,991 |

### Financed Purchases

The City has lease-purchase contracts that transfer ownership of the underlying asset to the City by the end of the contract. Per GASB Statement No. 87, these contracts are reported as financed purchases and accounted for separately from the City's leases. Total expenditures for financed purchases for fiscal year-ended September 30, 2022 were $537.

As of September 30, 2022, the City had future minimum payments for financed purchases with a remaining term in excess of one year for governmental activities as follows:

| Year-Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 1,329 | $ 113 | $ 1,442 |
| 2024 | 830 | 73 | 903 |
| 2025 | 770 | 45 | 815 |
| 2026 | 687 | 21 | 708 |
| 2027 | 138 | 1 | 139 |
| Total | $ 3,754 | $ 253 | $ 4,007 |

*Year-Ended September 30, 2022* - 219 - *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### Primary Government (City) (Continued)

***Business-Type Activities***

**Lessee**

The Business-Type Activities lease copiers and water dispensers. The terms and conditions for these leases vary and they include both fixed payments and variable payments that are fixed in substance. Variable payments that are fixed in substance are based on indexes and rates such as market interest rates or the Consumer Price Index. The agreement terms, including renewal periods, are through August 2027. The following table is a summary of the leases for Business-Type activities for the year-ended September 30, 2022.

| | October 1, 2021 (Restated) | Additions | Reductions | September 30, 2022 |
|---|---|---|---|---|
| Lease Asset | | | | |
| Equipment | $ 34 | $ 121 | $ - | $ 155 |
| Total | $ 34 | $ 121 | $ - | $ 155 |
| Accumulated Amortization | | | | |
| Equipment | $ - | $ 27 | $ - | $ 27 |
| Total | $ - | $ 27 | $ - | $ 27 |
| Lease Asset, Net | $ 34 | $ 94 | $ - | $ 128 |

As of September 30, 2022, the principal and interest requirements to maturity for lease liability are as follows:

| Year-Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 33 | $ 2 | $ 35 |
| 2024 | 27 | 2 | 29 |
| 2025 | 26 | 1 | 27 |
| 2026 | 25 | 1 | 26 |
| 2027 | 15 | | 15 |
| Total | $ 126 | $ 6 | $ 132 |

*Year-Ended September 30, 2022* **- 220 -** *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### Primary Government (City) (Continued)

### *Business-Type Activities (Continued)*

#### Lessor

The City leases property, buildings, and infrastructure. Similar to the City's lessee agreements, as lessor the City's contracts include fixed payments and variable payments that are fixed in substance. The variable payments that are fixed in substance are based on market interest rates, the Consumer Price Index, and future performance. Variable payments that are fixed in substance are included in the measurement of the lease receivable. The leasing activities of the City's enterprise funds is presented in the discussion that follows.

The Airport System leases terminal space (except for regulated leases), aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants under various leases, a majority of which are noncancellable and terminate no later than December 2047. Certain provisions of the leases provide for fixed and variable rental payments, and all are generally designed to allow the Airport System to meet its debt service requirements and recover certain operating and maintenance costs. In addition, certain of the agreements under which the Airport System receives revenue is from the operation of concessions at San Antonio International Airport and provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

The Solid Waste Management System leases land for the use of disposal services. The Nonmajor Enterprise Fund's leases consist of Market Square and Parking System. Market Square accounts for all the lease revenues from the tenants of the Farmers Market, El Mercado, Market Square Parking Lot and Centro De Artes localities. The Parking System leases consist of leasing parking spaces in the Downtown area of the City.

Total lease revenue received for the fiscal year-ended September 30, 2022 was $46,660 for Business-Type Activities, which consisted of $30,646 in fixed payments and $14,402 in variable payments for the Airport System. Solid Waste Management revenues consisted of $119 in fixed payments. Nonmajor Enterprise Funds revenues consisted of $1,428 in fixed payments and $65 in variable payments, including interest.

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## Note 14 Leases (Continued)

### Primary Government (City) (Continued)

***Business-Type Activities (Continued)***

**Lessor (Continued)**

As of September 30, 2022, the principal and interest to maturity for the lease receivable are as follows:

| Year-Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 12,557 | $ 2,039 | $ 14,596 |
| 2024 | 12,025 | 1,795 | 13,820 |
| 2025 | 9,938 | 1,579 | 11,517 |
| 2026 | 9,603 | 1,386 | 10,989 |
| 2027 | 9,508 | 1,195 | 10,703 |
| 2028-2032 | 32,999 | 3,607 | 36,606 |
| 2033-2037 | 9,915 | 1,707 | 11,622 |
| 2038-2042 | 6,633 | 902 | 7,535 |
| 2043-After | 6,033 | 273 | 6,306 |
| Total | $ 109,211 | $ 14,483 | $ 123,694 |

**Regulated Leases**

The City and United Airlines ("United"), Southwest Airlines ("Southwest"), Delta Air Lines ("Delta"), American Airlines ("American"), FedEx, and UPS the ("Signatory Airlines") entered into Airport Use and Lease agreements ("Regulated Leases") for usage of San Antonio International Airport facilities for the purpose of conducting business as air transportation businesses. These agreements are noncancellable and terminate no later than September 2027 and go into holdover until a new agreement is negotiated. Under the terms of these agreements, Signatory Airlines pay the Airport System monthly based on the annual rental rate/fee schedule. Rate calculations are based on total estimates of costs and expenses, estimates of passengers and total landed weight, and other factors. Final settlements are made each year after the audit of Airport System Fund's ACFR. Other airlines operating at San Antonio International Airport are billed at rates established by the annual rate/fee schedules. During the holdover period, the airlines will be charged rates per the existing agreement or a Rates by Ordinance may be instituted.

Under the agreements with Signatory Airlines, they have exclusive and preferential use of certain spaces and facilities of terminals A and B at San Antonio International Airport and preferential use of certain apron areas. In addition, the agreements with Southwest, Delta, American, and United grants them with preferential use of the West Cargo areas at the Airport. Exclusive and preferential use of space are summarized as follows (amounts in the table below are not in thousands):

**San Antonio International Airport (SAT)**

| | American | Delta | Southwest | United | Other |
|---|---|---|---|---|---|
| Terminal Areas - Leased Airline Space | 18,243 | 14,787 | 30,282 | 22,213 | 4,274 |
| Apron - Leased Airline Space | 650 | 375 | 790 | 725 | |
| Number of Leased Gates | 5 | 3 | 6 | 5 | |

## Note 14 Leases (Continued)

### Primary Government (City) (Continued)

***Business-Type Activities (Continued)***

**Regulated Leases (Continued)**

Total lease revenue received for the fiscal year-ended September 30, 2022 was $24,205 for regulated leases.

| | Airport System Regulated Leases | | | |
|---|---|---|---|---|
| Carriers | Fixed Payments | Interest | Variable Payments | Total |
| American | $ 4,981 | $ 568 | $ 7,416 | $ 12,965 |
| Delta | 3,644 | 419 | 5,265 | 9,328 |
| Southwest | 7,893 | 910 | 9,773 | 18,576 |
| United | 4,773 | 557 | 4,824 | 10,154 |
| Other | 416 | 44 | 9,943 | 10,403 |
| Total | $ 21,707 | $ 2,498 | $ 37,221 | $ 61,426 |

Expected future minimum lease payments from Regulated Leases as of September 30, 2022 are summarized in the table below. These payments are projected by management of the Airport System using the following assumptions: 1) revenues earned from the Signatory Airlines during the year ended September 30, 2022, 2) through the expiration of the agreements with the Signatory Airlines or the next five years, whichever is longer, 3) compounded at 3.0% per year without considering possible effect of the ongoing COVID-19 pandemic, and 4) without considering future expansion and changes in operations by the Airport System or the Signatory Airlines.

| Year-Ending September 30, | Aviation |
|---|---|
| 2023 | $ 24,489 |
| 2024 | 24,233 |
| 2025 | 24,211 |
| 2026 | 24,211 |
| 2027 | 24,211 |
| Total | $ 121,355 |

*Year-Ended September 30, 2022* - 223 - *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### Primary Government (City) (Continued)

### *Business-Type Activities (Continued)*

### Financed Purchases

The City has lease-purchase contracts that transfer ownership of the underlying asset to the City by the end of the contract. Per GASB Statement No. 87, these contracts are reported as financed purchases and accounted for separately from the City's leases. Total expenditures for financed purchases for fiscal year-ended September 30, 2022 were $203.

As of September 30, 2022, the City had future minimum payments for financed purchases with a remaining term in excess of one year for business-type activities as follows:

| Year-Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 210 | $ 31 | $ 241 |
| 2024 | 218 | 23 | 241 |
| 2025 | 225 | 15 | 240 |
| 2026 | 233 | 7 | 240 |
| 2027 | 57 | 1 | 58 |
| Total | $ 943 | $ 77 | $ 1,020 |

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*Year-Ended September 30, 2022* - 224 - *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### CPS Energy

#### Lessee

CPS Energy leases buildings and equipment from third parties. Lease terms range from two to 15 years. Several leases have an option to extend the lease term after completion of the contracted term. CPS Energy leased assets and associated accumulated amortization are included in capital assets as intangibles. There were no payments recorded in the current period that were not included in the measurement of the lease liability, no commitments prior to the commencement of the lease contracts, and no lease impairments as of January 31, 2022.

The following tables summarize lease balances as of January 31, 2022:

| | February 1, 2021 | Additions | Deletions | January 31, 2022 |
|---|---|---|---|---|
| Leases | | | | |
| Buildings | $ 2,884 | $ - | $ - | $ 2,884 |
| Equipment | 2,247 | | | 2,247 |
| Total | $ 5,131 | $ - | $ - | $ 5,131 |
| Amortization | | | | |
| Buildings | $ (481) | $ (503) | $ - | $ (984) |
| Equipment | (319) | (315) | | (634) |
| Total | $ (800) | $ (818) | $ - | $ (1,618) |
| Leases, net | $ 4,331 | $ (818) | $ - | $ 3,513 |

The following table summarizes future principal and interest payments as of January 31, 2022:

| Year Ended January 31, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 890 | $ 131 | $ 1,021 |
| 2024 | 654 | 94 | 748 |
| 2025 | 400 | 73 | 473 |
| 2026 | 341 | 57 | 398 |
| 2027 | 281 | 45 | 326 |
| 2028-2033 | 906 | 101 | 1,007 |
| 2034-2039 | 41 | 1 | 42 |
| Total | $ 3,513 | $ 502 | $ 4,015 |

*Year-Ended September 30, 2022* - 225 - *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### CPS Energy (Continued)

### Lessor

CPS Energy leases buildings to third parties with terms ranging from two to 19 years, which include options to extend the term. There was no receipt of variable or other lease payments as of fiscal year 2022. The total lease interest and revenue was $1,189 for the year-ended January 31, 2022. In addition, the total leased asset receivable was $7,749 and the corresponding deferred inflow of resources was $12,995 as of January 31, 2022.

### *Leases*

CPS Energy leases space on poles and street light poles to third party communication providers. In an effort to adhere to state and federal laws, CPS Energy established the Pole Attachment Standards, which includes contract terms and rates formula. The standard terms include a five-year initial contract and successive automatic one-year renewals until the contract is terminated by either party by providing six months written notice. The pole standards, standard contract, and rate formula are accessible to all applicants via CPS Energy's website. The total amount of lease revenue for the year-ended January 31, 2022 was $7,060, which included an allowance for doubtful accounts of $1,152. There were no other or variable lease payments received in fiscal year 2022. In addition, CPS Energy does not issue debt that relies on the receipt of regulated lease payments to pay the debt principal and interest payments.

### *Communication Shelters Lease*

In fiscal year 2014, CPS Energy entered into an agreement to lease 62 of its communication towers to an independent third party and an additional five in fiscal year 2017, which resulted in a total of 67 tower leases. Additionally, the provisions of the agreement allowed for the third party's ongoing use of communication shelters for a period of 40 years, with three five-year options by the third party to extend the agreement. The agreement included a $41,000 prepayment by the third party as financing of the communication towers netted with a prepayment of $6,831 for use of CPS energy communication shelters for a total of $34,169, which has been reclassified as a long term liability until the end of the lease term. The third party prepaid the entire contracted lease amount for the term of the agreement and the parties agreed that no further cash payments would be paid by either party for the 40-year lease term. The balance of the communication towers liability was $34,169 at January 31, 2022.

## Note 14 Leases (Continued)

### San Antonio Water System (SAWS)

San Antonio Water System will implement GASB Statement No. 87 in the fiscal year-ending December 31, 2022.

### *Water Agreements*

As of December 31, 2021, SAWS has entered into various water leases to obtain rights to pump water from the Edwards Aquifer. The term of these agreements varies, with some expiring as early as 2022 and others continuing until 2027. The annual cost per acre-foot ranges from $100 to $140. Under these various leases, SAWS paid $3,211 in 2021. (Per acre-foot figures are not in thousands).

The future commitments under these leases are as follows:

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|---|---|---|---|---|---|---|
| Edwards Aquifer - lease payments | $ 2,986 | $ 1,597 | $ 496 | $ 496 | $ 496 | $ 148 |
| Edwards Aquifer - acre feet leased | 21,928 | 12,091 | 3,912 | 3,912 | 3,912 | 1,144 |

SAWS also has commitments to purchase water supplies under various contracts. All water provided under these contracts is subject to availability.

Under a contract with Guadalupe-Blanco River Authority (GBRA), SAWS will receive 4,000 acre-feet of water annually through the end of the contract in 2037. Additionally, SAWS must purchase water not sold by GBRA to other third parties. The additional amount of water available in 2022 is estimated to be 2,500 acre-feet and is projected to decline over the remaining term of the contract as the demand increases for other GBRA customers. The cost of the water escalates over time with projected prices ranging from $1,062 per acre-foot in 2022 to approximately $1,407 per acre-foot by 2037. (Figures in this paragraph are not in thousands).

Under a contract with the Massah Development Corporation, SAWS has a minimum take or pay commitment to purchase 100 acre-feet per month or 1,200 acre-feet per year of raw water from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County at projected prices ranging from $686 to $750 per acre-foot. This agreement expires in July 2025 and SAWS has a unilateral option to extend the contract for ten years. (Figures in this paragraph are not in thousands).

In 2012, SAWS entered into an agreement with Water Exploration Company, Ltd., (WECO) to purchase groundwater produced by WECO from the Trinity Aquifer. In connection with this agreement, two prior water purchase agreements between District Special Project (DSP) and WECO were terminated. In 2018, Texas Water Supply Company assumed the assets of WECO, including this agreement between SAWS and WECO. The 2012 agreement has a term of 15 years, with two optional five-year extensions. SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet if the water is available to be produced. SAWS only pays for delivered water meeting all state and federal drinking water standards. Pumping under this contract may not reduce the Trinity Aquifer below 600 feet Mean Sea Level at test wells on the tracts. The projected price to be paid per acre-foot of raw water ranges from $1,105 in 2022 to $1,281 by 2027. (Figures in this paragraph are not in thousands).

## Note 14 Leases (Continued)

### San Antonio Water System (SAWS) (Continued)

### *Water Agreements (Continued)*

In 2010, SAWS was granted a permit by the Gonzales County Underground Water Conservation District (District) to produce 11,688 acre-feet of water from the Carrizo Aquifer in Gonzales County. SAWS has entered into 23 separate agreements with landowners to produce water under that permit. (Agreement count and acre-feet not in thousands). These agreements remain in force indefinitely as long as SAWS continues to make payments in accordance with the terms of the agreements. SAWS makes payments to the landowners based on actual water produced. SAWS expects to produce the maximum water available under its permit in 2022 and projects payments to landowners will be $1,307. These payments escalate annually based on the average of the increase in the Consumer Price Index and Producers Price Index.

In 2011, SAWS entered into an agreement with the Schertz Seguin Local Government Corporation (SSLGC) to treat water produced by SAWS under its permit with the District at SSLGC's treatment plant in Gonzales County and transport that water through SSLGC's existing transportation pipeline to a SAWS facility in Schertz, Texas and purchase up to 5,000 acre-feet of wholesale water annually from SSLGC. As part of this agreement, SSLGC agreed to expand its treatment facilities to handle the volume of water supplied by SAWS. SSLGC issued contract revenue bonds in 2012 to finance the expansion. SAWS is unconditionally obligated to make monthly payments to SSLGC beginning in December 2014 equal to 1/12th the annual debt service payment owed by SSLGC on the contract revenue bonds regardless of the amount of water actually provided by SAWS to SSLGC for treatment and transportation. In addition to the payment made to SSLGC for the expansion of the treatment plant, SAWS makes payments to SSLGC for treating and transporting the SAWS produced water. (Figures in this paragraph are not in thousands).

The initial term of the agreement with SSLGC expires in 2050 and is automatically renewed for successive terms of five years unless SAWS chooses to cancel the contract upon the expiration of any term. The projected price paid to SSLGC to treat and transport water provided by SAWS is projected to be $531 per acre-foot in 2022 and peaks at $683 per acre-foot in 2041 and ends at $655 per acre-foot in 2050. This projected price through 2041 includes the debt service associated with the expansion of SSLGC's treatment plant. Payments for any wholesale water purchased from SSLGC are based on SSLGC's operating water rates. The 2022 price also includes the cost of surplus water from SSLGC, which contractually continues to be made available in subsequent years. (Figures in this paragraph are not in thousands).

Under a contract with Bexar-Medina-Atascosa Counties W.C.I.D. No. 1 (BMA), SAWS has a take or pay commitment to purchase 19,974 acre-feet of untreated water annually from Medina Lake. If BMA is unable to deliver water to SAWS, BMA issues a credit for the undelivered water, which can be used to offset payments due to BMA during the next calendar year. The price of the water is based on the rate charged by GBRA for raw water. GBRA's rate for raw water as of December 31, 2021 was $157 per acre-foot. The agreement has been amended several times with the current agreement ending in 2049. (Figures in this paragraph are not in thousands).

Under a contract with Canyon Regional Water Authority (CRWA), SAWS is required to make certain contractually required minimum payments each year to fund capital and operating expenses of CRWA. Additionally, SAWS makes payments based on the number of acre feet of water SAWS commits to take in a given year. SAWS currently has access to 6,300 acre-feet annually from 2022 through 2047 with an average cost ranging from $958 to $1,425 per acre-foot. (Figures in this paragraph are not in thousands).

## Note 14 Leases (Continued)

### San Antonio Water System (SAWS) (Continued)

### *Water Agreements (Continued)*

Total payments under these water purchase agreements were $35,279 in 2021. A summary of all estimated future payments under all of these agreements is provided in the following table. The estimated fixed water payments consist of the take or pay commitments under the agreements. The estimated variable water payments will be made only if water is made available to SAWS. The estimates assume price escalations but do not assume the extension of any water purchase agreement. As with any estimate, the actual amounts paid could differ materially.

| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|---|---|---|---|---|---|---|
| Purchased water payments - fixed | $ 23,382 | $ 23,680 | $ 24,042 | $ 24,316 | $ 24,342 | $ 543,287 |
| Acre feet purchased - fixed | 42,507 | 42,507 | 42,507 | 41,907 | 41,307 | 900,505 |
| Purchased water payments - variable | $ 14,551 | $ 14,808 | $ 15,078 | $ 14,983 | $ 14,871 | $ 23,955 |
| Acre feet purchased - variable | 13,756 | 13,532 | 13,405 | 12,830 | 12,257 | 19,421 |

On October 30, 2014, the City Council adopted an ordinance, approving the execution of a Water Transmission and Purchase Agreement (Agreement) between the City, acting by and through SAWS, and Vista Ridge LLC (Project Company), pursuant to which the Project Company has committed to make available to SAWS, and SAWS has agreed to pay for, up to 50,000 acre-feet of potable water (Project Water) per year for an initial period of 30 years plus a limited extension period (up to 20 years) under certain circumstances (hereinafter referred to as the operational phase). The execution of the Agreement represents a significant diversification of the City’s water sources, as SAWS projects that Project Water, if delivered at the maximum contractual amount, will account for approximately 20.0% of SAWS’ current annual usage.

Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as a maintenance and operating expense of SAWS from a flow of funds perspective, only for Project Water made available at the connection point (which payment will also include the costs of operating and maintaining the Vista Ridge Pipeline Project as described below). SAWS will have no obligation to pay for any debt issued by the Project Company, and any such debt will be non-recourse to SAWS.

On May 17, 2016, SAWS exercised its contractual right to fix the Capital and Raw Groundwater Unit Price under the Agreement based on the methodology provided for therein. This action served to lock in the price of the Project Water component of SAWS annual payment requirement at $1,606 per acre-foot for the entire 30-year term (and any extension of that term) of the Agreement. (Figures in this paragraph are not in thousands).

In addition to the Capital and Raw Groundwater Unit Price, SAWS will pay operations and maintenance costs deemed to be compensable by an independent budget panel as a direct pass through under the Agreement as well as electricity costs. Finally, SAWS is responsible for compensating the Project Company for any major repairs and replacement costs, which may arise and are deemed to be compensable by the budget panel.

The project achieved financial close in November 2016, the construction phase of the project is now complete, and delivery of Project Water commenced April 15, 2020. Vista Ridge LLC has constructed well fields to withdraw water from the Carrizo and Simsboro aquifers in Burleson County, Texas pursuant to currently held long-term leases with landowners and constructed a 142-mile pipeline from this well field to northern Bexar County. The pipeline has been connected to the SAWS distribution system at the Agua Vista Station, the delivery point in northern Bexar County, which will treat the Project Water for distribution into the SAWS system.

## Note 14 Leases (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Water Agreements (Continued)*

The start of water delivery initiated the 30-year operational phase, during which period SAWS is obligated to pay for Project Water (up to 50,000 acre-feet annually) made available by the Project Company. A total of $102,397 was spent in 2021 to make contractually required payments for water made available, provide for the operations and maintenance of the pipeline, support the operation of the new Agua Vista Station and provide for the utility expenses associated with the pipeline and the Agua Vista Station.

Between April and July 2020, to ensure safe and successful integration of a new water source into the SAWS distribution system, SAWS integrated roughly half of the water made available to it and built-up credits for water that was made available but that had not yet been received. Under the terms of the Agreement, SAWS will receive the benefit of these credits in future years.

At the end of the operational phase, ownership of the Project will be transferred to SAWS at no cost. SAWS has also entered into a separate agreement with Blue Water Vista Ridge, LLC, the lessee of the Project Water, to continue to acquire up to 50,000 acre-feet annually of untreated groundwater, for an additional 30 year period upon the termination of the Agreement and transfer of the Project to SAWS. The cost of such water at the end of the Agreement will be tied to prevailing Edwards Aquifer leases.

Because all Project assets will transfer to SAWS at the end of the Agreement, SAWS recorded the capital assets and a contract capital lease liability equal to the acquisition value of the Project Company infrastructure of approximately $929,326 in 2020. During 2021, SAWS recorded depreciation of $23,996 associated with these assets, while reducing the contract capital lease liability through the debt service portion of payments to be made under the contract to $903,704 as of December 31, 2021.

The following table is a schedule of interest and principal payments for each of the next five years and then in five-year increments thereafter.

| Year-Ended December 31, | Principal | Interest | Balance |
|---|---|---|---|
| 2022 | $ 16,339 | $ 45,120 | $ 61,459 |
| 2023 | 17,014 | 44,445 | 61,459 |
| 2024 | 17,769 | 43,858 | 61,627 |
| 2025 | 18,459 | 43,000 | 61,459 |
| 2026 | 19,231 | 42,228 | 61,459 |
| 2027-2031 | 109,156 | 198,308 | 307,464 |
| 2032-2036 | 135,256 | 172,375 | 307,631 |
| 2037-2041 | 169,755 | 137,709 | 307,464 |
| 2042-2046 | 218,505 | 88,958 | 307,463 |
| 2047-2050 | 182,220 | 20,174 | 202,394 |
| Total | $ 903,704 | $ 836,175 | $ 1,739,879 |

SAWS has the right to terminate the Agreement at any time by purchasing the Project for the aggregate amount of the outstanding Project Company debt, contract breakage costs and return of and return on equity contributions. SAWS also has the obligation to purchase the Project assets in similar fashion in the event of a SAWS default under the Agreement. The termination payment as of December 31, 2021, was estimated to be approximately $1,105,516. SAWS also maintains the option to assume rather than pay off the outstanding Project Company debt. Under either scenario, SAWS purchasing of the Project would result in the recording of additional liabilities totaling approximately $201,811.

*Year-Ended September 30, 2022* **- 230 -** *Amounts are expressed in thousands*

## Note 14 Leases (Continued)

### San Antonio Water System (SAWS) (Continued)

#### *Other*

During 2020, SAWS entered into capital lease agreements for fleet vehicles. The term of each vehicle lease is five years. Payments are based on the current market value of the vehicle less a residual value. A 4.5% interest rate was used to calculate the payment. A service charge of $250 per vehicle is due at the end of each lease (figures in this sentence are not in thousands). In 2020, SAWS recorded a $402 capital lease liability associated with these leases, which includes the present value of all future payments and the service charge due at the end of the lease (figures in this sentence are not in thousands). During 2021, SAWS recorded depreciation of $73 associated with these assets, while reducing the capital lease liability through the debt service portion of payments to be made under the agreement to $296 as of December 31, 2021.

| Year-Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 76 | $ 12 | $ 88 |
| 2023 | 80 | 8 | 88 |
| 2024 | 83 | 5 | 88 |
| 2025 | 57 | 1 | 58 |
| Total | $ 296 | $ 26 | $ 322 |

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## Note 15 Other Obligations

### Primary Government (City)

### *Pollution Remediation Obligation*

The City follows the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

The general nature of existing pollution that has been identified on City property is consistent with City operations of acquiring properties for infrastructure and improvement development. Under most circumstances, the triggering event relevant to the City is the voluntary commencement of activities to clean up the pollution. Costs were estimated using the expected cash flow technique prescribed under GASB Statement No. 49 utilizing information provided by the City's respective departments which included previous knowledge of clean-up costs, existing contracts, etc. Depending on the length of time it takes the City to remediate the pollution, costs may be different from those estimated below as a result of market rate changes, price changes, improvements to technology, or changes in applicable laws or regulations.

| | Beginning Balance October 1, 2021 | Additions | Deletions | Ending Balance September 30, 2022 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Liabilities | $ 3,489 | $ 1,917 | $ (2,641) | $ 2,765 |
| Construction in Progress | 357 | 1,093 | (357) | 1,093 |
| Business-Type Activities: | | | | |
| Liabilities | $ 1,274 | $ - | $ - | $ 1,274 |

The Governmental Activities' liabilities were a result of cost estimates to clean existing pollution found on land acquired by the City's Public Works Department for the construction of streets, drainage and parks. Any net change in the Governmental Activities pollution remediation liability that was not capitalized under Construction in Progress was expensed under the City's general government, public safety, public works, and culture and recreation activities.

The City foresees receiving $536 in recoveries from third parties for the costs associated with cleaning up these pollution obligations.

The Business-Type Activities' liability was a result of cost estimates to clean existing pollution found on land acquired by the Airport System for the construction of airport structures. As the City acquired this property in the early 1940s, the liability did not meet the criteria to be capitalized, and as such was expensed in fiscal year 2009. The City had no additional pollution remediation costs in business-type activities in fiscal year 2022.

### *Asset Retirement Obligations*

The City accounts for Asset Retirement Obligations (AROs) by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred once the assets are retired. GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the AROs be adjusted for the effects of inflation or deflation at least annually. In addition to the AROs, the City has recorded associated deferred outflows of resources that are being amortized over the remaining useful life of the respective asset groups.

*Year-Ended September 30, 2022* - 232 - *Amounts are expressed in thousands*

# Note 15 Other Obligations

## Primary Government (City) (Continued)

### *Asset Retirement Obligations (Continued)*

The Governmental Activities include 35 fuel storage tanks and three oil tanks with useful lives of 40 years (not reported in thousands). The storage tanks have regulatory requirements to be met for removal or permanent closure after retirement under the Texas Administrative Code. The associated retirement costs are being amortized utilizing straight-line method over the average estimated remaining useful life of the storage tanks. At September 30, 2022, the ARO liability related to the storage tanks was $878.

The Business-Type Activities include seven fuel storage tanks with useful lives of 40 years, three above ground oil tanks with useful lives of 40 years and one X-ray machine with a useful life of ten years. Additionally, the City has the following assets with 30 year useful lives; two above ground Aqueous Film Forming Foam (AFFF) product storage tanks, piping systems and underground AFFF waste collection tanks, one underground AFFF storage tank and piping system, and one automobile fuel piping system and dispensers (not reported in thousands). The storage tanks have regulatory requirements to be met for removal or permanent closure after retirement under the Texas Administrative Code. The Airport X-ray machine also has special requirements for the decommissioning/sanitizing of the equipment when it is retired. The associated retirement costs are being amortized utilizing straight-line method over the average estimated remaining useful life of the assets. At September 30, 2022, the ARO liability related to these assets was $587.

| | Beginning Balance October 1, 2021 | Additions | Deletions | Ending Balance September 30, 2022 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Liabilities | $ 718 | $ 199 | $ (39) | $ 878 |
| Business-Type Activities: | | | | |
| Liabilities | $ 543 | $ 44 | $ - | $ 587 |

## CPS Energy

### *Pollution Remediation Obligation*

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. The general nature of existing pollution that has been identified at CPS Energy sites is consistent with that experienced within the electric and gas utilities industry. Under most circumstances, the triggering event most relevant to CPS Energy is the voluntary commencement of activities to clean up pollution.

Under Federal Energy Regulatory Commission guidance, reserves have been established for dismantling and closure costs. In fiscal year 2008, in preparation for implementation of GASB Statement No. 49, a portion of those reserves were reclassified to remediation and dismantling reserve accounts reported on the Statement of Net Position within other liabilities. When a triggering event occurs, those reserves will be reclassified as a pollution remediation liability also reported within other liabilities.

The pollution remediation liability was $1,565 as of January 31, 2022. Costs were estimated using the expected cash flow technique prescribed under GASB Statement No. 49, utilizing information provided by CPS Energy's environmental staff and consultants.

## Note 15 Other Obligations

### CPS Energy (Continued)

### *Asset Retirement Obligations*

CPS Energy accounts for Asset Retirement Obligations (AROs) by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred once the assets are retired. Asset retirement obligations recognized under GASB Statement No. 83 were estimated utilizing information provided by CPS Energy's environmental and engineering staff, external consultants, and costs based on an external cost study for decommissioning.

GASB Statement No. 83 requires the AROs be adjusted for the effects of inflation or deflation at least annually and to evaluate factors to determine if one or more factors is expected to significantly increase or decrease the estimated outlays. In addition to the AROs, CPS Energy has recorded associated deferred outflows of resources that are being amortized over the remaining useful life of the respective asset groups. The following asset groups have been included in the ARO reflected on the Statement of Net Position:

- **STP Units 1 and 2** – CPS Energy is one of three participants in STP, currently a two-unit nuclear power plant located in Matagorda County, Texas. The Code of Federal Regulations (CFR) provides the main decommissioning requirements mandated by the Nuclear Regulatory Commission that issues the operational license of the site. The ARO is based on an external cost study performed every five years. The most recent study was finalized in May 2018 and estimates costs in 2018 dollars. The associated costs are being amortized utilizing a straight-line method over the estimated remaining useful lives of the units. Total asset lives for the units are 60 years based on the operating license extensions.

- The deferred outflows of resources are based on the estimated remaining useful life of the assets at the time of implementation. CPS Energy has established two decommissioning trusts that are reported as blended component units combined into the CPS Energy financial statements to cover the eventual decommissioning associated with STP Units 1 and 2. At January 31, 2022, the ARO related to STP Units 1 and 2 was $1,068,840.

- **Vaults** - CPS Energy has approximately 198 underground vaults with useful lives of 46 years (vault count not reported in thousands). The vaults have regulatory requirements to be met prior to removal and after retirement under the CFR and Texas Commission on Environmental Quality. Methods and assumptions to determine the associated liability were based on an internal calculation of cost per square foot of each vault which includes assessment, remediation, transportation, and disposal costs. The associated costs are being amortized utilizing a straight-line method over the average estimated remaining useful life of the vaults. At January 31, 2022, the ARO related to the vaults was $10,680.

- **Fuel Storage Tanks** – CPS Energy has 14 underground fuel storage tanks with useful lives of 30 years (fuel storage tank count not reported in thousands). The storage tanks have regulatory requirements to be met for removal or permanent closure after retirement under the Texas Administrative Code. The methods and assumptions used to determine the liability associated with the tanks were based on a cost analysis performed by an outside engineering consulting firm in July 2018. The associated retirement costs are being amortized utilizing straight-line method over the average estimated remaining useful life of the storage tanks. At January 31, 2022 the ARO related to the storage tanks was $4,620.

## Note 15 Other Obligations

### CPS Energy (Continued)

#### *Other*

CPS Energy has two Long-Term Service Agreements (LTSA) with General Electric (GE) for two of its combined-cycle power plants, Arthur Von Rosenberg (AVR) and Rio Nogales.

- **AVR** – In 2007, CPS Energy entered into a 20-year LTSA with GE to provide maintenance services and select replacement parts for the AVR power plant. In September 2015, the contract was amended primarily to add a provision for the advance purchase from GE of three new sets of Advanced Gas Path (AGP) parts to eventually be installed at the AVR plant.

  The balance of the AVR LTSA obligation at January 31, 2022, totaled $11,704 which was reported as a noncurrent liability on the Statement of Net Position.

- **Rio Nogales** – In March 2017, the existing Rio Nogales power plant LTSA contract was amended primarily to add a provision for the advance purchase from GE of four new sets of AGP parts to eventually be installed at the power plant. At January 31, 2022 one set of spare parts was reported as inventory.

  The balance of the Rio Nogales LTSA obligation at January 31, 2022, totaled $27,737 which was reported as a noncurrent liability on the Statement of Net Position.

### San Antonio Water System (SAWS)

#### *Pollution Remediation Obligation*

SAWS had no material pollution remediation liabilities at December 31, 2021.

#### *Asset Retirement Obligation*

SAWS adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective January 1, 2019. SAWS accounts for AROs by recognizing the total obligation as a liability based on the best estimate of the current value of expenditures expected to be incurred once the assets are retired. GASB Statement No. 83 requires the effects of inflation or deflation on the ARO liability be adjusted annually. In addition to the ARO liability, SAWS has recorded associated outflows of resources that are being amortized over the remaining useful life of the respective asset groups. The total liability for AROs was $36,191 at December 31, 2021. The following asset groups have been included in the ARO liability reflected in the Statement of Net Position.

## Note 15 Other Obligations

### San Antonio Water System (SAWS) (Continued)

### *Asset Retirement Obligations (Continued)*

**Wastewater Treatment Plants (WTPs) –** SAWS operates four WTPs in its service area. These plants are the Steven M. Clouse WTP, Leon Creek WTP, Medio Creek WTP and Mitchell Lake WTP. SAWS operates the Mitchell Lake WTP but the plant no longer receives wastewater flows. Due to the environmentally sensitive nature and ongoing wetlands project at the plant, the remaining life and the cost to retire the assets at Mitchell Lake WTP are not reasonably estimable and are not included in the ARO liability. The average remaining useful life of the other WTPs is 48 years. The Texas Commission on Environmental Quality requires that a WTP be decommissioned once no longer in service. The cost for decommissioning the other three plants was $34,778 at December 31, 2021. The cost was determined using data from various 2006 contracts relating to the decommissioning of the Salado Creek WTP. The contract data was inflated to 2021 dollars. The cost includes a 10.0% design allowance.

**Underground Storage Tanks (USTs)** – SAWS maintains 11 USTs, with an average remaining useful life of one year, across its service area for servicing fleet vehicles. Texas State Law, 30 Texas Administrative Code Chapter 334, requires that USTs be removed from the ground when they are no longer in use. The cost to remove these USTs from the ground is estimated to be $917 at December 31, 2021. The cost was determined using data from a 2020 SAWS contract for the removal of USTs from SAWS' Van Dyke Service Center. The cost includes a 10.0% design allowance. During 2021, two USTs were removed.

**Desalination Injection Wells** – SAWS currently has two injection wells in use with the desalination process. In connection with desalination injection well permits obtained by SAWS from the Texas Commission on Environmental Quality, SAWS has an obligation to plug the injection wells once the wells are no longer in service. These wells became operational in 2016 and have a remaining useful life of 44 years based on SAWS experience with other wells throughout the system. The cost to plug these wells was estimated to be $496 at December 31, 2021. Data from past contracts for well plugging from 2012 to 2018 was used to determine the costs to plug the various wells currently in service. The contract data was inflated to 2021 dollars. The cost includes a 10.0% design allowance.

The following table summarizes the ARO activity for 2021.

| Beginning Balance January 1, 2021 | Additions | Deletions | Ending Balance December 31, 2021 |
|---|---|---|---|
| $ 35,942 | $ 490 | $ (241) | $ 36,191 |

*Year-Ended September 30, 2022* **- 236 -** *Amounts are expressed in thousands*

## Note 16 Risk Financing

### Primary Government (City)

#### *Property and Casualty Liability*

As of October 1, 2013, the City is self-insured for liability claims. Effective January 1, 2015, all auto and general liability claims were brought in-house to be administered internally. The City purchased a property policy through Alliant Property Insurance Programs (APIP) for building property and contents, with a policy loss limit of $1,000,000 per occurrence. The deductible for specific perils and coverages are:

- 3.0% per unit of insurance subject to $1,000 minimum per occurrence for freeze;
- 3.0% per unit of insurance subject to $500 minimum per occurrence for hail;
- 3.0% per unit of insurance subject to $1,000 minimum per occurrence for catastrophic losses, excluding flood and earthquake as defined by meeting the following trigger: property claims services declaration of numbered catastrophic event;
- $250 per occurrence for water damage;
- 3.0% per unit of insurance subject to $500 minimum per occurrence for wind damage.
- $500 per occurrence for flood zones A & V (inclusive of all 100 year exposures).
- $500 unscheduled infrastructure including but not limited to tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, channels, levees, dikes, berms, embankments, landfills (as more fully defined in the policy), docks piers, wharves, streetlights, traffic signals, meters, roadways or highway fencing (including guardrails), and all similar property unless a specific value has been declared. Unscheduled infrastructure coverage is excluded for the peril of earthquake and excluded for Federal Emergency Management Agency (FEMA) and/or Office of Emergency Services (OES) declared disasters, providing said declaration provides funding for repairs.
- $250 earthquake shock: If the stated deductible is a flat dollar amount, the deductible will apply on a per occurrence basis, unless otherwise stated. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the minimum deductible per occurrence.
- $25 per police vehicle, except $50 for all police vehicles valued under $250; $100 for All Riot Control Vehicles (RCV) of $250 to $750; $250 for All Vehicles with RCV in excess of $750 per occurrence for off-premises vehicle physical damage. If off-premises coverage is included/purchased, the stated deductible will apply to vehicle physical damage both on and off-premises on a per occurrence basis, unless otherwise stated. If off-premises coverage is not included, on-premises/in-yard coverage is subject to the all risk (basic) deductible.

Obligations for claims under these programs are accrued in the City’s Self-Insurance Program’s Insurance Reserve Fund based on the City’s estimates of the aggregate liability for claims made and claims incurred but not reported. The departments are assessed contributions to cover expenditures.

In fiscal year 2022, the City purchased cyber liability and excess cyber liability insurance from Zurich Insurance Company and Allied World Specialty Insurance Company, respectively. The cyber liability insurance covers the financial costs associated with a breach and cyber extortion that exceed the deductible of $1,000. The excess cyber liability insurance covers the financial costs associated with a breach and cyber extortion that exceed the underlying policy’s limits, subject to its applicable deductible. The purchase of these insurance policies mitigates the risk to the City’s Self-Insurance Fund – Insurance Reserve Fund in the event a large catastrophic claim occurs.

## Note 16 Risk Financing (Continued)

### Primary Government (City) (Continued)

### *Workers' Compensation*

As of May 1, 2013, the City is completely self-insured for workers' compensation claims. The City utilizes a third-party administrator to adjust its claims. In fiscal year 2022, the City purchased workers' compensation stop loss insurance from CHUBB ACE American Insurance Company. The stop loss insurance covers civilian compensation claims that exceed $2,000 and uniformed claims that exceed $5,000. The purchase of the stop loss insurance mitigates the risk to the City's Self-Insurance Fund – Workers' Compensation Fund in the event a large catastrophic claim occurs. No settlements exceeded insurance coverage since it was first purchased in fiscal year 2020.

Obligations for claims under these programs are accrued in the City's Self-Insurance Program's Workers' Compensation Fund based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported. The departments are assessed contributions to cover expenditures.

### *Health Benefits Stop Loss Insurance*

In calendar year 2022, the City purchased medical claims stop loss insurance from HM Life Insurance Company. The stop loss insurance covers civilian and uniformed active employees, non-Medicare eligible retirees, and eligible dependents for claims paid exceeding $1,200. The purchase of the stop loss insurance mitigates the risk to the City's Employee Benefits Insurance Fund and Retiree Health Care Fund in the event a large catastrophic claim occurs. No settlements exceeded insurance coverage since the initial purchase in January 2018.

### *Employee Health Benefits*

The City offers employees and their eligible dependents a comprehensive employee benefits program including medical, dental, vision, and basic and supplemental life insurance. Employees may also participate in healthcare or dependent care spending accounts. The City's health program is self-insured, and the City's vision plan is fully-insured. The City offers two dental plans that are both fully-insured. Obligations for benefits are accrued in the Employee Benefits Insurance Fund based upon the City's estimates of the aggregate liability for unpaid benefits.

### *Retiree Health Benefits*

The City offers medical coverage for its retirees and their dependents. The City offers both self-insured and fully-insured plans to participating employees who are eligible to retire from the TMRS Pension Plan immediately following severance from the City. Self-funded obligations for benefits are accrued in the City's Retiree Health Care Fund (a fiduciary fund of the City) based upon the City's estimates of the aggregate liability for unpaid benefits. The City additionally determined and accrued OPEB liabilities based on an actuarial assessment of historical self-funded claims data performed and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the OPEB liability as additional contributions.

### *Unemployment Compensation Program*

The Unemployment Compensation Program provides a central account for payment of unemployment compensation claims. As of the fiscal year-end, claims were being administered externally and are paid to the Texas Workforce Commission on a reimbursement basis. All costs incurred are recorded on a claim paid basis in the Employee Benefits Insurance Fund.

## Note 16 Risk Financing (Continued)

### Primary Government (City) (Continued)

#### *Extended Sick Leave Program*

The Extended Sick Leave Program is used to pay benefits associated with short-term disability, long-term disability and continued long-term disability. Benefits are administered by the City. Actual costs are incurred when extended leave is taken. Short-term and long-term disability is funded by the employee's department. Continued long-term disability is funded out of the Employee Benefits Insurance Fund and is reimbursed by the employee's department.

#### *Employee Wellness Program*

The Employee Wellness Program supports a culture of wellness and provides employees and their family members with the necessary tools to achieve and maintain a healthy lifestyle, while positively impacting medical claim trends. The City offers a variety of programs including personalized onsite and telephonic health coaching, smoking cessation, health education sessions, and an activity-based program that outfits employees with a free pedometer. Through this activity-based program, employees are able to track their activity over the course of 12 months, during which they can earn up to $0.5 in financial contributions. In fiscal year 2022, the City contributed $709 towards employees' Flexible Spending or Health Savings accounts. The Employee Wellness Program is managed out of the Employee Benefits Insurance Fund.

#### *Claims Liability*

The liability for the Employee Benefits Insurance Fund  is based on the estimated aggregate amount outstanding at the Statement of Net Position date for unpaid benefits. Liabilities for the Insurance Reserve and Workers' Compensation Programs are reported when it is probable that a loss has occurred as of the Statement of Net Position date, and the amount of the loss can be reasonably estimated. These liabilities include allocable loss adjustment expenses, specific incremental claim adjustment expenses such as the cost of outside legal counsel, and a provision for claims that have been incurred but not reported (IBNR). Unallocated claim adjustment expenses have not been included in the calculation of the outstanding claims liability, as management of the City feels it would not be practical or cost beneficial. In addition, based on the difficulty in determining a basis for estimating potential recoveries and the immateriality of prior amounts, no provision for subrogation or salvage has been included in the calculation of the claims' liability. The claims liability reported in the accompanying financial statements for both the Insurance Reserve and Workers' Compensation Programs is based on a 2.0% discount rate due to the multi-year life cycle to close out these claims and the average historical, as well as forecasted, yield on the City's investments.

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## Note 16 Risk Financing (Continued)

### Primary Government (City) (Continued)

***Claims Liability (Continued)***

The following is a summary of changes in claims liability for the City's Insurance Reserve, Employee Benefits, and Workers' Compensation Programs Funds for the fiscal years as indicated:

| Fund | October 1, | Change in Estimate | Claims Incurred | Claims Payments | September 30, |
|---|---|---|---|---|---|
| Insurance Reserve: | | | | | |
| Fiscal Year 2021 | $ 20,939 | $ 13,108 | $ 1,375 | $ (8,508) | $ 26,914 |
| Fiscal Year 2022 | 26,914 | 7,457 | 1,188 | (4,495) | 31,064 |
| Employee Health Benefits[1]: | | | | | |
| Fiscal Year 2021 | $ 6,698 | $ 40,241 | $ 94,054 | $ (132,965) | $ 8,028 |
| Fiscal Year 2022 | 8,028 | 41,334 | 101,261 | (141,931) | 8,692 |
| Workers' Compensation: | | | | | |
| Fiscal Year 2021 | $ 35,354 | $ (6,270) | $ 11,409 | $ (9,771) | $ 30,722 |
| Fiscal Year 2022 | 30,722 | 5,494 | 7,408 | (15,234) | 28,390 |

[1] Fiscal Year 2022 fund financial claims expense reflects an additional $141 paid for Unemployment Claims that are not included in the calculation of claims liability.

### CPS Energy

**Insurance and Reserves** — CPS Energy is exposed to various risks of loss including, but not limited to, those related to torts, theft or destruction of assets, errors and omissions, and natural disasters. CPS Energy maintains property and liability insurance programs that combine self-insurance with commercial insurance policies to cover major risks. The property insurance program provides $3,500,000 of replacement-value coverage for property and boiler machinery loss, including comprehensive automobile coverage, and fire damage coverage for construction equipment and valuable papers. The deductible for the property insurance policy is $1,000 for non-power plant/non-substation locations, $2,500 for substations, and $5,000 for power plant locations.

The liability insurance program includes:

- $100,000 of excess general liability coverage over a retention amount of $3,000;
- $25,000 of fiduciary liability coverage;
- $100,000 of employment practices liability coverage; and
- Other property and liability insurance coverage, which includes directors and officers, cyber insurance, commercial crime, employee travel and event insurance.

*Year-Ended September 30, 2022* - 240 - *Amounts are expressed in thousands.*

## Note 16 Risk Financing (Continued)

### CPS Energy (Continued)

CPS Energy also manages its own workers' compensation program. To support this program, $35,000 of excess workers' compensation coverage over a retention amount of $3,000 is maintained. No settlements exceeded insurance coverage and there were no decreases in coverage in the last three fiscal years.

Actuarial studies are performed periodically to assess and determine the adequacy of CPS Energy insurance reserve retentions. Actuarial valuations include nonincremental claims expenses. An actuarial study was last completed in the fourth quarter of fiscal year 2022.

The remaining balance under the Property Reserves (Environmental) column in the table below at January 31, 2022, relates to estimated obligations for the cleanup, closure and post-closure care requirements of the CPS Energy's landfills. CPS Energy has seven landfill/impoundment sites, four of which are at full capacity. The estimates for landfills, surface impoundment and ash ponds liability are based upon capacity to date and are subject to change due to inflation or deflation, as well as new developments in technology, applicable laws, or regulations.

Under CPS Energy's reserve program, all insurance related claims are recorded against the reserve.

**Schedule of Changes in Claims Liability**

| Fund | Liability February 1, | Claims Adjustments | Claims Payments | Liability January 31, |
|---|---|---|---|---|
| Property Reserves (Environmental): | | | | |
| Fiscal Year 2021 | $ 11,852 | $ 7,223 | $ - | $ 19,075 |
| Fiscal Year 2022 | 19,075 | 473 | | 19,548 |
| Property Reserves (Insurance): | | | | |
| Fiscal Year 2021 | $ 8,500 | $ (4,124) | $ (61) | $ 4,315 |
| Fiscal Year 2022 | 4,315 | 807 | | 5,122 |
| Employee and Public Liability Claims: | | | | |
| Fiscal Year 2021 | $ 15,939 | $ 4,795 | $ (4,367) | $ 16,367 |
| Fiscal Year 2022 | 16,367 | 5,889 | (2,069) | 20,187 |

**Counterparty Risk** — CPS Energy is exposed to counterparty risk associated with various transactions primarily related to debt, investments, fuel hedging, suppliers, and wholesale power. Counterparty risk is the risk that a counterparty will fail to meet its obligations in accordance with the terms and conditions of its contract with CPS Energy. CPS Energy has policies and practices in place to ensure the solvency of counterparties is assessed accurately, monitored regularly, and managed actively through its Enterprise Risk Management and Solution Division.

**Fuel Hedging** —CPS Energy reports its derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses recognition, measurement, and disclosures related to derivative instruments. CPS Energy does not use derivative instruments for speculative purposes. The only derivative instruments entered are for the purposes of risk mitigation; therefore, these instruments are considered potential hedging derivative instruments under GASB Statement No. 53.

*Year-Ended September 30, 2022* - 241 - *Amounts are expressed in thousands.*

## Note 16 Risk Financing (Continued)

### CPS Energy (Continued)

On December 14, 2020, the CPS Energy Board reaffirmed the Energy Price Risk Management Policy, which sets forth the guidelines for the purchase and sale of certain financial instruments and certain physical products, collectively defined as hedge instruments. The essential goal of the Energy Price Risk Management Policy is to provide a framework for the operation of a fuel and energy price hedging program to better manage CPS Energy's risk exposure in order to stabilize pricing and costs for the benefit of CPS Energy and its customers.

In accordance with the requirements of GASB Statement No. 53, all fuel hedges are reported on the Statement of Net Position at fair value. The fair value of option contracts is determined using a Black-Scholes pricing model based on the New York Mercantile Exchange (NYMEX) closing futures prices as of the last day of the reporting period. For fixed-price contracts, the fair value is calculated by deriving the difference between the closing futures prices on the last day of the reporting period and the futures or basis swap purchase prices at the time the positions were established.

As of January 31, 2022, the total fair value of outstanding hedge instruments was a net asset of $53,709. Fuel hedging instruments with a fair value of $43,193 and ($9,386) are classified on the Statement of Net Position as a component of current assets and current accounts payable and accrued liabilities, respectively. Long-term fuel hedging instruments with a fair value of $26,296 and ($6,394) are classified as a component of other noncurrent assets and other noncurrent liabilities, respectively.

All hedging derivative instruments were evaluated for effectiveness at January 31, 2022. Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred outflows or deferred inflows of resources on the Statement of Net Position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense. The deferred outflows of resources related to fuel hedges totaled $15,138 at January 31, 2022. The deferred inflows of resources related to fuel hedges totaled $59,501 at January 31, 2022.

In fiscal year 2022, as a result of revisions to the expected volumes of some underlying physical transactions, it was determined that a group of existing financial hedge positions were no longer effective. Offsetting financial positions were executed, and fair value of the ineffective hedges resulted in (gains)/losses totaling ($228) and $2,744, which was recognized as a reduction to investment income.

## Note 16 Risk Financing (Continued)

### CPS Energy (Continued)

Following is information related to CPS Energy's outstanding fuel hedging derivative instruments, using the referenced index of Henry Hub. For Type of Transaction on the below table, Houston Ship Channel is presented as HSC, and Western Area Hub Association is presented as WAHA:

| Fuel Derivative Instrument Transactions as of January 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|
| Type of Transaction | | Referenced Index | Duration | Volumes in MMBtu | Fair Value | Changes in Fair Value |
| Long | Natural Gas Swap | Henry Hub | Feb 2022 - Dec 2023 | 9,367,531 | $ 17,923 | $ 16,566 |
| Short | Natural Gas Swap | Henry Hub | Feb 2022 - Dec 2022 | 2,535,767 | (4,327) | (4,196) |
| Long | Natural Gas Call Option | Henry Hub | Feb 2022 - Jan 2025 | 48,562,936 | 52,717 | 53,824 |
| Short | Natural Gas Put Option | Henry Hub | Feb 2022 - Mar 2023 | 9,082,893 | (33) | 1,019 |
| Long | HSC Basis Swap | Henry Hub | Feb 2022 - Dec 2023 | 8,747,531 | (124) | (189) |
| Short | HSC Basis Swap | Henry Hub | Feb 2022 - Dec 2022 | 235,767 | (3) | 20 |
| Long | WAHA Basis Swap | Henry Hub | Feb 2022 - Jan 2025 | 48,562,936 | (12,449) | (17,812) |
| Short | WAHA Basis Swap | Henry Hub | Feb 2022 - Mar 2022 | 4,880 | 6 | 6 |
| Long | WAHA Gas Daily Swap | Henry Hub | Feb 2022 - Feb 2022 | 5,600,000 | | |
| | | | | | $ 53,710 | $ 49,238 |

In the event purchased options are allowed to expire, the related premiums paid to acquire those options will be lost. When a short position is established and options are sold, premiums are received, and an obligation to honor the terms of the option contract, if exercised, is created. The decision to exercise the options or let them expire rests with the purchasing party.

Futures contracts represent a firm obligation to buy or sell the underlying asset. If held to expiration, the contract holder must take delivery of, or deliver, the underlying asset at the established contract price. Basis swap contracts represent a financial obligation to buy or sell the underlying delivery point basis. If held to expiration, the financial difference determined by mark-to-market valuation must be settled on a cash basis. Only if expressly requested in advance may an exchange for physical assets take place.

**Credit Risk** — CPS Energy executes over-the-counter hedge transactions directly with approved counterparties. These counterparties are generally highly rated entities that are leaders in their respective industries. CPS Energy monitors the creditworthiness of these entities on a daily basis and manages the resulting financial exposure via a third-party, vertically integrated risk system. Contractual terms with each existing counterparty vary, but each is structured so that, should the counterparty's credit rating fall below investment grade, no unsecured credit would be granted, and the counterparty would be required to post collateral for any calculated credit exposure. In the event of default or nonperformance by counterparties, brokers, or NYMEX, the operations of CPS Energy could be materially affected. However, CPS Energy does not expect these entities to fail to meet their obligations given the level of their credit ratings and the monitoring procedures in place with which to manage this risk. As of January 31, 2022, the exposure to all hedge-related counterparties was such that no material counterparty credit risk existed.

*Year-Ended September 30, 2022* **- 243 -** *Amounts are expressed in thousands.*

## Note 16 Risk Financing (Continued)

### CPS Energy (Continued)

**Termination Risk** — For CPS Energy's fuel hedges that are executed over the counter directly with approved counterparties, the possibility exists that one or more of these derivative instruments may end earlier than expected, thereby depriving CPS Energy of the protection from the underlying risk that was being hedged or potentially requiring CPS Energy to make a significant termination payment. This termination payment between CPS Energy and its counterparty is determined based on current market prices. In the event a transaction is terminated early, CPS Energy would likely be able to replace the transaction at current market prices with similar, although not exact, terms with one of its other approved counterparties.

**Basis Risk** — CPS Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will be priced based on a pricing point (HSC or WAHA) different than which the contracts are expected to settle (Henry Hub). For January 2022, the HSC price was $4.66 per MMBtu, the WAHA price was $4.55 per MMBtu and the Henry Hub price was $4.02 per MMBtu. (Figures in this paragraph are not in thousands).

**Congestion Revenue Rights** — In the normal course of business, CPS Energy acquires Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) as a hedge against congestion costs. The CRRs are purchased at semi-annual and monthly auctions at market value. Non-Opt-In Entities are granted the right to purchase PCRRs annually at a percentage of the cost of CRRs. While PCRRs exhibit the three characteristics of derivative instruments as defined in GASB Statement No. 53, they are generally used by CPS Energy as factors in the cost of transmission. Therefore, these PCRRs meet the normal purchases and sales scope exception and are reported on the Statement of Net Position at cost and classified as prepaid expenses.

From time to time, CPS Energy purchases PCRRs with the intent of selling them at the same auction at market price. In this case, the PCRRs are considered investments, and the proceeds are reported as either investment gains or losses. There were no gains or losses on the sale of PCRRs and CRRs for fiscal year 2022.

**Fair Value Measurement** — CPS Energy records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. More information regarding GASB Statement No. 72 is disclosed in Note 4 Cash and Cash Equivalents, Security Lending and Investments. Below is the liability portion disclosure of GASB Statement No. 72:

| | January 31, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Liabilities** | | | | |
| **Financial Instruments** | | | | |
| Current fuel hedges | $ 11,713 | $ 25 | $ - | $ 11,738 |
| Noncurrent fuel hedges | 6,261 | 8 | | 6,269 |
| Total financial instruments | $ 17,974 | $ 33 | $ - | $ 18,007 |

### San Antonio Water System (SAWS)

**Risk Management** — SAWS provides health care benefits to eligible employees and retirees through a self-insured plan that includes medical, prescription drug, and dental benefits. The payment of claims associated with these benefits is handled by third party administrators. Plan participants contribute a portion of the cost of providing these benefits through payroll deductions or monthly premiums, annual deductibles, and other co-payments. SAWS was self-insured for the first $500 of medical claims per person during 2021.

## Note 16 Risk Financing (Continued)

### San Antonio Water System (SAWS) (Continued)

SAWS is exposed to various risks of financial loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAWS is self-administered and self-insured for the first $2,000 of each workers' compensation and general liability claim, and is fully self-insured for automobile liability. Claims that exceed the self-insured retention limit for workers' compensation and general liability are covered through SAWS' Comprehensive Commercial Insurance Program (CCIP). Additionally, under the CCIP, SAWS maintains deductible programs for public officials and employment practices liability, fiduciary liability, pollution legal liability, drone liability, cyber liability, and crime with varying deductibles. Property coverage is on a replacement cost basis with a deductible of $250 per occurrence. Settled claims during the last three years have not exceeded the insurance coverage in any year.

The claims liability for health care benefits and other risks, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. Changes in the liability amount for the last two fiscal years were as follows:

**San Antonio Water System**
**Schedule of Changes in Claims Liability**

| Year-Ended | Balance at Beginning of Fiscal Year | Estimates | Claims and Payments | Balance at End of Fiscal Year | Estimated Due Within One Year |
|---|---|---|---|---|---|
| December 31, 2020 | $ 8,312 | $ 23,627 | $ (23,734) | $ 8,205 | $ 8,205 |
| December 31, 2021 | 8,205 | 24,234 | (23,618) | 8,821 | 8,821 |

**Pay-Fixed, Receive-Variable Interest Rate Swap** — In 2003, SAWS entered into an interest rate swap agreement in connection with its City of San Antonio, Texas, Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (Series 2003 Bonds) issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for SAWS' capital improvements program and to refund certain outstanding commercial paper notes.

The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower interest rate cost than a traditional long-term fixed rate bond issued at that time. In August 2008, SAWS used commercial paper notes to redeem $110,615 of the $111,615 outstanding principal of the Series 2003 Bonds due to unfavorable market conditions relating to the ratings downgrade of the 2003 Bond insurer, MBIA Insurance Corporation. In 2009, SAWS redeemed the remaining $1,000 of the Series 2003 Bonds through the issuance of additional commercial paper. The interest rate swap agreement was not terminated upon the redemption of the Series 2003 Bonds and instead serves as an off-market hedge for that portion of the commercial paper notes outstanding which pertain to the redemption of the Series 2003 Bonds. SAWS currently intends to maintain a portion of its outstanding commercial paper in amounts matching the notional amounts of the swap. SAWS did not recognize any economic gain or loss as a result of this refunding since the debt service requirements of the commercial paper notes are expected to closely match the debt service requirements of the refunded debt. At December 31, 2021, $68,820 of commercial paper notes was hedged by the interest rate swap agreement.

*Year-Ended September 30, 2022* **- 245 -** *Amounts are expressed in thousands.*

## Note 16 Risk Financing (Continued)

### San Antonio Water System (SAWS) (Continued)

**Terms** — The swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow the original scheduled reductions in the Series 2003 Bonds. The Series 2003 Bonds were issued on March 27, 2003, with a principal amount of $122,500. The swap agreement matures on May 1, 2033. At the time the swap was entered into, the counterparty was Bear Stearns Financial Products, Inc. (Bear Stearns FPI), with the index for the variable rate leg of the swap being the Securities Industry and Financial Markets Association Municipal Swap Index.

In 2008, JPMorgan Chase & Co. announced its acquisition of The Bear Stearns Companies, Inc., the parent of Bear Stearns FPI. JPMorgan Chase & Co. has guaranteed the trading obligations of Bear Stearns Companies Inc. and its subsidiaries. Effective June 16, 2009, the swap agreement was amended between SAWS, JPMorgan Chase & Co., and MBIA to provide for JPMorgan Chase Bank N.A. to become the swap counterparty and allow for the remainder of outstanding Series 2003 Bonds to be redeemed, while maintaining the swap agreement as an obligation to all parties. The amendment provides for the conditional release of MBIA's swap insurance policy upon the occurrence of certain future events. The combination of commercial paper notes and a floating-to-fixed swap creates a synthetic fixed-rate of 4.2%. The synthetic fixed-rate protects against the potential of rising interest rates.

**Fair Value** — The swap had a negative fair value of approximately $12,545 at December 31, 2021. This value is based on Level 2 inputs in the fair value hierarchy using the zero-coupon valuation method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap agreement meets the criteria of an effective hedge under GASB Statement No. 53 and therefore qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a noncurrent liability. Changes in the swap's fair value are recorded as a deferred outflow of resources and included on the Statement of Net Position. At the time the Series 2003 Bonds were redeemed in 2008, the fair value of the swap was negative $6,179. The deferred outflow at the time of redemption was included in the carrying value of the Series 2003 Bonds and resulted in a loss on redemption of $6,179. This loss is included in the deferred charge on bond refunding on the Statement of Net Position and is being amortized over the remaining life of the Series 2003 Bonds. The unamortized deferred charge on bond refunding related to the swap was $2,188 at December 31, 2021.

**Credit Risk** — As of December 31, 2021, SAWS was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, SAWS would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, JPMorgan Chase Bank, N.A., was rated 'Aa2' by Moody's Investors Service, 'A+' by Standard & Poor's Global Ratings, and 'AA' by Fitch Ratings as of December 31, 2021. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair market value of the swap reach applicable thresholds as stated in the amended swap agreement.

**Basis Risk** — SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

## Note 16 Risk Financing (Continued)

### San Antonio Water System (SAWS) (Continued)

**Termination Risk** — SAWS may terminate the swap at any time for any reason. JPMorgan Chase may terminate the swap if SAWS fails to perform under the terms of the agreement. The ongoing payment obligations under the swap are insured as provided for in the swap amendment, and JPMorgan Chase cannot terminate as long as the insurer does not fail to perform. Also, if at the time of the termination the swap has a negative fair value, SAWS would be liable to the counterparty for a payment equal to the swap's fair value.

**Market-access Risk** — SAWS is subject to market-access risk as the variable-rate debt hedged by the swap consists of commercial paper notes. At December 31, 2021, $68,820 of outstanding commercial paper with current maturities of approximately 18 days was hedged by the interest rate swap. As previously noted, SAWS intends to reissue the commercial paper notes in amounts matching the notional amounts of the swap.

**Swap Payments and Associated Debt** — As of December 31, 2021, debt service requirements of the hedged commercial paper notes and net swap payments, assuming current interest rates remain the same, are detailed in the following table. As rates vary, variable-rate interest payments and net swap payments will vary. Principal payments assume that commercial paper will be repaid in accordance with the amortization schedule of the swap.

**Pay-Fixed, Receive-Variable Interest Rate Swap**
**Estimated Debt Service Requirements of Variable-Rate**
**Debt Outstanding and Net Swap Payments**

| Year | Principal | Interest Paid on Debt | Interest Rate Swap, Net | Total |
|---|---|---|---|---|
| 2022 | $ 4,435 | $ 66 | $ 2,687 | $ 7,188 |
| 2023 | 4,640 | 62 | 2,501 | 7,203 |
| 2024 | 4,850 | 57 | 2,305 | 7,212 |
| 2025 | 5,070 | 52 | 2,101 | 7,223 |
| 2026 | 5,305 | 47 | 1,889 | 7,241 |
| 2027-2031 | 30,355 | 145 | 5,890 | 36,390 |
| 2032-2033 | 14,165 | 12 | 488 | 14,665 |
| Total | $ 68,820 | $ 441 | $ 17,861 | $ 87,122 |

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*Year-Ended September 30, 2022* **- 247 -** *Amounts are expressed in thousands.*

## Note 17 Interfund Transfers

The following is a summary of interfund transfers for the City for the fiscal year-ended September 30, 2022:

| Interfund Transfers | Transfers In From Other Funds | Transfers Out To Other Funds |
|---|---|---|
| **General Fund:** | | |
| Debt Service Fund | $ - | $ 1,820 |
| COVID-19 Funds | | 224 |
| Nonmajor Governmental Funds | 12,396 | 44,318 |
| Airport System | 264 | |
| Solid Waste Management | 1,473 | 190 |
| Nonmajor Enterprise Funds | 2,762 | 2,618 |
| Internal Service Funds | | 3,217 |
| **Total General Fund** | $ 16,895 | $ 52,387 |
| **Debt Service Fund:** | | |
| General Fund | 1,820 | |
| Nonmajor Governmental Funds | 16,980 | |
| Internal Service Funds | 1,269 | |
| **Total Debt Service Fund** | $ 20,069 | $ - |
| **COVID-19 Funds** | | |
| General Fund | 224 | |
| **Total COVID-19 Funds** | $ 224 | $ - |
| **2017 General Obligation Bonds:** | | |
| Nonmajor Governmental Funds | | 143,085 |
| **Total 2017 General Obligation Bonds** | $ - | $ 143,085 |
| **Nonmajor Governmental Funds:** | | |
| General Fund | 42,070 | 12,396 |
| Debt Service Fund | | 16,980 |
| 2017 General Obligation Bonds | 143,085 | |
| Airport System | 300 | |
| Nonmajor Governmental Funds | 530,313 | 530,313 |
| Solid Waste Management | | 127 |
| Nonmajor Enterprise Funds | 184 | 336 |
| Internal Service Funds | 1,852 | 2,998 |
| **Total Nonmajor Governmental Funds** | $ 717,804 | $ 563,150 |
| **Airport System:** | | |
| General Fund | | 264 |
| Nonmajor Governmental Funds | | 300 |
| **Total Airport System** | $ - | $ 564 |
| **Solid Waste Management:** | | |
| General Fund | 190 | 1,473 |
| Nonmajor Governmental Funds | 127 | |
| Internal Service Funds | | 477 |
| **Total Solid Waste Management** | $ 317 | $ 1,950 |
| **Nonmajor Enterprise Funds:** | | |
| General Fund | 2,618 | 2,762 |
| Nonmajor Governmental Funds | 336 | 184 |
| Nonmajor Enterprise Funds | 153 | 153 |
| Internal Service Funds | 87 | 577 |
| **Total Nonmajor Enterprise Funds** | $ 3,194 | $ 3,676 |
| **Internal Service Funds:** | | |
| General Fund | 3,217 | |
| Debt Service Fund | | 1,269 |
| Nonmajor Governmental Funds | 2,998 | 1,852 |
| Solid Waste Management | 477 | |
| Nonmajor Enterprise Funds | 577 | 87 |
| Internal Service Funds | 1,300 | 1,300 |
| **Total Internal Service Funds** | $ 8,569 | $ 4,508 |
| **Total** | $ 767,072 | $ 769,320 |

*Year-Ended September 30, 2022* **- 248 -** *Amounts are expressed in thousands*

## Note 17 Interfund Transfers (Continued)

Transfers are made to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds. These transfers are in the form of operating subsidies, grant matches, and funding for capital projects. In addition, transfers are routinely made from other funds to fund debt service payments and for other restricted purposes. Some examples include the 1/8 cent sales and use tax collected by the City and provided to San Antonio Early Childhood Education Municipal Development Corporation (ECEMDC) for operations; 15.0% of the Hotel Occupancy Tax (HOT) collections are used to fund Historic Preservation which operates in the General Fund; and Bond proceeds are used to fund capital projects. All transfers are in accordance with budgetary authorizations.

Different fiscal year-ends exist between the City and ECEMDC (September 30$^{th}$ and June 30$^{th}$, respectively); therefore, interfund transfers do not eliminate by $2,248 from transfers received from Early Education Development and SA: Ready To Work. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City's transfer to ECEMDC represents its obligation to provide the 1/8 cents sales tax collected 60 days after September 30, 2022; however, ECEMDC's transfers from other funds illustrates the City's 1/8 cents sales tax collected 60 days after June 30, 2022. These transfers are in accordance with legislative and contractual requirements.

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## Note 18 Fund Balance Classifications

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented in the following table. Please see the definitions of the various fund balance classifications in Note 1 Summary of Significant Accounting Policies.

| | General Fund | Debt Service Fund | COVID-19 Funds | 2017 General Obligation Bonds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Fund Balances:** | | | | | | |
| **Nonspendable:** | | | | | | |
| **In nonspendable form:** | | | | | | |
| Materials and Supplies | $ 7,341 | $ - | $ 22 | $ - | $ 3,457 | $ 10,820 |
| Prepaid, Deposits and Other | 707 | | 574 | | 3,706 | 4,987 |
| **Legally or contractually intact:** | | | | | | |
| Permanent Fund Corpus | | | | | 6,402 | 6,402 |
| **Total Nonspendable** | $ 8,048 | $ - | $ 596 | $ - | $ 13,565 | $ 22,209 |
| **Restricted:** | | | | | | |
| Convention and Tourism | | | | | 2,707 | 2,707 |
| Debt Service | | 45,047 | | | | 45,047 |
| Drainage - Capital Projects | | | | 21,773 | 93,554 | 115,327 |
| Economic Development & Opportunity | | | | | 51,490 | 51,490 |
| Education | | | | | 88,902 | 88,902 |
| Environmental | | | | | 139 | 139 |
| Fire Protection | | | | | 53 | 53 |
| Health Services | | | | | 37,643 | 37,643 |
| Law Enforcement | | | | | 5,967 | 5,967 |
| Library | | | | | 1,905 | 1,905 |
| Municipal Facilities - Capital Projects | | | | 30,280 | 117,588 | 147,868 |
| Other Capital Projects | | | | 5,901 | 161,410 | 167,311 |
| Other Purposes | | | | | 78 | 78 |
| Parks - Capital Projects | | | | 41,234 | 31,052 | 72,286 |
| Parks & Recreation | | | | | 56,468 | 56,468 |
| Social Services | | | | | 930 | 930 |
| Streets - Capital Projects | | | | 196,946 | 115,635 | 312,581 |
| Urban Redevelopment and Housing | | | | | 4,665 | 4,665 |
| Welfare | | | | | 375 | 375 |
| **Total Restricted** | $ - | $ 45,047 | $ - | $ 296,134 | $ 770,561 | $ 1,111,742 |
| **Committed:** | | | | | | |
| Convention and Tourism | | | | | 124,492 | 124,492 |
| Economic Development & Opportunity | 14,714 | | | | | 14,714 |
| Fire Protection | 1,836 | | | | | 1,836 |
| General Government | 19,009 | | | | | 19,009 |
| Health Services | 1,715 | | | | | 1,715 |
| Law Enforcement | 7,980 | | | | 828 | 8,808 |
| Other - Capital Projects | | | | | 2,341 | 2,341 |
| Other Purposes | | | | | 17,563 | 17,563 |
| Parks & Recreation | 7,551 | | | | 17,583 | 25,134 |
| Public Works | 37,555 | | | | | 37,555 |
| Streets - Capital Projects | 7,990 | | | | 339 | 8,329 |
| Urban Redevelopment and Housing | 7,444 | | | | 11,154 | 18,598 |
| Welfare | 5,371 | | | | | 5,371 |
| **Total Committed** | $ 111,165 | $ - | $ - | $ - | $ 174,300 | $ 285,465 |
| **Assigned:** | | | | | | |
| Convention and Tourism | | | | | 7,990 | 7,990 |
| Economic Development & Opportunity | | | | | 3,004 | 3,004 |
| Education | | | | | 258 | 258 |
| Health Services | | | | | 7 | 7 |
| Other Purposes | 8 | | | | | 8 |
| Parks & Recreation | | | | | 6,200 | 6,200 |
| Urban Redevelopment and Housing | | | | | 188 | 188 |
| **Total Assigned** | $ 8 | $ - | $ - | $ - | $ 17,647 | $ 17,655 |
| **Unassigned** | 346,654 | | (27,010) | | (33,443) | 286,201 |
| **Total Fund Balance** | $ 465,875 | $ 45,047 | $ (26,414) | $ 296,134 | $ 942,630 | $ 1,723,272 |

*Year-Ended September 30, 2022* **- 250 -** *Amounts are expressed in thousands*

## Note 18 Fund Balance Classifications (Continued)

The City utilizes encumbrance accounting to ensure specified remaining unspent balances are adequately carried forward into the next fiscal year. Encumbrances are created for purchase orders, grant match requirements, and capital project funding. The City further carries forward available unspent uncommitted funds identified through the Closing Ordinance into the next fiscal year as authorized by City Council. The encumbrance and carryforward amounts are reported in the committed and restricted fund balance as follows:

| General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ 100,600 | $ 471,398 | $ 571,998 |

With adoption of the 2022 Budget, the City followed the established Financial Policies approved by City Council:

- Maintain a minimum General Fund ending balance of 15.0% of revenues;
- Maintain Public Safety below 66.0% of the General Fund budget;
- Manage structural balance in the General Fund;
- Maintain a $1,000 contingency in the General Fund and $3,000 in the Capital Budget;
- Address Internal Fund deficits within 3 to 5 years;
- Annually review the impact of the State imposed 3.5% Property Tax Cap on service delivery and provide a recommendation on whether to adjust the Property Tax Rate;
- Annually review property tax relief with a focus on home owners; and
- Annually review and periodically adjust fees and charges to provide for cost recovery, inflation, consumer relief, and/or alignment with policy goals.

The City's maintenance of a minimum General Fund ending balance of 15.0% of revenues is comprised of two components. The City maintains 10.0% of General Fund revenues as a Budgeted Financial Reserve which is adopted by the City Council. This Budgeted Reserve is reviewed and adopted by City Council annually in the City's Budget Ordinance and additions to the balance are considered annually as part of the City's overall budget adoption process. The balance within this Budgeted Financial Reserve as of September 30, 2022, was $130,093 and is presented in the General Fund under the unassigned fund balance classification. The second component is a reserve for a two-year balanced plan for the General Fund which reserves funding to be utilized in the subsequent fiscal year to maintain a balanced budget plan. At the end of fiscal year 2022, $215,240, or 15.1% of budgeted revenues, was reserved for a two-year balanced budget plan and is presented in the General Fund under the unassigned fund balance classification. The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. These reserves provide budgetary flexibility for unexpected events, financial emergencies, or the unusual fluctuation in revenue-expenditure patterns that impact the ability of the City in the short-term to meet its obligations.

*Year-Ended September 30, 2022* - 251 - *Amounts are expressed in thousands*

## Note 19 Deficits in Fund Balances / Net Position

### Grants

As of September 30, 2022, deficit fund balances are reported in the COVID-19 Funds, Categorical Grant-in Aid Fund and Community Development Program Fund in the amounts of $26,414, $25,715 and $230, respectively. These deficits are due to costs not being reimbursed by the grantor within 60 days after year-end. The City anticipates receiving payment in fiscal year 2023 for the costs.

### Capital Projects Funds

As of September 30, 2022, deficit fund balances are reported in the Certificate of Obligation Projects Fund, Improvement Projects Fund and General Obligation Projects Fund in the amounts of $2,957, $1,433, and $151, respectively, due to timing of funding. The City maintains a one-year reimbursement resolution for projects included in the annually adopted capital budget, thereby covering these deficits in fiscal year 2023.

### Enterprise Funds

As of September 30, 2022, deficit net positions are reported in the Solid Waste Management Fund and Development Services Fund in the amounts of $67,991 and $4,197, respectively. The City does not currently prefund its net OPEB liability or the net pension liability; as a result, these funds will continue to exhibit a deficit net position. The City will continue to pay for these obligations as they become due.

### Internal Service Funds

As of September 30, 2022, a deficit net position is reported for the Information Services Fund in the amount of $43,544 and for Capital Management Service Fund (CMS) in the amount of $22,581. The deficit is due to the funds not including long-term liabilities in their rate assessments. The City does not prefund its net OPEB liability or the net pension liability; as a result, these funds will continue to exhibit a deficit net position. The City will continue to pay for these obligations as they become due.

As of September 30, 2022, a deficit net position is reported for Self-Insurance Programs - Insurance Reserve Fund in the amount of $402. The deficit is primarily due to an increasing trend in reserves for auto liability and the associated actuarial accrual. Additionally, there were significant increases in premiums for property insurance. This deficit will be addressed through assessments within the next three to five years in accordance with the City's financial policy.

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## Note 20 Other Disclosures

### Primary Government (City)

#### *Donor Restricted Endowment*

The City has five Permanent Funds: Carver Cultural Center Endowment, City Cemeteries, William C. Morris Endowment, Boza Becica Endowment and Southern Edwards Plateau Endowment. The City is only allowed to spend interest proceeds generated from the principal amount for each of these funds. The City's endowments' spending policy for authorizing and spending investment income is a total return policy. Income will include not only interest and dividends, but also include increases and/or decreases in the market value of the endowed assets, if applicable. Market value fluctuations are included as an integral part of investment returns. The net position from these endowment funds are reported in the government-wide financial statements.

The Carver Cultural Center Endowment Fund did not generate investment earnings in fiscal year 2022 due to the market value adjustment of investments. The fund has an investment loss of ($3). These earnings can be used for the Carver Community Cultural Center's operating program or reinvestment expenses (as detailed in the grant agreement). This fund is managed in accordance with the Uniform Prudent Management of Institutional Funds Act, which is codified as Section 163.001 in the Texas Property Code. The principal portion of the fund came from a $334 one-time grant from the National Endowment for the Arts.

The City Cemeteries Fund did not generate investment earnings in fiscal year 2022 due to the market value adjustment of investments. The fund has an investment loss of ($41). Earnings must be expended for specified purposes. Chapter 713 of the Texas Health and Safety Code governs what expenditures the City may incur when spending the interest income. Per Chapter 713, the revenue can be spent for the maintenance and care of the graves, lots, and burial places, and to beautify the entire cemetery. The principal amount of this fund is increased each year by sales of lots from the San Jose Cemetery. The principal is required to be retained in perpetuity. The principal balance of $4,155 was increased by $170 in fiscal year 2022.

The William C. Morris Endowment Fund did not generate investment earnings in fiscal year 2022 due to the market value adjustment of investments. The fund has an investment loss of ($3). These earnings are used on an annual basis to enhance educational programming and services for children provided at the City libraries. The earnings of the funds will be expended in accordance with the spending policy of the Library's Board of Directors or Trustees. The principal portion of the fund was provided by the $313 endowment.

The Boza Becica Endowment Fund did not generate investment earnings in fiscal year 2022 due to the market value adjustment of investments. The fund has an investment loss of ($5). These earnings will be used for the acquisition of books and materials for the San Antonio Public Library in accordance with the terms and conditions of the Last Will and Testament of Boza Becica. The principal balance of $514 is required to be retained in perpetuity.

The Southern Edwards Plateau Endowment Fund did not generate investment earnings in fiscal year 2022 due to the market value adjustment of investments. The fund has an investment loss of ($12). This fund is managed in accordance with the Endangered Species Act of 1973, which is codified as Section 83.005 in the Texas Parks and Wildlife Code Chapter 83. These earnings will be used to fund management and monitoring of the preserves in support of the Southern Edwards Plateau Habitat Conservation Plan. The principal amount of this fund is increased each year by outside donations and transfers from the Development Services Fund. The principal is required to be retained in perpetuity. The principal balance of $1,086 was increased by $748 in fiscal year 2022.

## Note 20 Other Disclosures (Continued)

### Primary Government (City) (Continued)

#### *Service Concession Arrangements*

The City has a fixed term agreement with Mission Park in which Mission Park pays the City 40.0% of burial plot sales and 10.0% of revenue from services, merchandise, and products for the life of the contract (ending December 2035 with an option to renew). All capital improvements become property of the City, and the City retains ownership of the property after the contract expires. All permanent improvements of material nature have to be approved by the City. The City approves the rates and services Mission Park will provide. Mission Park collects all fees and pays the City its portion. The assets include 84 acres acquired at a value of $1,820. The City received an upfront payment of $130 in fiscal year 2011. In fiscal year 2022, the City received $541 in revenue from Mission Park.

The City has a management agreement with MGA-SA (ending May 2027 with option to renew). In the agreement, MGA-SA manages the City's golf courses and in return retains all funding to cover operations and improvements. All permanent structures existing on the golf courses and those added during the term of the agreement are property of the City. The City determines and/or approves of the services provided to the public. The assets include eight golf courses valued at $52,671. MGA-SA collects all fees and pays the City loan payments due on outstanding debt and a short-term loan. In fiscal year 2022, the City received $1,231 in revenue from MGA-SA.

The City has a concession agreement with Go Rio San Antonio, LLC (Go Rio) in which Go Rio pays the City 51.0% of river barge services and 15.0% of revenue from merchandise, food and beverage, advertising, and other ancillary services for the life of the contract (ending September 2030 with an option to renew). The agreement also includes $795 for a Barge Use fee for use of the City owned barges throughout the term of the contract. The assets include 44 barges and accompanying equipment acquired at a value of $9,094. All capital improvements to the barges become property of the City, and the City retains ownership of the property after the contract expires. All permanent improvements of material nature have to be approved by the City. The City approves the rates and services Go Rio will provide. Go Rio collects all fees and pays the City its portion. In fiscal year 2022, the City received $9,735 in revenue from Go Rio.

The City has a management agreement with Landry's for operation of the Tower of the Americas (in a holdover period as negotiations to renew are ongoing). The City will receive the greater of a minimum annual guaranteed payment of $984 or revenue based on 10.0% of restaurant services, 35.0% of revenue from admission fees, 30.0% of revenue from parking, 15.0% from retail at the ground level gift shop and observation deck, 5.0% from theater tickets and vending, and 50.0% from telescope and other revenues not otherwise listed. The assets include the Tower of the Americas building, telescopes, movie theater equipment and renovations with a combined value of $2,474. All capital improvements have to be approved and become property of the City. The City retains ownership of the property after the contract expires. The City approves the rates and services Landry's will provide. Landry's collects all fees and pays the City its portion. In fiscal year 2022, the City received $1,595 in revenue from Landry's.

## Note 20 Other Disclosures (Continued)

### Primary Government (City) (Continued)

#### *Service Concession Arrangements (Continued)*

The City has a concession agreement with Alanis Wrecker Service for operation of the Growden Vehicle Storage Facility (ending September 30, 2023 with an option to extend). The City will receive a minimum annual guaranteed payment of $2,000 or a percentage amount calculated based on their total adjusted gross sales, whichever is greater. Alanis Wrecker Service is required to make minimum $500 in improvements per year for the first two years to the vehicle storage facility. All capital improvements become property of the City, and the City retains ownership of the property after the contract expires. All permanent improvements of material nature have to be approved by the City. The assets include the vehicle storage facility, administration building, supply shed, drop shed, golf cart shed, and property shed with a combined value of $1,906. In fiscal year 2022, the City received $10,849 in revenue from Alanis.

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## Note 21 Restatements

### *GASB 87 Restatement*

GASB Statement No. 87, *Leases,* was adopted during fiscal year 2022 and retroactively implemented. The Statement establishes single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor is required to recognize a lease asset receivable and a deferred inflow of resources.

### Blended Component Units

### *HPARC*

GASB Statement No. 87 requires the effects of accounting changes to be applied retroactively by restating the financial statements. HPARC adopted GASB Statement No. 87 in fiscal year 2022 and, accordingly, HPARC has restated beginning balance in Statement of Net Position and Fund Balance. The tables below provides impact to the Statement of Net Position and Fund balance:

| | Nonmajor Governmental Funds | | |
|---|---|---|---|
| | Blended Component Units | Total Governmental Funds | Total Governmental Activities |
| **Net Position/Fund Balance, as previously reported:** | $ 143,818 | $ 1,524,949 | $ 2,101,425 |
| HPARC | 47 | 47 | (167) |
| **Net Position/Fund Balance, Adjusted, October 1, 2021** | $ 143,865 | $ 1,524,996 | $ 2,101,258 |

### Discretely Presented Component Units

### *CPS Energy*

As a result of the adoption of the GASB Statement No. 87, *Leases* in fiscal year 2022, CPS Energy as a lessee recorded an increase of $46,485 in capital assets, net, and an increase of $30,906 in total liabilities as of January 31, 2021. The lease obligations represent the net present value of various contracts. The value of the asset and obligation is reduced each month to properly reflect the remaining net present value of the contract asset and obligation.

CPS Energy as a lessor recorded a decrease of $16,576 in interest and other accounts receivables (current and noncurrent) and an increase of $12,181 in deferred inflows of resources as of January 31, 2021. The leased assets represent the net present value of various contracts. The value of the leased assets and the deferred lease inflow is reduced each month to properly reflect the remaining net present value of the leased asset and deferred inflow resources.

*Year-Ended September 30, 2022* - 256 - *Amounts are expressed in thousands*

## Note 21 Restatements (Continued)

### Discretely Presented Component Units (Continued)

#### *Brooks*

Brooks' fiscal year 2022's audited financial statements will not be available for inclusion within the City's Annual Comprehensive Report. Therefore, the City adjusted its financials accordingly, removing the component unit's ending fiscal year 2021 net position from the fiscal year 2022 beginning balances, which resulted in an adjustment of $45,722 to beginning net position of nonmajor component units as of October 1, 2021.

#### *The Port*

As a result of the adoption of GASB Statement No. 87, the Port's total assets and deferred outflows of resources decreased $14,501 from $620,046 to $605,545 in 2022. The decrease is primarily the result of a decrease in cash and cash equivalents partially offset by an increase in capital assets. Liabilities and deferred inflows of resources decreased $16,374 from $438,469 million to $422,095 in 2022. The decrease is primarily due the result of a decrease in prepaid project costs related to continued construction projects partially offset by an increase in notes payable. Total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by approximately $183,450. This amount includes $137,621 in net investment in capital assets and an additional $45,829 in unrestricted net position.

#### *Restated Amounts*

CPS Energy and the Port's adopted GASB Statement No. 87 in fiscal year 2022 and, accordingly, has restated beginning balance in Statement of Net Position. Additionally, the City did not receive Brooks fiscal year 2022 audit. The table below provides impact to the Statement of Net Position for all entities:

| | Nonmajor Discretely Presented Component Units | Total Component Units |
|---|---|---|
| **Net Position, as previously reported:** | $ 237,861 | $ 7,755,015 |
| CPS Energy Restatement (see note disclosure above) | | (13,178) |
| Removal of Brooks | (45,722) | (45,722) |
| The Port Restatement (see note disclosure above) | 4,450 | 4,450 |
| **Net Position, Restated, October 1, 2021** | $ 196,589 | $ 7,700,565 |

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*Year-Ended September 30, 2022* - 257 - *Amounts are expressed in thousands*

## Note 22 Subsequent Events

### Primary Government (City)

#### *Electric Utility Bill Assistance*

Extremely hot weather in the summer of 2022 coupled with very high natural gas prices resulted in extraordinarily high customer electric bills from CPS Energy, the City's municipally owned utility. This also resulted in a significant and unexpected increase in the City's revenue payment from CPS Energy. After consideration of the unusual one-time nature of the revenue increase to the City, high inflationary environment being experienced by consumers, high natural gas prices and extreme heat impacting all CPS Energy customers, and the City's overall financial position, the City returned $50,000 to CPS Energy customers. The $50,000 was allocated to the following: $7,500 contributed to the Residential Energy Assistance Program (REAP), to assist eligible low-income and critical care residential customers; and $42,500, as customer bill credits to all active CPS Energy customers' bills in the month of December 2022, based upon their respective energy usage during the month of July 2022. The average residential customer received a credit of approximately $29 (not in thousands). Additionally, customers were allowed to opt-out of receiving the credit and redirect it to REAP for either low-income assistance or weatherization of homes to include minor repairs. Any funds remaining after application of customer bill credits are also to be contributed to REAP.

#### *General Obligations Bond Rating*

In November 2022, Moody's Investor Service released a new rating methodology which considers four factors such as San Antonio's economy, financial performance, institutional framework, and leverage under a scorecard framework. The new methodology is a substantial change from the previous methodology used in determining credit risk and assignment of a Credit Rating. The most significant changes occur within the factor of Financial Performance and Leverage. With the release of this new methodology, Moody's revised the outlook on the City's 'Aaa' from stable to under review and initiated a credit review. On January 20, 2023, Moody's reaffirmed the City's 'Aaa' general obligation bond rating and revised the outlook from under review to stable.

#### *Property Tax Relief*

In 2019, Senate Bill 2 reduced the property tax Rollback Rate for the Maintenance and Operations (M&O) portion of the tax rate from 8% to 3.5%. The City cannot adopt a rate above the 3.5% revenue cap without triggering an automatic election. As a result of this statute, the Fiscal Year 2023 Adopted Budget reduced the City's property tax rate by 1.666 cents from 55.827 to 54.161 cents per $100 in value in order to comply with the 3.5% revenue cap. Additionally, the City's Homestead Exemption was increased from 0.01% to 10%, the City's Over-65 Exemption from $65,000 to $85,000, and the City's Disabled Person Exemption from $12,500 to $85,000 bringing additional property tax relief to homeowners.

#### *San Antonio International Airport and Rating Agency Reviews*

On February 27, 2023, the San Antonio International Airport (SAT) announced it was awarded a $20,000 grant from the Federal Aviation Administration (FAA). The award is part of the Bipartisan Infrastructure Law signed in 2022 which allocated $750,000 to the FAA for medium-hub airports. The SAT grant funds are to be used towards the cost of building the Ground Load Facility south of Terminal A. This addition will add capacity through five new ground gates and allow for new routes by both existing and new airlines. The pre-engineered metal building structure will include modern passenger facilities in the estimated 37,000 square feet interior space. The project has an estimated completion date in March 2025.

## Note 22 Subsequent Events (Continued)

### Primary Government (City) (Continued)

### *San Antonio International Airport and Rating Agency Reviews (Continued)*

On February 16, 2023, Standard and Poor Global Ratings (S&P) raised its long-term rating on the City’s airport system revenue bonds issued for the San Antonio International Airport (SAT), to 'A+' from 'A'. At the same time, S&P raised its long-term rating on the City's passenger facility charge (PFC) and subordinate-lien airport system revenue bonds to 'A' from 'A-'. As per S&P the rating upgrade reflects a robust passenger recovery resulting in an improved enterprise risk profile to very strong and an unchanged strong financial risk profile.

On February 16, 2023, Standard and Poor Global Ratings (S&P) raised its long-term rating on the San Antonio International Airport Customer Facility Charge Revenue Bonds. The City’s rental car special facility revenue bonds outstanding, issued for the San Antonio International Airport (SAT), were raised to 'A' from 'BBB+'. As per S&P, the upgrade reflects recovering rental car transaction days and customer facility charge (CFC) revenues in 2022, supporting an improved market position for the consolidated rental car (CONRAC) facility with an expectation of strong financial performance with no additional debt needs.

### *San Antonio International Airport Terminal Development*

On November 2021, the City Council approved a Strategic Development Plan (SDP), a Master Planning process required by the Federal Aviation Administration. The SDP identified the need for a new terminal facility to support the forecasted growth for the San Antonio region. In May 2022, City Council was presented with the major components of the Terminal Development Program (TDP), which is targeting completion of a new terminal with up to 17 gates and its associated enabling projects by the end of the second quarter of 2028. TDP continued to progress forward with the approval of several agreements by City Council after September 30, 2022. On December 12, 2022, City Council approved a $32,000 agreement for program management/construction manager services with Freese and Nichols, Inc to help organize multiple and concurrent efforts, assess risk, leverage funding options, navigate regulatory requirements, scale available resources, and manage the variety of stakeholders and contractors. On March 9, 2023, City Council approved a $30,000 professional services agreement for master architectural and engineering services with Corgan Associates, Inc.

### *Justice Policy Petition*

Advocacy groups delivered a Justice Policy Petition on January 10, 2023 to create a Justice Policy in the City of San Antonio Charter. The City Clerk verified the signatures and determined sufficiency to accept certification of the petition requiring the City Council to order the election on February 16, 2023, to occur on the next Uniform Election Date of May 6, 2023. The proposed Justice Policy would state: It is the policy of the City of San Antonio to use its available resources and authority to accomplish three goals of paramount importance: to reduce the City’s contribution to mass incarceration; to mitigate racially discriminatory law enforcement practices; and to save scarce public resources for greater public needs. Before the voters on May 6th, will be the proposed single Charter amendment stating six distinct additions to the City Charter: (1) creating a San Antonio Justice Policy that would include a Justice Director appointed by Council to opine on any City Council vote affecting the City’s justice policy and analyze the justice impact of each City Department; (2) eliminating police enforcement of certain levels of marijuana possession; (3) eliminating police enforcement of abortion-related care crimes; (4) banning chokeholds completely; (5) banning no-knock warrants and creating additional requirements to obtain a warrant; and (6) eliminating officer discretion in cite and release offenses precluding arrest for certain offenses. Five of these proposed City Charter changes are governed by state law and are unenforceable: complete ban on chokeholds, limiting law enforcement of marijuana and abortion-related care criminal offenses, issuance of warrants, and removing officers’ authority to arrest for certain criminal offenses for cite and release.

## Note 22 Subsequent Events (Continued)

### CPS Energy

#### *Long-Term Debt*

On February 15, 2022, CPS Energy issued $234,460 of Series 2022 City of San Antonio, Junior Lien Revenue Refunding Bonds. Proceeds, including the $52,066 premium associated with the bonds, were used to refund $230,000 and $55,000 par value of the Tax-Exempt Commercial Paper Series A and Tax-Exempt Commercial Paper Series B, respectively. The true interest cost for this issue, which has maturities in fiscal year 2026 through fiscal year 2044, is 2.8%.

On February 15, 2022, CPS Energy issued $125,005 of Series 2022 City of San Antonio, Variable-Rate Junior Lien Revenue Refunding Bonds. Proceeds, including the $681 premium associated with the bonds, were used to refund $105,000 and $20,000 par value of the Tax-Exempt Commercial Paper Series B and Tax-Exempt Commercial Paper Series C, respectively. Reflecting stepped interest rate provisions applicable to the bonds, the true interest cost for this issue, which has maturities in fiscal year 2045 through fiscal year 2049, is 5.2%. The bonds were issued as multi-modal variable-rate instruments with initial term rates of 2.0% and a stepped rate of 7.0%, which is only applicable if the bonds are not remarketed before their expiration date.

On February 25, 2022, CPS Energy entered into a new Flexible Rate Revolving Note purchase agreement with Wells Fargo Bank, National Association replacing the existing agreement with JPMorgan Chase Bank, which expired February 26, 2022. Under the new agreement $100,000 of Taxable Series A Flex Rate Note was issued by contractual agreement, effective thru February 24, 2023. Proceeds from the note were used to pay down the $100,000 Series A Flex Rate Note that had been previously issued under the agreement with JPMorgan Chase Bank.

On April 13, 2022, CPS Energy issued $413,720 of Taxable Series 2022 City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds. Bond proceeds were used to refund outstanding Notes under the Commercial Paper Program, refund Series A Flex Notes under the Flexible Rate Revolving Note Private Placement Program to convert short-term variable rate obligations to long-term fixed rate obligations, and pay costs and expenses related to the issuance of the bonds. The term rate and initial yield for these bonds is 2.4% to 4.5%. The true interest cost for this issue, which has maturities in 2023 through 2047, is 4.3%.

On May 4, 2022, CPS Energy issued $109,620 of Series 2022 City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds. Bond proceeds were used to refund outstanding Senior Lien Obligations and pay costs and expenses related to the issuance of the bonds. The term rate for these bonds is 5.0%, with an initial yield of 1.7% to 2.2%. The true interest cost for this issue, which has maturities in 2023 through 2025, is 2.3%.

On May 6, 2022, CPS Energy renewed its Revolving Credit Agreements with State Street Bank & Trust Company, as Lender, providing liquidity support to the Series B Commercial Paper Notes in the amount of $200,000. On May 6, 2022, CPS Energy renewed its Revolving Credit Agreements with Wells Fargo Bank, National Association, as Lender, providing liquidity support to the Series C Commercial Paper Notes in the amount of $100,000.

On December 1, 2022, CPS Energy remarketed $134,870 of Series 2018 Variable-Rate Junior Lien Revenue Refunding Bonds. The bonds were issued as multi-modal variable-rate instruments issued initially in a Securities Industry and Financial Markets Association (SIFMA) Index Mode with an applicable spread of 0.9%, with a three year term rate period expiring in 2025, and at a stepped rate of 8.0% thereafter through the applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed before the expiration date.

## Note 22 Subsequent Events (Continued)

### San Antonio Water System (SAWS)

#### *Long-Term Debt*

On February 15, 2022, SAWS issued $77,785 of City of San Antonio, Texas Water System Revenue Refunding Bonds, Series, 2022A (No Reserve Fund). The proceeds of the sale of these bonds were used to (i) refund $105,280 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series, 2012A (Series 2012A), and (ii) pay the cost of issuance. The refunding of the Series 2012A bonds reduced future debt service by approximately $41,437 and resulted in an economic gain of approximately $30,275.

On May 15, 2022, SAWS deposited $66,165 from available cash on hand to the paying agent for the redemption of $56,065 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012 and $10,100 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2012A. The redemption of these bonds reduced future debt service by approximately $78,366 between 2022 and 2028.

On October 18, 2022, SAWS issued $258,235 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2022B (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) finance capital improvement projects, and (ii) pay the cost of issuance.

On November 1, 2022, SAWS remarketed $99,590 City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B Bonds (No Reserve Fund) into a SIFMA Index Mode for a period of three years, ending October 31, 2025. The interest rate on the bonds are reset weekly at a spread of 0.7% over the Securities Industry and Financial Markets Association (SIFMA) Swap Index. The proceeds from the sale of the bonds were used to pay the $99,590 principal of the maturing bonds. There was no economic gain or loss on this transaction.

#### *Permanent Impairment*

During 2022, SAWS began planning for the 2022-2023 Water Management Plan. It was determined that current available water supplies were expected to be sufficient to meet customers' demand in the foreseeable future without utilizing the Medina supplies during the drought of record. The Medina treatment plant had been idle since October 2015 due to ongoing water quality concerns. The restoration costs were deemed significant in relation to the current service utility. As a result, the plant was deemed permanently impaired as of December 31, 2022. The $7,200 on remaining book value of the plant was written off and the loss will be recorded as a special item in the Statements of Revenues, Expenses and Changes in Net Position.

# REQUIRED SUPPLEMENTARY INFORMATION

## Budgetary Comparison Schedule - (Unaudited)
## General Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | | |
|---|---|---|---|---|
| | BUDGETED AMOUNTS | | BUDGETARY BASIS | VARIANCE WITH |
| | ORIGINAL | FINAL | ACTUAL | FINAL BUDGET |
| **Resources (Inflows):** | | | | |
| Taxes | $ 778,710 | $ 822,865 | $ 829,648 | $ 6,783 |
| Licenses and Permits | 9,110 | 9,389 | 9,377 | (12) |
| Intergovernmental | 35,660 | 36,921 | 22,586 | (14,335) |
| Revenues from Utilities | 392,030 | 419,862 | 419,985 | 123 |
| Charges for Services | 55,325 | 70,575 | 71,436 | 861 |
| Fines and Forfeits | 8,306 | 6,200 | 6,931 | 731 |
| Miscellaneous | 12,954 | 19,926 | 25,024 | 5,098 |
| Investment Earnings | 588 | 1,782 | 2,519 | 737 |
| Transfers from Other Funds | 16,348 | 16,649 | 16,895 | 246 |
| **Amounts Available for Appropriation** | $ 1,309,031 | $ 1,404,169 | $ 1,404,401 | $ 232 |
| **Charges to Appropriations (Outflows):** | | | | |
| General Government | 92,704 | 95,760 | 93,051 | 2,709 |
| Public Safety | 835,239 | 855,427 | 854,717 | 710 |
| Public Works | 73,869 | 82,547 | 82,444 | 103 |
| Health Services | 43,534 | 45,601 | 43,912 | 1,689 |
| Welfare | 50,841 | 52,775 | 49,437 | 3,338 |
| Culture and Recreation | 128,127 | 135,088 | 134,026 | 1,062 |
| Economic Development and Opportunity | 9,013 | 19,168 | 14,377 | 4,791 |
| Urban Redevelopment and Housing | 33,077 | 35,655 | 35,228 | 427 |
| Transfers to Other Funds | 70,525 | 98,857 | 99,938 | (1,081) |
| **Total Charges to Appropriations:** | $ 1,336,929 | $ 1,420,878 | $ 1,407,130 | $ 13,748 |
| Surplus (Deficiency) of Resources Over (Under) Charges to Appropriations | (27,898) | (16,709) | (2,729) | 13,980 |
| Fund Balance Allocation | 27,898 | 16,709 | 2,729 | (13,980) |
| **Excess (Deficiency) of Revenues Over Expenditures** | $ - | $ - | $ - | $ - |

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

| | |
|---|---|
| **Sources/Inflows of Resources:** | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | $ 1,404,401 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (16,895) |
| Amortized lease revenue, reported in accordance with GASB 87, are revenues for financial reporting purposes but are not inflows of budgetary resources | 1,329 |
| Net value of investments revenue, reported in accordance with GASB 31, are revenues for financial reporting purposes but are not inflows of budgetary resources | (6,469) |
| **Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds** | $ 1,382,366 |
| **Uses/Outflows of Resources:** | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 1,407,130 |
| Differences - budget to GAAP: | |
| Encumbrances and Earmarks for supplies and equipment ordered but not received is reported in the year the orders are placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes | (100,600) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (52,387) |
| Lease Right-to-use Asset expenditures, reported in accordance with GASB 87, are expenditures for financial reporting purposes but are not outflows of budgetary resources | 578 |
| **Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds** | $ 1,254,721 |

**General Fund Budgetary Information**

The City Charter establishes requirements for the adoption of budgets and budgetary control. Under provisions of the Charter, expenditures of each City department and activity within individual funds cannot legally exceed the final budget approved by the City Council. Amendments to line items within a departmental budget may be initiated by Department Directors.

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to lease activity on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. Additionally, the City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall expenditures are the same.

# Pension and Postemployment Schedules

## Required Supplementary Schedule – (Unaudited)
## City of San Antonio (TMRS)
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
| **Total Pension Liability** | | | | | | | | |
| Service Cost | $ 60,570 | $ 59,600 | $ 58,786 | $ 55,964 | $ 53,965 | $ 51,329 | $ 47,521 | $ 40,902 |
| Interest Cost | 146,526 | 140,724 | 134,394 | 128,149 | 122,010 | 115,882 | 114,257 | 109,316 |
| Differences Between Expected and Actual Experience | 17,753 | (16,719) | (16,405) | (3,125) | (1,637) | 1,226 | (8,192) | (9,979) |
| Changes of Assumptions | | | 10,121 | | | | 4,540 | |
| Benefit Payments, including Refunds of Employee Contributions | (101,939) | (94,347) | (92,696) | (87,070) | (81,702) | (76,256) | (74,742) | (71,197) |
| **Net Change in Total Pension Liability** | $ 122,910 | $ 89,258 | $ 94,200 | $ 93,918 | $ 92,636 | $ 92,181 | $ 83,384 | $ 69,042 |
| **Total Pension Liability - Beginning** | 2,191,433 | 2,102,175 | 2,007,975 | 1,914,057 | 1,821,421 | 1,729,240 | 1,645,856 | 1,576,814 |
| **Total Pension Liability - Ending (a)** | $ 2,314,343 | $ 2,191,433 | $ 2,102,175 | $ 2,007,975 | $ 1,914,057 | $ 1,821,421 | $ 1,729,240 | $ 1,645,856 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - Employer | $ 49,827 | $ 47,351 | $ 46,687 | $ 44,278 | $ 41,828 | $ 36,327 | $ 35,915 | $ 33,125 |
| Contributions - Employee | 24,213 | 23,795 | 24,060 | 22,783 | 21,922 | 20,830 | 20,027 | 18,438 |
| Net Investment Income (Loss) | 224,308 | 123,098 | 220,290 | (44,654) | 183,805 | 85,229 | 1,888 | 70,349 |
| Benefit Payments, including Refunds of Employee Contributions | (101,939) | (94,347) | (92,696) | (87,070) | (81,702) | (76,256) | (74,742) | (71,197) |
| Administrative Expense | (1,039) | (797) | (1,246) | (864) | (953) | (963) | (1,150) | (735) |
| Other | 7 | (31) | (37) | (45) | (48) | (52) | (57) | (60) |
| **Net Change in Plan Fiduciary Net Position** | $ 195,377 | $ 99,069 | $ 197,058 | $ (65,572) | $ 164,852 | $ 65,115 | $ (18,119) | $ 49,920 |
| **Plan Fiduciary Net Position - Beginning** | 1,722,179 | 1,623,110 | 1,426,052 | 1,491,624 | 1,326,772 | 1,261,657 | 1,279,776 | 1,229,856 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 1,917,556 | $ 1,722,179 | $ 1,623,110 | $ 1,426,052 | $ 1,491,624 | $ 1,326,772 | $ 1,261,657 | $ 1,279,776 |
| **City's Net Pension Liability - Ending (a) - (b)** | $ 396,787 | $ 469,254 | $ 479,065 | $ 581,923 | $ 422,433 | $ 494,649 | $ 467,583 | $ 366,080 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 82.86% | 78.59% | 77.21% | 71.02% | 77.93% | 72.84% | 72.96% | 77.76% |
| **Covered Payroll** | $ 403,257 | $ 396,539 | $ 399,366 | $ 379,417 | $ 365,112 | $ 346,584 | $ 333,714 | $ 307,138 |
| **City's Net Pension Liability as a Percentage of Covered Payroll** | 98.40% | 118.34% | 119.96% | 153.37% | 115.70% | 142.72% | 140.11% | 119.19% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended September 30, 2015 through September 30, 2022.

*Year-Ended September 30, 2022* - 263 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## City of San Antonio (TMRS)
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

Opened pension plan to current and future San Antonio Council Aides Corporation employees.

*Benefit Changes*: There were no changes in benefit terms, in the size of composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: In 2019, TMRS adopted the 2019 Municipal Retirees of Texas Mortality Tables for post-retirement and the PUB (10) mortality tables, with the Public Safety table used for Males and the General Employee table used for females. In 2015, TMRS adopted a reduction in the investment return assumption from 7.00% to 6.75%, and a reduction in the inflation assumption from 3.00% to 2.50%, which is reflected in December 31, 2015.

## Required Supplementary Schedule – (Unaudited)
## Fire and Police Pension Fund
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015[1] | 9/30/2014 |
| **Total Pension Liability** | | | | | | | | |
| Service Cost | $ 78,637 | $ 78,579 | $ 75,880 | $ 73,354 | $ 71,161 | $ 74,771 | $ 96,631 | $ 75,600 |
| Interest Cost | 293,337 | 283,106 | 271,542 | 259,758 | 246,848 | 233,943 | 277,002 | 207,003 |
| Differences Between Expected and Actual Experience | (16,681) | (26,279) | (7,535) | 50,057 | (27,776) | (47,670) | (20,698) | |
| Changes of Assumptions | | 16,194 | | | | | 148,315 | |
| Benefit Payments, including Refunds of Employee Contributions | (228,416) | (192,671) | (173,494) | (172,692) | (156,137) | (152,296) | (179,787) | (122,306) |
| **Net Change in Total Pension Liability** | $ 126,877 | $ 158,929 | $ 166,393 | $ 210,477 | $ 134,096 | $ 108,748 | $ 321,463 | $ 160,297 |
| **Total Pension Liability - Beginning** | 4,081,599 | 3,922,670 | 3,756,277 | 3,545,800 | 3,411,704 | 3,302,956 | 2,981,493 | 2,821,196 |
| **Total Pension Liability - Ending (a)** | $ 4,208,476 | $ 4,081,599 | $ 3,922,670 | $ 3,756,277 | $ 3,545,800 | $ 3,411,704 | $ 3,302,956 | $ 2,981,493 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - Employer | $ 86,324 | $ 85,693 | $ 81,016 | $ 78,312 | $ 75,916 | $ 75,958 | $ 94,816 | $ 76,146 |
| Contributions - Employee | 43,213 | 42,846 | 40,508 | 39,182 | 37,958 | 37,978 | 47,408 | 38,073 |
| Net Investment Income (Loss) | 521,575 | 390,028 | 449,067 | (122,694) | 407,278 | 242,007 | (1,919) | 223,054 |
| Benefit Payments, including Refunds of Employee Contributions | (228,415) | (192,671) | (173,494) | (172,692) | (156,137) | (152,296) | (179,787) | (122,306) |
| Administrative Expense | (2,963) | (3,389) | (3,565) | (3,480) | (3,034) | (2,795) | (3,677) | (2,790) |
| **Net Change in Plan Fiduciary Net Position** | $ 419,734 | $ 322,507 | $ 393,532 | $ (181,372) | $ 361,981 | $ 200,852 | $ (43,159) | $ 212,177 |
| **Plan Fiduciary Net Position - Beginning** | 3,731,196 | 3,408,689 | 3,015,157 | 3,196,529 | 2,834,548 | 2,633,696 | 2,676,855 | 2,464,678 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 4,150,930 | $ 3,731,196 | $ 3,408,689 | $ 3,015,157 | $ 3,196,529 | $ 2,834,548 | $ 2,633,696 | $ 2,676,855 |
| **City's Net Pension Liability - Ending (a) - (b)** | $ 57,546 | $ 350,403 | $ 513,981 | $ 741,120 | $ 349,271 | $ 577,156 | $ 669,260 | $ 304,638 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 98.63% | 91.42% | 86.90% | 80.27% | 90.15% | 83.08% | 79.74% | 89.78% |
| **Covered Payroll** | $ 350,758 | $ 347,776 | $ 328,796 | $ 318,038 | $ 308,101 | $ 308,263 | $ 384,807 | $ 309,031 |
| **City's Net Pension Liability as a Percentage of Covered Payroll** | 16.41% | 100.76% | 156.32% | 233.03% | 113.36% | 187.23% | 173.92% | 98.58% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended September 30, 2014 through December 31, 2021.

[1] The Fire and Police Pension Fund changed their fiscal year-end to December 31 effective fiscal year 2015, and therefore the City was required to change its measurement date from September 30 to December 31. These amounts reflect 15 months of pension information.

*Year-Ended September 30, 2022* - 265 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## Fire and Police Pension Fund
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size of composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Change of Assumptions*: A comprehensive Actuarial Experience Review, covering the period October 1, 2014 through December 31, 2018, was completed in 2019. As a result of that study, the following assumption changes were proposed by the actuary and subsequently were approved by the Board. These changes are reflected for the first time in the disclosure measured as of December 31, 2020:

- The pre-retirement mortality assumption was changed from the sex-distinct RP-2014 Employee Mortality Table, with rates loaded 7.00% for females, to the PUBS-2010 Safety Employee Amount-Weighted Table for males and females.
- The post-retirement mortality assumption for healthy annuitants was changed from the sex-distinct RP-2014 Healthy Annuitant Mortality Table, with rates loaded 7.00% for females, to the PUBS-2010 Safety Healthy Retiree Amount-Weighted Table for males and females.
- The mortality assumption for disabled retirees was changed from the sex-distinct RP-2014 Healthy Annuitant Mortality Table, set forward six years, with rates loaded 7.00% for females, to the PUBS-2010 Safety Disabled Retiree Amount-Weighted Table for males and females.
- The mortality assumption for beneficiaries was changed from the sex-distinct RP-2014 Healthy Annuitant Mortality Table, with rates loaded 7.00% for females, to the PUBS-2010 Safety Contingent Survivor Amount-Weighted Table for males and females.
- The generational projection scale was changed from 50.00% of the sex-distinct Scale MP-2014 projected from 2014 to Scale SSA2019-2D projected from 2010.
- The existing service-based retirement rates for both Fire and Police were modified to more accurately reflect observed retirement patterns.
- The assumption for BackDROP utilization was decreased from 95.00% to 90.00% for Firefighters.
- The load for marriage after retirement was reduced from 0.35% to 0.20% for retirees and from 0.80% to 0.40% for disabled annuitants.
- Disability rates were lowered from 30.00% to 10.00% of OASDI rates for Police Officers.
- The age-based withdrawal rates for both Fire and Police were modified to reflect service-based rates for each group, with rates zeroing out after 20 years for service.
- The service-based salary scale table was maintained for both Public Safety groups. The modified rates start at 14.00% with an ultimate rate of 3.00% after nine years of service.
- The percent married assumption was increased from 90.00% to 95.00% for males and lowered from 90.00% to 60.00% for females.
- The payroll growth assumption was lowered from 3.50% to 3.00%.

## Required Supplementary Schedule – (Unaudited)
## CPS Energy
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1/31/2021 | 1/31/2020 | 1/31/2019 | 1/31/2018 | 1/31/2017 | 1/31/2016 | 1/31/2015 | 1/31/2014 | 1/31/2013 | 1/31/2012 |
| **Total Pension Liability** | | | | | | | | | | |
| Service Cost | $ 35,403 | $ 36,861 | $ 37,175 | $ 32,569 | $ 31,547 | $ 30,183 | $ 32,591 | $ 33,417 | $ 33,470 | $ 31,420 |
| Interest Cost | 148,068 | 143,079 | 137,954 | 132,861 | 128,991 | 122,800 | 117,802 | 116,155 | 112,356 | 105,013 |
| Differences Between Expected and Actual Experience | (846) | (2,685) | (19,385) | 6,025 | (18,647) | 19,691 | (35,634) | (24,410) | 25,158 | (13,581) |
| Changes of Assumptions | 28,832 | (4,940) | (10,129) | 77,574 | | | 38,296 | | | |
| Benefit Payments | (106,825) | (101,037) | (96,969) | (93,550) | (91,230) | (91,293) | (84,319) | (74,352) | (70,677) | (66,147) |
| **Net Change in Total Pension Liability** | $ 104,632 | $ 71,278 | $ 48,646 | $ 155,479 | $ 50,661 | $ 81,381 | $ 68,736 | $ 50,810 | $ 100,307 | $ 56,705 |
| **Total Pension Liability - Beginning** | 2,060,241 | 1,988,963 | 1,940,317 | 1,784,838 | 1,734,177 | 1,652,796 | 1,584,060 | 1,533,250 | 1,432,943 | 1,376,238 |
| **Total Pension Liability - Ending (a)** | $ 2,164,873 | $ 2,060,241 | $ 1,988,963 | $ 1,940,317 | $ 1,784,838 | $ 1,734,177 | $ 1,652,796 | $ 1,584,060 | $ 1,533,250 | $ 1,432,943 |
| **Plan Fiduciary Net Position** | | | | | | | | | | |
| Contributions - Employer | $ 56,025 | $ 73,435 | $ 58,700 | $ 46,200 | $ 44,500 | $ 46,000 | $ 55,800 | $ 44,400 | $ 39,016 | $ 37,687 |
| Contributions - Employee | 13,890 | 14,758 | 13,363 | 13,039 | 12,144 | 11,563 | 12,140 | 12,569 | 12,332 | 11,745 |
| Net Investment Income (Loss) | 187,600 | 169,004 | (48,316) | 246,772 | 207,196 | (52,945) | 85,520 | 145,883 | 110,529 | 22,510 |
| Benefit Payments | (106,825) | (101,037) | (96,969) | (93,550) | (91,230) | (91,293) | (84,319) | (74,352) | (70,677) | (66,147) |
| Administrative Expense | (510) | (476) | (391) | (389) | | | | | | |
| **Net Change in Plan Fiduciary Net Position** | $ 150,180 | $ 155,684 | $ (73,613) | $ 212,072 | $ 172,610 | $ (86,675) | $ 69,141 | $ 128,500 | $ 91,200 | $ 5,795 |
| **Plan Fiduciary Net Position - Beginning** | 1,766,519 | 1,610,835 | 1,684,448 | 1,472,376 | 1,299,766 | 1,386,441 | 1,317,300 | 1,188,800 | 1,097,600 | 1,091,805 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 1,916,699 | $ 1,766,519 | $ 1,610,835 | $ 1,684,448 | $ 1,472,376 | $ 1,299,766 | $ 1,386,441 | $ 1,317,300 | $ 1,188,800 | $ 1,097,600 |
| **Net Pension Liability - Ending (a) - (b)** | $ 248,174 | $ 293,722 | $ 378,128 | $ 255,869 | $ 312,462 | $ 434,411 | $ 266,355 | $ 266,760 | $ 344,450 | $ 335,343 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 88.54% | 85.74% | 80.99% | 86.81% | 82.49% | 74.95% | 83.88% | 83.16% | 77.53% | 76.60% |
| **Covered Payroll** | $ 286,959 | $ 282,302 | $ 271,449 | $ 254,241 | $ 242,477 | $ 235,360 | $ 256,236 | $ 261,085 | $ 260,730 | $ 251,136 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 86.48% | 104.05% | 139.30% | 100.64% | 128.86% | 184.57% | 103.95% | 102.17% | 132.11% | 133.53% |

Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended January 31, 2013 through January 31, 2022.

*Year-Ended September 30, 2022* - 267 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size or composition of the population covered by the benefit terms, in the size or composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: For fiscal year 2022, the annual investment rate of return underlying the calculation of total pension liability was assumed to be 7.00%. For fiscal years 2021 through 2019, the annual investment rate of return underlying the calculation of total pension liability was assumed to be 7.25%. For fiscal year 2018 and 2017, the annual investment rate of return was assumed to be 7.50%. For the previous years presented, the rate used was 7.75%. The fiscal year 2022 and 2021, valuation results include the impact of revised inflation rate and the use of updated mortality tables. Other actuarial assumptions were modified in fiscal year 2018 based on the previous experience study that include the impact of other revised actuarial assumptions including salary increases and updated mortality table. Based on an experience study completed in 2017, the fiscal year 2019 valuation results include the impact of other revised actuarial assumptions including salary increases and the use of updated mortality tables. No other actuarial assumptions.

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System (SAWS) - TMRS
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
| **Total Pension Liability** | | | | | | | |
| Service Cost | $ 6,233 | $ 5,733 | $ 5,551 | $ 5,332 | $ 4,979 | $ 4,810 | $ 4,379 |
| Interest Cost | 15,448 | 14,670 | 13,952 | 13,268 | 12,623 | 12,480 | 11,960 |
| Differences Between Expected and Actual Experience | (189) | 499 | 240 | 54 | 29 | (1,311) | (1,717) |
| Changes of Assumptions | | 211 | | | | 433 | |
| Benefit Payments | (10,294) | (9,392) | (8,960) | (8,332) | (8,186) | (7,337) | (7,461) |
| **Net Change in Total Pension Liability** | $ 11,198 | $ 11,721 | $ 10,783 | $ 10,322 | $ 9,445 | $ 9,075 | $ 7,161 |
| **Total Pension Liability - Beginning** | 230,895 | 219,174 | 208,391 | 198,069 | 188,624 | 179,549 | 172,388 |
| **Total Pension Liability - Ending (a)** | $ 242,093 | $ 230,895 | $ 219,174 | $ 208,391 | $ 198,069 | $ 188,624 | $ 179,549 |
| **Plan Fiduciary Net Position** | | | | | | | |
| Contributions - Employer | $ 4,440 | $ 4,095 | $ 4,059 | $ 3,852 | $ 3,609 | $ 3,953 | $ 3,721 |
| Contributions - Employee | 3,660 | 3,412 | 3,291 | 3,149 | 2,935 | 2,892 | 2,722 |
| Net Investment Income (Loss) | 16,073 | 28,632 | (5,773) | 23,639 | 10,909 | 239 | 8,818 |
| Benefit Payments, including Refunds of Employee Contributions | (10,294) | (9,392) | (8,960) | (8,332) | (8,186) | (7,337) | (7,461) |
| Administrative Expense | (104) | (162) | (111) | (123) | (123) | (146) | (92) |
| Other | (4) | (5) | (6) | (6) | (7) | (7) | (8) |
| **Net Change in Plan Fiduciary Net Position** | $ 13,771 | $ 26,580 | $ (7,500) | $ 22,179 | $ 9,137 | $ (406) | $ 7,700 |
| **Plan Fiduciary Net Position - Beginning** | 211,848 | 185,268 | 192,768 | 170,589 | 161,452 | 161,858 | 154,158 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 225,619 | $ 211,848 | $ 185,268 | $ 192,768 | $ 170,589 | $ 161,452 | $ 161,858 |
| **Net Pension Liability - Ending (a) - (b)** | $ 16,474 | $ 19,047 | $ 33,906 | $ 15,623 | $ 27,480 | $ 27,172 | $ 17,691 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 93.20% | 91.75% | 84.53% | 92.50% | 86.13% | 85.59% | 90.15% |
| **Covered Payroll** | $ 121,984 | $ 113,750 | $ 109,703 | $ 104,960 | $ 97,818 | $ 96,389 | $ 90,721 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 13.51% | 16.74% | 30.91% | 14.88% | 28.09% | 28.19% | 19.50% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended December 31, 2015 through December 31, 2021.

*Year-Ended September 30, 2022* - 269 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System (SAWS) - TMRS
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size of composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: In 2015, amounts reported as changes of assumptions resulted primarily from a reduction in the assumed long-term rate of return from 7.00% to 6.75%. In 2015, mortality rates were updated to reflect updated historical data.

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System Retirement Plan (SAWSRP)
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | 1/1/2021 | 1/1/2020 | 1/1/2019 | 1/1/2018 | 1/1/2017 | 1/1/2016 | 1/1/2015 |
|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | |
| Service Cost | $ 5,187 | $ 5,464 | $ 5,629 | $ 5,859 | $ 5,724 | $ 5,004 | $ 5,204 |
| Interest Cost | 16,403 | 16,282 | 15,101 | 14,354 | 13,680 | 12,596 | 11,709 |
| Change of Benefit Terms | | | | | | 4,339 | |
| Differences Between Expected and Actual Experience | (66) | 1,700 | 1,926 | (1,394) | 712 | 555 | (622) |
| Changes of Assumptions | (1,063) | (1,534) | 4,653 | 1,152 | 5,532 | (405) | 2,771 |
| Benefit Payments | (10,090) | (9,358) | (8,615) | (7,974) | (7,283) | (6,318) | (5,796) |
| **Net Change in Total Pension Liability** | $ 10,371 | $ 12,554 | $ 18,694 | $ 11,997 | $ 18,365 | $ 15,771 | $ 13,266 |
| **Total Pension Liability - Beginning** | 261,816 | 249,262 | 230,568 | 218,571 | 200,206 | 184,435 | 171,169 |
| **Total Pension Liability - Ending (a)** | $ 272,187 | $ 261,816 | $ 249,262 | $ 230,568 | $ 218,571 | $ 200,206 | $ 184,435 |
| **Plan Fiduciary Net Position** | | | | | | | |
| Contributions - Employer | $ 9,131 | $ 9,131 | $ 7,923 | $ 7,982 | $ 7,367 | $ 7,890 | $ 10,339 |
| Contributions - Employee | 2,095 | 2,528 | 2,434 | 2,484 | 2,533 | 2,357 | |
| Net Investment Income (Loss) | 31,582 | 38,722 | (7,767) | 30,741 | 6,971 | 1,215 | 15,695 |
| Benefit Payments | (10,090) | (9,358) | (8,615) | (7,974) | (7,283) | (6,318) | (5,796) |
| Administrative Expense | (294) | (309) | (360) | (380) | (195) | (17) | |
| **Net Change in Plan Fiduciary Net Position** | $ 32,424 | $ 40,714 | $ (6,385) | $ 32,853 | $ 9,393 | $ 5,127 | $ 20,238 |
| **Plan Fiduciary Net Position - Beginning** | 242,461 | 201,747 | 208,132 | 175,279 | 165,886 | 160,759 | 140,521 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 274,885 | $ 242,461 | $ 201,747 | $ 208,132 | $ 175,279 | $ 165,886 | $ 160,759 |
| **Net Pension (Asset) Liability - Ending (a) - (b)** | $ (2,698) | $ 19,355 | $ 47,515 | $ 22,436 | $ 43,292 | $ 34,320 | $ 23,676 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 100.99% | 92.61% | 80.94% | 90.27% | 80.19% | 82.86% | 87.16% |
| **Covered Payroll** | $ 74,643 | $ 76,320 | $ 78,348 | $ 79,417 | $ 83,493 | $ 85,299 | $ 83,812 |
| **Net Pension Liability as a Percentage of Covered Payroll (Asset)** | (3.61%) | 25.36% | 60.65% | 28.25% | 51.85% | 40.23% | 28.25% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended December 31, 2015 through December 31, 2021.

*Year-Ended September 30, 2022* - 271 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System Retirement Plan (SAWSRP)
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

Total pension liability at December 31, 2021 is based on a rollforward of the January 1, 2021 actuarial valuation.

*Benefit Changes*: In 2015, the normal form of distribution changed and a mandatory employee contribution of 3.00% of payroll was instituted. Effective June 1, 2014, the defined benefit plan was frozen to new entrants.

*Changes of assumptions*: In 2020, retirement age assumptions were changed to reflect more recent experience. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the Society of Actuaries (SOA). In 2021 through 2017, the mortality assumption was updated for the latest improvement scale. For 2020, the long-term rate of return was adjusted to 6.25%.  In 2016, the long-term rate of return was reduced to 6.50%. In 2015, mortality rates were updated to reflect historical data. In 2014, the long-term rate of return was reduced to 6.75%.

## Required Supplementary Schedule – (Unaudited)
## District Special Project Retirement Income Plan (DSPRP)
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1/1/2021 | 1/1/2020 | 1/1/2019 | 1/1/2018 | 1/1/2017 | 1/1/2016 | 1/1/2015 |
| **Total Pension Liability** | | | | | | | |
| Service Cost | $ 241 | $ 245 | $ 257 | $ 108 | $ 71 | $ 124 | $ 123 |
| Interest Cost | 409 | 371 | 388 | 424 | 418 | 446 | 424 |
| Differences Between Expected and Actual Experience | 375 | (466) | (622) | 101 | (381) | 18 | 153 |
| Changes of Assumptions | | 219 | 6 | 15 | 224 | | |
| Benefit Payments | (408) | (330) | (485) | (776) | (324) | (261) | (230) |
| **Net Change in Total Pension Liability** | $ 617 | $ 39 | $ (456) | $ (128) | $ 8 | $ 327 | $ 470 |
| **Total Pension Liability - Beginning** | 6,149 | 6,110 | 6,566 | 6,694 | 6,686 | 6,359 | 5,889 |
| **Total Pension Liability - Ending (a)** | $ 6,766 | $ 6,149 | $ 6,110 | $ 6,566 | $ 6,694 | $ 6,686 | $ 6,359 |
| **Plan Fiduciary Net Position** | | | | | | | |
| Contributions - Employer | $ 400 | $ 400 | $ 400 | $ 315 | $ 280 | $ 308 | $ 414 |
| Net Investment Income (Loss) | 998 | 1,049 | (75) | 764 | 306 | 18 | 394 |
| Benefit Payments, including Refunds of Employee Contributions | (408) | (330) | (485) | (776) | (324) | (261) | (230) |
| Administrative Expense | (6) | (6) | (7) | (7) | (8) | (6) | (11) |
| **Net Change in Plan Fiduciary Net Position** | $ 984 | $ 1,113 | $ (167) | $ 296 | $ 254 | $ 59 | $ 567 |
| **Plan Fiduciary Net Position - Beginning** | 6,652 | 5,539 | 5,706 | 5,410 | 5,156 | 5,097 | 4,530 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 7,636 | $ 6,652 | $ 5,539 | $ 5,706 | $ 5,410 | $ 5,156 | $ 5,097 |
| **Net Pension (Asset) Liability - Ending (a) - (b)** | $ (870) | $ (503) | $ 571 | $ 860 | $ 1,284 | $ 1,530 | $ 1,262 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 112.86% | 108.18% | 90.65% | 86.90% | 80.82% | 77.12% | 80.15% |
| **Covered Payroll** | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Net Pension (Asset) Liability as a Percentage of Covered Payroll** | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended December 31, 2015 through December 31, 2021.

*Year-Ended September 30, 2022* - 273 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## District Special Project Retirement Income Plan (DSPRP)
## Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

The plan was frozen in 2008. Therefore, current and future wages have no impact on net pension liability.

Total pension liability at December 31, 2021, is based on a rollforward of the January 1, 2021 actuarial valuation.

*Benefit Changes*: There were no changes in benefit terms, in the size of composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions:* In 2020, the interest rate was changed to 6.25%. In 2019, the mortality projection scales were updated to MP-2018. In 2018, the mortality projection scale was based on MP-2017. In 2017, the mortality table was changed from 1994 GAR projected to 2002 to the RP-2014 table using the MP-2016 improvement scale. The interest rate of return was modified from 7.00% to 6.50% in 2017.

**Required Supplementary Schedule – (Unaudited)**
**City of San Antonio (TMRS)**
**Schedule of Contributions – Pensions**
**Last Ten Fiscal Years**

| Year-Ended September 30, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2013 | $ 30,416 | $ 30,416 | $ - | $ 288,246 | 10.55% |
| 2014 | 32,585 | 32,585 | | 303,141 | 10.75% |
| 2015 | 34,176 | 34,176 | | 317,518 | 10.76% |
| 2016 | 35,942 | 35,942 | | 340,660 | 10.55% |
| 2017 | 40,374 | 40,374 | | 361,009 | 11.18% |
| 2018 | 43,631 | 43,631 | | 375,931 | 11.61% |
| 2019 | 45,943 | 45,943 | | 393,916 | 11.66% |
| 2020 | 47,311 | 47,311 | | 398,863 | 11.86% |
| 2021 | 48,180 | 48,180 | | 393,758 | 12.24% |
| 2022 | 56,305 | 56,305 | | 454,555 | 12.39% |

 *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## City of San Antonio (TMRS)
## Schedule of Contributions – Pensions
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years |
| Asset Valuation Method | 10-Year smoothed market; 12.00% soft corridor |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation Rate | 2.50% |
| Salary Increases | 3.50% to 11.50% including inflation. |
| Investment Rate of Return | 6.75% including inflation, net of pension plan investment expense. |
| Retirement Age | Experience-based table rates that are specific to the City’s plan of benefits. Last updated for the 2019 valuation pursuant to experience study of the period 2014-2018. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

**Other Information:**

| | |
|---|---|
| Notes | Granted 70.00% ad hoc COLA. Effective 6/1/2021 plan was opened to current and future San Antonio Council Aides Corporation employees. |

*Year-Ended September 30, 2022* - 276 - *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**Fire and Police Pension Fund**
**Schedule of Contributions – Pensions**
**Last Ten Fiscal Years**

| Year-Ended September 30, | Statutorily Determined Contribution | Contributions in Relation to the Statutorily Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll[1] | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2013 | $ 73,038 | $ 73,038 | $ - | $ 296,180 | 24.64% |
| 2014 | 75,911 | 75,911 | | 307,987 | 24.64% |
| 2015 | 75,641 | 75,641 | | 306,827 | 24.64% |
| 2016 | 74,414 | 74,414 | | 301,993 | 24.64% |
| 2017 | 75,039 | 75,039 | | 320,955 | 24.64% |
| 2018 | 77,488 | 77,488 | | 313,951 | 24.64% |
| 2019 | 79,973 | 79,973 | | 324,430 | 24.64% |
| 2020 | 84,775 | 84,775 | | 343,799 | 24.64% |
| 2021 | 85,545 | 85,545 | | 347,112 | 24.64% |
| 2022 | 90,949 | 90,949 | | 369,110 | 24.64% |

[1] Payroll is estimated based on the actual member contributions received and a 12.32% contribution rate.

*Year-Ended September 30, 2022* - 277 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## Fire and Police Pension Fund
## Schedule of Contributions – Pensions
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Statutorily determined contribution is calculated using a January 1 valuation date as of the beginning of the fiscal year in which contributions are reported. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, using 3.00% annual increases. |
| Remaining Amortization Period | 12.09 years remaining as of January 1, 2021. |
| Asset Valuation Method | Five-year smoothed market value based on expected return of 7.25%. |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation Rate | 3.00% |
| Salary Increases | 3.00% (plus merit scale of 0.00% - 11.00%) |
| Investment Rate of Return | 7.25% including inflation, net of pension plan investment expense. |
| Cost-of-living Adjustments | 3.00% for retirement before October 1, 1999; 2.25% for retirement on or after October 1, 1999 |
| Retirement Rates | Fire: Rates based on years of service ranging from 20 to 43 years, with 100.00% retirement at the earlier of age 65 or 43 years of service.<br>Police: Rates based on years of service ranging from 20 to 40 years, with 100.00% retirement at the earlier of age 65 or 40 years of service. |

**Mortality:**

| | |
|---|---|
| Pre-retirement | Sex-distinct PUBS-2010 Safety Employee Amount-Weighted Table. |
| Healthy Annuitant | Sex-distinct PUBS-2010 Safety Healthy Retiree Amount-Weighted Table. |
| Disabled Annuitant | Sex-distinct PUBS-2010 Safety Disabled Retiree Amount-Weighted Table. |
| Beneficiaries | Sex-distinct PUBS-2010 Safety Contingent Survivor Amount-Weighted Table. |
| Future Improvement | Generational Projection using Scale SSA2019-2D improvement scale. |

*Year-Ended September 30, 2022* **- 278 -** *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**CPS Energy**
**Schedule of Contributions – Pensions**
**Last Ten Fiscal Years**

| Year-Ended January 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2013 | $ 39,016 | $ 39,016 | $ - | $ 251,136 | 15.54% |
| 2014 | 44,362 | 44,400 | (38) | 260,730 | 17.03% |
| 2015 | 48,696 | 55,800 | (7,104) | 261,085 | 21.37% |
| 2016 | 46,001 | 46,000 | 1 | 256,236 | 17.95% |
| 2017 | 44,532 | 44,500 | 32 | 235,360 | 18.91% |
| 2018 | 46,234 | 46,200 | 34 | 242,477 | 19.05% |
| 2019 | 58,657 | 58,700 | (43) | 254,241 | 23.09% |
| 2020 | 53,435 | 73,435 | (20,000) | 271,449 | 27.05% |
| 2021 | 56,025 | 56,025 | | 282,302 | 19.85% |
| 2022 | 62,050 | 62,100 | (50) | 286,959 | 21.64% |

Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended January 31, 2013 through January 31, 2022.

*Year-Ended September 30, 2022* - 279 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy
## Schedule of Contributions – Pensions
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which contributions are made. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent; layered periods |
| Remaining Amortization Period | 27 years |
| Asset Valuation Method | Market value gains/losses recognized over five years, beginning with calendar year 2014; expected value adjusted market value for all prior periods. |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation Rate | 2.20% for fiscal year 2022; 3.00% for fiscal year 2021; 2.30% for fiscal year 2020 and 3.00% for previous years presented, compounded annually. |
| Salary Increases | Average, including inflation: 5.54% for fiscal year 2022, 5.36% for fiscal year 2021 and 2020, 4.72% for fiscal year 2019, 4.66% for fiscal year 2018, 4.78% for fiscal year 2017, 5.01% for fiscal year 2016, 5.03% for fiscal year 2015, 5.07% for fiscal year 2014, and 5.18% for fiscal year 2013. |
| Investment Rate of Return | 7.00% per year, compounded annually, for fiscal year 2022, 7.25% for fiscal years 2021 through 2019, 7.50% for fiscal year 2018 through 2016, 7.75% for prior years. |
| Cost-of-living Increases | 1.25% for fiscal year 2022, 1.50% for previous years presented per year. |
| Mortality | Mortality rates were based on the Pri-2012 Employee/Retiree Mortality Tables (separate tables for males/females) projected with Mortality Improvement Scale MP-2019. Separate tables are used for disabled participants and contingent annuitants. RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected (fully generational) with MP-2018 for fiscal year 2021; RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected (fully generational) with MP-2017 for fiscal year 2020; RP-2016 Combined Healthy, with No Collar Adjustment, Male and Female Tables; with MP-2016 Mortality Improvement Scale for fiscal year 2019; RP-2000 Combined Healthy Annuitant Mortality Table for Males or Females, projected using Scale BB for fiscal year 2017 and 2016; RP-2000 Combined Healthy Annuitant Mortality Table for Males or Females, projected using Scale AA for prior years. |
| Other Information | In fiscal year 2020, an additional $20,000 was contributed to the pension plan in excess of the actuarially determined contribution. Based on an experience study completed in 2017, the fiscal year 2019 valuation results include the impact of other revised actuarial assumptions including salary increases and the use of updated mortality tables. There were no changes in benefit terms, in the size or composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above. |

*Year-Ended September 30, 2022* - 280 - *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**San Antonio Water System (SAWS) - TMRS**
**Schedule of Contributions – Pensions**
**Last Ten Fiscal Years**

| Year-Ended December 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 3,721 | $ 3,721 | $ - | $ 90,721 | 4.10% |
| 2015 | 3,672 | 3,953 | (281) | 96,389 | 4.10% |
| 2016 | 3,609 | 3,609 | | 97,818 | 3.69% |
| 2017 | 3,852 | 3,852 | | 104,960 | 3.67% |
| 2018 | 4,059 | 4,059 | | 109,703 | 3.70% |
| 2019 | 4,095 | 4,095 | | 113,749 | 3.60% |
| 2020 | 4,440 | 4,440 | | 121,984 | 3.64% |
| 2021 | 4,450 | 4,450 | | 118,972 | 3.74% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended December 31, 2014 through December 31, 2021.

*Year-Ended September 30, 2022* **- 281 -** *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System (SAWS) - TMRS
## Schedule of Contributions – Pensions
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contributions are calculated as of December 31 and become effective 12 months later on January 1. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of payroll, closed. |
| Remaining Amortization Period | For 2021, the remaining amortization period is 25 years. In 2015 the amortization period was adjusted to 30 years from 23 in 2014. |
| Asset Valuation Method | 10-year smoothed market value; 12.00% soft corridor |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation Rate | In 2015, the inflation rate was changed to 2.50% from 3.00% in 2014. |
| Salary Increases | 3.50% to 11.50% for 2020, 3.50% to 10.50% for fiscal year 2015 to 2019, and 3.50% to 12.00% for fiscal year 2014, including inflation. |
| Investment Rate of Return | In 2015 the investment rate of return was lowered from 7.00% to 6.75%. |
| Retirement Age | Experience-based table of rates that are specific to SAWS plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates projected on a fully generational basis with scale UMP. |

*Year-Ended September 30, 2022* **- 282 -** *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**San Antonio Water System Retirement Plan (SAWSRP)**
**Schedule of Contributions – Pensions**
**Last Ten Fiscal Years**

| Year-Ended December 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 10,339 | $ 10,339 | $ - | $ 83,812 | 12.34% |
| 2015 | 7,890 | 7,890 | | 85,299 | 9.25% |
| 2016 | 7,367 | 7,367 | | 83,493 | 8.82% |
| 2017 | 7,982 | 7,982 | | 79,417 | 10.05% |
| 2018 | 7,923 | 7,923 | | 78,348 | 10.11% |
| 2019 | 9,131 | 9,131 | | 76,320 | 11.96% |
| 2020 | 7,723 | 9,132 | (1,409) | 74,643 | 12.23% |
| 2021 | 6,136 | 6,136 | | 75,822 | 8.09% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended December 31, 2014 through December 31, 2021.

*Year-Ended September 30, 2022* **- 283 -** *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System Retirement Plan (SAWSRP)
## Schedule of Contributions – Pensions (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized equally over 15 years using straight line amortization. |
| Remaining Amortization Period | 2013 Unfunded Liability – 15 fixed year period<br>Other gains/losses, plan amendments and changes in plan assumptions are amortized over 10 years. |
| Asset Valuation Method | Four-year smoothed market value. |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation Rate | 2.25% for fiscal year 2021 to 2019, 2.00% for fiscal year 2017, previously it was 2.25%. |
| Salary Increases | In 2021, changed to a new table based on management philosophies and more recent experience of plan participations. Previously, scale based on 2011-2013 SAWS experience. |
| Investment Rate of Return | 6.25% for fiscal years 2021 and 2020; In 2017, the rate was changed from 6.75% to 6.50%, net of pension expense, including inflation. In 2014, the rate was changed from 7.00% to 6.75%. |
| Retirement Age | Active: In 2020, changed to a table of rates starting at age 45 and ending at age 70. In 2015, expected retirement ages were adjusted to reflect actual experience from 2011-2013. Previously, the retirement age was based on experience from 2011-2012. Inactive: In 2020, changed from 100.00% at age 62 to a table of rates starting at age 60 and ending at age 65. |
| Mortality | In 2021, the mortality assumptions were based on PubG-2010 General base rate mortality table projected to future years with historical and assumed Mortality Improvement (MI) rates that were issued by the Society of Actuaries (SOA). PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The January 1, 2021 valuation was based on MP-2020, the most recent MI scale published in October 2020. In 2020, the improvement scale was changed to MP-2019. In 2019, the mortality assumption was updated to the public retirement plans mortality tables published by the SOA. In 2018 and 2017, the mortality assumption was updated for the latest improvement scale. In 2016, the mortality table was changed to use adjusted RP-2014 morality with scale MP-2016 based on data published by the SOA in 2015. Previously, the IRS Prescribed Generational Mortality table was used. |

*Year-Ended September 30, 2022* - 284 - *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**District Special Project Retirement Income Plan (DSPRP)**
**Schedule of Contributions – Pensions**
**Last Ten Fiscal Years**

| Year-Ended December 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2014 | $ 307 | $ 414 | $ (107) | N/A | N/A |
| 2015 | 274 | 308 | (34) | N/A | N/A |
| 2016 | 279 | 280 | (1) | N/A | N/A |
| 2017 | 315 | 315 | | N/A | N/A |
| 2018 | 247 | 400 | (153) | N/A | N/A |
| 2019 | 388 | 400 | (12) | N/A | N/A |
| 2020 | 290 | 400 | (110) | N/A | N/A |
| 2021 | 138 | 175 | (37) | N/A | N/A |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net pension liability for fiscal years-ended December 31, 2014 through December 31, 2021.

*Year-Ended September 30, 2022* - 285 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## District Special Project Retirement Income Plan (DSPRP)
## Schedule of Contributions – Pensions
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contributions are determined as of January 1 of the year in which the contributions are made. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Unit Credit |
| Amortization Method | Rolling level-amortization over a declining period. |
| Remaining Amortization Period | 2021: 6 years; 2020: 7 years; 2019: 8 years; 2018: 9 years; 2017: 10 years; 2016: 11 years; 2015: 12 years; 2014: 13 years |
| Asset Valuation Method | Fair value with smoothing |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation Rate | 2.25% for fiscal years 2021 and 2020; 2.50% for fiscal year 2019; 2.75% for fiscal year 2015; Previously, 2.00% was used. |
| Salary Increases | Earned benefits frozen in 2008. |
| Investment Rate of Return | 6.25% for fiscal years 2021 and 2020; 6.50% for fiscal year 2017; Previously 7.00%, net of pension plan investment expense, including inflation was used. |
| Retirement Age | Normal retirement age – the earlier of age 65, or the "rule of 90" where the participant's age and years of service added together equal 90 or greater. |
| Mortality | For 2021 through 2019, mortality rates are based on the SOA RP-2014 table projected on a fully generational basis using mortality improvement scale MP-2018. In 2018, the mortality rates are based on the SOA RP-2014 table projected on a fully generational basis using mortality improvement scale MP-2017. In 2017, the table was changed to the RP-2014 table using a mortality improvement scale MP-2016. Previously, 1994 GAR projected to 2002 was used. |

*Year-Ended September 30, 2022* - 286 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## City of San Antonio
## Retiree Health Care Fund
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | |
|---|---|---|---|---|---|
| | 9/30/2022 [1] | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 |
| **Total OPEB Liability** | | | | | |
| Service Cost | $ 12,177 | $ 17,533 | $ 12,294 | $ 16,893 | $ 11,665 |
| Interest Cost | 7,157 | 10,402 | 10,653 | 13,464 | 11,999 |
| Differences Between Expected and Actual Experience | (792) | (217,862) | (36,898) | (12,617) | |
| Changes of Assumptions | (56,399) | 47,648 | 83,865 | 78,030 | (32,771) |
| Benefit Payments | (7,607) | (5,938) | (5,874) | (7,111) | (7,439) |
| **Net Change in Total OPEB Liability** | $ (45,464) | $ (148,217) | $ 64,040 | $ 88,659 | $ (16,546) |
| **Total OPEB Liability - Beginning** | 310,547 | 458,764 | 394,724 | 306,065 | 322,611 |
| **Total OPEB Liability - Ending (a)** | $ 265,083 | $ 310,547 | $ 458,764 | $ 394,724 | $ 306,065 |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions - Employer | $ 6,666 | $ 5,938 | $ 5,874 | $ 7,111 | $ 7,439 |
| Contributions - Employee | 1,599 | | | | |
| Net Investment Income (loss) | (61) | | | | |
| Benefit Payments, including Refunds of Employee Contributions | (7,607) | (5,938) | (5,874) | (7,111) | (7,439) |
| Administrative Expense | (24) | | | | |
| Other | 5,333 | | | | |
| **Net Change in Plan Fiduciary Net Position** | $ 5,906 | $ - | $ - | $ - | $ - |
| **Plan Fiduciary Net Position - Beginning** | | | | | |
| **Plan Fiduciary Net Position - Ending (b)** | $ 5,906 | $ - | $ - | $ - | $ - |
| **City's Net/Total OPEB Liability - Ending (a) - (b)** | $ 259,177 | $ 310,547 | $ 458,764 | $ 394,724 | $ 306,065 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 2.23% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Covered-Employee Payroll** | $ 454,555 | $ 393,758 | $ 398,863 | $ 393,916 | $ 375,931 |
| **City's Net Pension Liability as a Percentage of Covered Payroll** | 57.02% | 78.87% | 115.02% | 100.21% | 81.42% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net or total OPEB liability for fiscal years-ended September 30, 2018 through September 30, 2022.

[1] Fiscal Year 2022 is the first year the City reported Net OPEB Liability.

*Year-Ended September 30, 2022* - 287 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## City of San Antonio
## Retiree Health Care Fund
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size of composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of actuarial assumptions*: In fiscal year 2022, the discount rate was updated from 2.26% to 4.00%; 2021 it was updated from 2.21% to 2.26%; 2020 it was updated from 2.66% to 2.21%; 2019 it was updated from 4.24% to 2.66%; and 4.24% was assumed for prior years. The retirement rates were updated to the rates from the Texas Municipal Retirement System Actuarial Valuation as of December 31, 2019. The mortality projection scale was updated from MP-2020 to MP-2021 to reflect the Society of Actuaries' recent mortality study. The trend rates were reset to 7.00% for pre-Medicare and 6.00% for Medicare. The marriage rate is based on current contracts, which is approximately 35.00%, compared to the 25.00% used in the prior valuation.

## Required Supplementary Schedule – (Unaudited)
## Retiree Health & Wellness San Antonio Fire and Police Fund
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | |
|---|---|---|---|---|---|
| | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
| **Total OPEB Liability** | | | | | |
| Service Cost | $ 28,869 | $ 29,001 | $ 26,077 | $ 25,345 | $ 24,289 |
| Interest Cost | 78,094 | 78,948 | 72,602 | 71,055 | 68,947 |
| Differences Between Expected and Actual Experience | 2,387 | 14,616 | 28,124 | 2,169 | (5,165) |
| Changes of Assumptions | (59,131) | (99,032) | 28,936 | (43,489) | (25,344) |
| Benefit Payments | (39,850) | (31,348) | (33,146) | (35,821) | (33,560) |
| **Net Change in Total OPEB Liability** | $ 10,369 | $ (7,815) | $ 122,593 | $ 19,259 | $ 29,167 |
| **Total OPEB Liability - Beginning** | 1,106,683 | 1,114,498 | 991,905 | 972,646 | 943,479 |
| **Total OPEB Liability - Ending (a)** | $ 1,117,052 | $ 1,106,683 | $ 1,114,498 | $ 991,905 | $ 972,646 |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions - Employer | $ 42,030 | $ 39,480 | $ 35,234 | $ 30,892 | $ 27,242 |
| Contributions - Employee | 21,012 | 19,727 | 17,605 | 15,442 | 13,616 |
| Net Investment Income (loss) | 59,256 | 55,638 | 19,867 | (21,629) | 25,294 |
| Benefit Payments, including Refunds of Employee Contributions | (39,849) | (31,348) | (33,146) | (35,821) | (33,560) |
| Administrative Expense | (3,794) | (3,464) | (3,056) | (3,070) | (2,660) |
| Other Contributions - Retirees | 1,545 | 1,513 | 1,571 | 1,817 | 1,829 |
| **Net Change in Plan Fiduciary Net Position** | $ 80,200 | $ 81,546 | $ 38,075 | $ (12,369) | $ 31,761 |
| **Plan Fiduciary Net Position - Beginning** | 484,060 | 402,514 | 364,439 | 376,808 | 345,047 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 564,260 | $ 484,060 | $ 402,514 | $ 364,439 | $ 376,808 |
| **City's Net Pension Liability - Ending (a) - (b)** | $ 552,792 | $ 622,623 | $ 711,984 | $ 627,466 | $ 595,838 |
| **Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability** | 50.51% | 43.74% | 36.12% | 36.74% | 38.74% |
| **Covered-Employee Payroll** | $ 369,110 | $ 347,776 | $ 328,795 | $ 318,038 | $ 308,101 |
| **City's Net OPEB Liability as a Percentage of Covered-Employee Payroll** | 149.76% | 179.03% | 216.54% | 197.29% | 193.39% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended December 31, 2017 through December 31, 2021.

*Year-Ended September 30, 2022* **- 289 -** *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## Retiree Health & Wellness San Antonio Fire and Police Fund
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size of composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: The annual investment rate of return underlying the calculation of total OPEB liability was assumed to be 7.00% for fiscal year 2021. A rate of 7.25% was assumed for the previous year presented.

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Health Plan
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1/31/2021 | 1/31/2020 | 1/31/2019 | 1/31/2018 | 1/31/2017 | 1/31/2016 | 1/31/2015 |
| **Total OPEB Liability** | | | | | | | |
| Service Cost | $ 3,772 | $ 4,300 | $ 4,466 | $ 3,376 | $ 3,435 | $ 3,319 | $ 3,207 |
| Interest Cost | 17,089 | 17,624 | 18,032 | 17,182 | 18,176 | 17,601 | 17,050 |
| Changes in Plan Benefits | | | | 415 | (19,185) | | |
| Differences Between Expected and Actual Experience | (11,592) | (19,010) | 1,763 | | 475 | | |
| Changes of Assumptions | (5,962) | (4,246) | (2,190) | 9,657 | | | |
| Benefit Payments | (13,398) | (12,475) | (11,390) | (12,197) | (14,001) | (12,756) | (13,275) |
| **Net Change in Total OPEB Liability** | $ (10,091) | $ (13,807) | $ 10,681 | $ 18,433 | $ (11,100) | $ 8,164 | $ 6,982 |
| **Total OPEB Liability - Beginning** | 250,115 | 263,922 | 253,241 | 234,808 | 245,908 | 237,744 | 230,762 |
| **Total OPEB Liability - Ending (a)** | $ 240,024 | $ 250,115 | $ 263,922 | $ 253,241 | $ 234,808 | $ 245,908 | $ 237,744 |
| **Plan Fiduciary Net Position** | | | | | | | |
| Contributions - Employer | $ - | $ - | $ - | $ - | $ 8,500 | $ 8,806 | $ 3,200 |
| Contributions - Employee | | | | 7,156 | 6,802 | 6,734 | 6,024 |
| Medicare Part D Payment | 924 | 842 | 872 | 998 | 933 | 976 | 933 |
| Earnings (Loss) on Plan Assets | 26,613 | 30,260 | (10,571) | 41,718 | 38,949 | (9,765) | 12,536 |
| Benefit Payments | (13,398) | (12,475) | (11,390) | (19,353) | (20,804) | (19,490) | (19,299) |
| Administrative Expense | (1,297) | (1,150) | (1,223) | (1,346) | (1,621) | (1,456) | (1,137) |
| **Net Change in Plan Fiduciary Net Position** | $ 12,842 | $ 17,477 | $ (22,312) | $ 29,173 | $ 32,759 | $ (14,195) | $ 2,257 |
| **Plan Fiduciary Net Position - Beginning** | 284,986 | 267,509 | 289,821 | 260,648 | 227,889 | 242,084 | 239,827 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 297,828 | $ 284,986 | $ 267,509 | $ 289,821 | $ 260,648 | $ 227,889 | $ 242,084 |
| **Net OPEB (Asset) Liability - Ending (a) - (b)** | $ (57,804) | $ (34,871) | $ (3,587) | $ (36,580) | $ (25,840) | $ 18,019 | $ (4,340) |
| **Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability** | 124.08% | 113.94% | 101.36% | 114.44% | 111.00% | 92.67% | 101.83% |
| **Covered-employee Payroll** | $ 257,608 | $ 254,996 | $ 244,010 | $ 228,240 | $ 220,522 | $ 223,523 | $ 242,652 |
| **Net OPEB (Asset) Liability as a Percentage of Covered-Employee Payroll** | (22.44%) | (13.68%) | (1.47%) | (16.03%) | (11.72%) | 8.06% | (1.79%) |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended January 31, 2016 through January 31, 2022.

*Year-Ended September 30, 2022* - 291 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Health Plan
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size of composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: The annual investment rate of return underlying the calculation of total OPEB liability was assumed to be 7.00% for fiscal year 2022 and 7.25% for fiscal years 2021 through 2019. A rate of 7.50% was assumed for the previous years presented. In fiscal year 2022 through 2019, the salary scale and mortality assumptions were changed to more properly reflect actual experience. The Plan was amended to eliminate the CPS Energy contribution to participants' Health Reimbursement Account and the actuary valuation used for fiscal year 2019 reflects the impact of this change. For fiscal years 2019 and 2018, claim costs were updated to reflect plan changes and to reflect recent experience. Medical and prescription trend was reset in all years presented.

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Life Plan
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1/31/2021 | 1/31/2020 | 1/31/2019 | 1/31/2018 | 1/31/2017 | 1/31/2016 | 1/31/2015 |
| **Total OPEB Liability** | | | | | | | |
| Service Cost | $ 517 | $ 511 | $ 473 | $ 349 | $ 336 | $ 325 | $ 313 |
| Interest Cost | 3,400 | 3,308 | 3,284 | 3,432 | 3,256 | 3,244 | 3,228 |
| Differences Between Expected and Actual Experience | 4,766 | 840 | (936) | | 2,378 | | |
| Changes of Assumptions | 4,044 | 309 | 594 | (457) | | | |
| Benefit Payments | (3,987) | (3,895) | (4,028) | (3,813) | (3,469) | (3,358) | (3,313) |
| **Net Change in Total OPEB Liability** | $ 8,740 | $ 1,073 | $ (613) | $ (489) | $ 2,501 | $ 211 | $ 228 |
| **Total OPEB Liability - Beginning** | 47,260 | 46,187 | 46,800 | 47,289 | 44,788 | 44,577 | 44,349 |
| **Total OPEB Liability - Ending (a)** | $ 56,000 | $ 47,260 | $ 46,187 | $ 46,800 | $ 47,289 | $ 44,788 | $ 44,577 |
| **Plan Fiduciary Net Position** | | | | | | | |
| Contributions - Employer | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions - Employee | 1,077 | 1,053 | 1,030 | 1,000 | 972 | 930 | 911 |
| Earnings (Loss) on Plan Assets | 4,031 | 5,702 | (2,135) | 8,066 | 6,936 | (2,102) | 2,460 |
| Benefit Payments | (3,987) | (3,895) | (4,028) | (3,813) | (3,469) | (3,358) | (3,313) |
| Administrative Expense | (25) | (30) | (28) | (30) | (27) | (21) | (16) |
| **Net Change in Plan Fiduciary Net Position** | $ 1,096 | $ 2,830 | $ (5,161) | $ 5,223 | $ 4,412 | $ (4,551) | $ 42 |
| **Plan Fiduciary Net Position - Beginning** | 52,590 | 49,760 | 54,921 | 49,698 | 45,286 | 49,837 | 49,795 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 53,686 | $ 52,590 | $ 49,760 | $ 54,921 | $ 49,698 | $ 45,286 | $ 49,837 |
| **Net OPEB (Asset) Liability - Ending (a) - (b)** | $ 2,314 | $ (5,330) | $ (3,573) | $ (8,121) | $ (2,409) | $ (498) | $ (5,260) |
| **Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability** | 95.87% | 111.28% | 107.74% | 117.35% | 105.09% | 101.11% | 111.80% |
| **Covered-employee Payroll** | $ 257,608 | $ 254,996 | $ 244,010 | $ 218,003 | $ 210,631 | $ 198,704 | $ 191,984 |
| **Net OPEB (Asset) as a Percentage of Covered-Employee Payroll** | 0.90% | (2.09%) | (1.46%) | (3.73%) | (1.14%) | (0.25%) | (2.74%) |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended January 31, 2016 through January 31, 2022.

*Year-Ended September 30, 2022* - 293 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Life Plan
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size or composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: The annual investment rate of return underlying the calculation of total OPEB liability was assumed to be 7.00% for fiscal year 2022 and 7.25% for fiscal years 2021 through 2019. A rate of 7.50% was assumed for the previous years presented. In fiscal year 2022 through 2019, the salary scale and mortality assumptions were also changed to more properly reflect actual experience.

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Disability Plan
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years

| | Measurement Period Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1/31/2021 | 1/31/2020 | 1/31/2019 | 1/31/2018 | 1/31/2017 | 1/31/2016 | 1/31/2015 |
| **Total OPEB Liability** | | | | | | | |
| Service Cost | $ 557 | $ 580 | $ 620 | $ 516 | $ 527 | $ 509 | $ 492 |
| Interest Cost | 384 | 402 | 475 | 473 | 455 | 448 | 426 |
| Differences Between Expected and Actual Experience | (156) | (673) | (656) | | 255 | | |
| Changes of Assumptions | 1,993 | 11 | 189 | 94 | | | |
| Benefit Payments | (1,142) | (977) | (880) | (1,012) | (974) | (775) | (559) |
| **Net Change in Total OPEB Liability** | $ 1,636 | $ (657) | $ (252) | $ 71 | $ 263 | $ 182 | $ 359 |
| **Total OPEB Liability - Beginning** | 5,457 | 6,114 | 6,366 | 6,295 | 6,032 | 5,850 | 5,491 |
| **Total OPEB Liability - Ending (a)** | $ 7,093 | $ 5,457 | $ 6,114 | $ 6,366 | $ 6,295 | $ 6,032 | $ 5,850 |
| **Plan Fiduciary Net Position** | | | | | | | |
| Contributions - Employer | $ 614 | $ 769 | $ 1,000 | $ 1,300 | $ 700 | $ 175 | $ 175 |
| Contributions - Employee | 276 | 291 | 274 | 265 | 260 | 248 | 211 |
| Earnings (Loss) on Plan Assets | 539 | 603 | (205) | 627 | 501 | (158) | 177 |
| Benefit Payments | (1,142) | (977) | (880) | (1,012) | (974) | (775) | (559) |
| Administrative Expense | (21) | (14) | (19) | (18) | (15) | (14) | (18) |
| **Net Change in Plan Fiduciary Net Position** | $ 266 | $ 672 | $ 170 | $ 1,162 | $ 472 | $ (524) | $ (14) |
| **Plan Fiduciary Net Position - Beginning** | 6,238 | 5,566 | 5,396 | 4,234 | 3,762 | 4,286 | 4,300 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 6,504 | $ 6,238 | $ 5,566 | $ 5,396 | $ 4,234 | $ 3,762 | $ 4,286 |
| **Net OPEB (Asset) Liability - Ending (a) - (b)** | $ 589 | $ (781) | $ 548 | $ 970 | $ 2,061 | $ 2,270 | $ 1,564 |
| **Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability** | 91.70% | 114.31% | 91.04% | 84.76% | 67.26% | 62.37% | 73.26% |
| **Covered-employee Payroll** | $ 260,739 | $ 259,520 | $ 251,482 | $ 224,137 | $ 216,558 | $ 212,904 | $ 205,704 |
| **Net OPEB Liability as a Percentage of Covered-Employee Payroll** | 0.23% | (0.30%) | 0.22% | 0.43% | 0.95% | 1.07% | 0.76% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended January 31, 2016 through January 31, 2022.

*Year-Ended September 30, 2022* - 295 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Disability Plan
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

*Benefit Changes*: There were no changes in benefit terms, in the size or composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: The annual investment rate of return underlying the calculation of total OPEB liability was assumed to be 7.00% for fiscal year 2022 and 7.25% for fiscal years 2021 through 2019. A rate of 7.50% was assumed for the previous years presented. In fiscal year 2022 through 2019, the salary scale and mortality assumptions were also changed to more properly reflect actual experience.

**Required Supplementary Schedule – (Unaudited)**
**San Antonio Water System Other Post Employment Benefit Plan**
**Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios**
**Last Ten Fiscal Years**

| | Measurement Period Ended | | | |
|---|---|---|---|---|
| | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
| **Total OPEB Liability** | | | | |
| Service Cost | $ 1,750 | $ 1,913 | $ 2,220 | $ 2,428 |
| Interest Cost | 7,688 | 9,112 | 9,429 | 9,221 |
| Differences Between Expected and Actual Experience | (8,867) | (18,580) | (11,970) | (3,358) |
| Changes of Assumptions | 2,089 | (3,237) | 2,817 | (351) |
| Benefit Payments | (6,141) | (6,311) | (7,808) | (6,209) |
| **Net Change in Total OPEB Liability** | $ (3,481) | $ (17,103) | $ (5,312) | $ 1,731 |
| **Total OPEB Liability - Beginning** | 124,276 | 141,379 | 146,691 | 144,960 |
| **Total OPEB Liability - Ending (a)** | $ 120,795 | $ 124,276 | $ 141,379 | $ 146,691 |
| **Plan Fiduciary Net Position** | | | | |
| Contributions - Employer | $ 13,641 | $ 13,811 | $ 15,308 | $ 13,709 |
| Contributions - Employee | | | | |
| Net Investment Income (Loss) | 13,747 | 13,264 | (3,164) | 7,127 |
| Benefit Payments | (6,141) | (6,311) | (7,808) | (6,209) |
| Administrative Expense | (187) | (175) | (159) | (144) |
| **Net Change in Plan Fiduciary Net Position** | $ 21,060 | $ 20,589 | $ 4,177 | $ 14,483 |
| **Plan Fiduciary Net Position - Beginning** | 83,277 | 62,688 | 58,511 | 44,028 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 104,337 | $ 83,277 | $ 62,688 | $ 58,511 |
| **Net OPEB Liability - Ending (a) - (b)** | $ 16,458 | $ 40,999 | $ 78,691 | $ 88,180 |
| **Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability** | 86.38% | 67.01% | 44.34% | 39.89% |
| **Covered-employee Payroll** | $ 67,557 | $ 68,894 | $ 71,520 | $ 79,417 |
| **Net OPEB Liability as a Percentage of Covered-Employee Payroll** | 24.36% | 59.51% | 110.03% | 111.03% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal year-end December 31, 2018 through December 31, 2021.

*Year-Ended September 30, 2022* **- 297 -** *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System Other Post Employment Benefit Plan
## Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
## Last Ten Fiscal Years (Continued)

**Notes to Schedule:**

Total OPEB liability at December 31, 2021 is based on a rollforward of the January 1, 2021 actuarial valuation.

*Benefit Changes*: There were no changes in benefit terms, in the size or composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

*Changes of assumptions*: In 2021, the mortality table was updated to MP-2020. Healthcare trend rate assumption updated to 2021 SOA Long-Run Medical Trend model and the post 65 initial trend rate set to -2.00%. In 2020, the investment rate of return was changed from 6.50% to 6.25%. In 2019, health care cost trends ultimate rate was changed to 3.94% in 2075. In 2018, health cost trends ultimate rate was changed to 3.84% in 2075. In 2019, the mortality table was changed to the public retirement plans mortality tables published by the SOA. The mortality table was updated for 2018 and 2017.

**Required Supplementary Schedule – (Unaudited)**
**City of San Antonio**
**Schedule of Contributions – OPEB**
**Last Ten Fiscal Years**

| Year-Ended September 30, | Statutorily Determined Contribution | Contributions in Relation to the Statutorily Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2018 | $ 7,439 | $ 7,439 | $ - | $ 375,931 | 1.98% |
| 2019 | 7,111 | 7,111 | | 393,916 | 1.81% |
| 2020 | 5,874 | 5,874 | | 398,863 | 1.47% |
| 2021 | 5,938 | 5,938 | | 393,758 | 1.51% |
| 2022 | 25,088 | 6,666 | 18,422 | 454,555 | 1.47% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the total OPEB liability for fiscal years-ended September 30, 2018 through September 30, 2022.

*Year-Ended September 30, 2022* - 299 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## City of San Antonio
## Schedule of Contributions – OPEB
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Statutorily determined contribution is determined by the adopted OPEB funding policy, through adoption of the City's annual budget. The OPEB programs are funded on a pay-as-you-go basis. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal based on level percentages of projected salary. |
| Amortization Method | Experience/Assumptions gains and losses are amortized over a closed period of 12.1 years starting on the current fiscal year, equal to the average remaining service of active and inactive plan members (who have no future service). |
| Remaining Amortization Period | 11.1 years |
| Asset Valuation Method | Fair Market Value |

**Actuarial assumptions:**

| | |
|---|---|
| Discount Rate | 4.00% per annum (EOY) |
| Healthcare and Prescription Cost Trend Rates | Pre-65 Select 7.00% and Ultimate 4.00%; Post-65 Select 6.00% and Ultimate 4.00%; Stop Loss Fees Select 7.00% and Ultimate 4.00%; Administrative Fees Select 4.00% and Ultimate 4.00% |
| Salary Increase Rate | 3.50% per annum |
| Mortality | PUB-2010 headcount weighted base mortality table, projected generationally using Scale MP-2021, applied on a gender-specific and job class basis (teacher, safety, or general, as applicable). |

*Year-Ended September 30, 2022* - 300 - *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**Retiree Health & Wellness San Antonio Fire and Police Fund**
**Schedule of Contributions – OPEB**
**Last Ten Fiscal Years**

| Year-Ended September 30, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2018 | $ 29,776 | $ 29,776 | $ - | $ 313,951 | 9.48% |
| 2019 | 33,987 | 33,987 | | 324,430 | 10.48% |
| 2020 | 38,656 | 38,656 | | 343,799 | 11.24% |
| 2021 | 41,204 | 41,204 | | 347,112 | 11.87% |
| 2022 | 46,098 | 46,098 | | 369,110 | 12.49% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended December 31, 2017 through December 31, 2021.

*Year-Ended September 30, 2022* - 301 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## Retiree Health & Wellness San Antonio Fire and Police Fund
## Schedule of Contributions – OPEB
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Statutorily determined contribution is using a January valuation date as of the beginning of the fiscal year in which contributions are reported. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Period | 21 years |
| Asset Valuation Method | Adjusted market value gains/losses spread over a five-year period. |

**Actuarial Assumptions:**

| | |
|---|---|
| Discount Rate | 7.00% per year |
| Inflation | 2.75% |
| Healthcare Cost Trend Rates | 6.25% for 2023 decreasing 0.50% per year to an ultimate rate of 4.25% for 2027 and beyond. |
| Salary Increases | 2.75% plus merit and promotion increases that vary by age and service. |
| Mortality | Based on the PubS.H-2010 (public safety, headcount weighted) total dataset mortality tables for employees and retirees (sex distinct), projected for mortality improvement generationally using the projected scale SSA2019-2D. |

**Actuarially Determined Contribution Amounts (not in thousands):**

| | |
|---|---|
| Biweekly Contributions: | |
| Active Members | $208.00 |
| City per Active Member | $416.01 |
| Monthly Contributions: | |
| Retirees with Less Than 30 Years of Service | $468.01 |
| Dependent Children | $546.77 |

**Required Supplementary Schedule – (Unaudited)**
**CPS Energy – Health Plan**
**Schedule of Contributions – OPEB**
**Last Ten Fiscal Years**

| Year-Ended January 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2016 | $ - | $ 8,806 | $ (8,806) | $ 242,652 | 3.63% |
| 2017 | | 8,500 | (8,500) | 223,523 | 3.80% |
| 2018 | | | | 220,522 | 0.00% |
| 2019 | | | | 228,240 | 0.00% |
| 2020 | | | | 244,010 | 0.00% |
| 2021 | | | | 254,996 | 0.00% |
| 2022 | | | | 257,608 | 0.00% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended January 31, 2016 through January 31, 2022.

*Year-Ended September 30, 2022* **- 303 -** *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Health Plan
## Schedule of Contributions – OPEB
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which contributions are made. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent; layered periods |
| Remaining Amortization Period | 27 years |
| Asset Valuation Method | Market value gains/losses recognized over five years. |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation | 2.20% for fiscal year 2022; 3.00% for fiscal year 2021; 2.30% for fiscal year 2020 and 3.00% prior years, compounded annually. |
| Investment Rate of Return | 7.00% per year, compounded annually, for fiscal year 2022, 7.25% for fiscal years 2021 through 2019, 7.50% for fiscal year 2018 and 2017, 7.75% for previous years |
| Healthcare Cost Trend Rates | 6.70% initial, decreasing to an ultimate rate of 3.80% for fiscal year 2022; 5.80% initial, decreasing to an ultimate rate of 4.00% for fiscal year 2021; 8.70% initial, decreasing to an ultimate rate of 4.10% for fiscal year 2020; 7.00% initial, decreasing to an ultimate rate of 5.00% for fiscal years 2019 and 2018; 7.50% initial, decreasing to an ultimate of 5.00% for fiscal years 2017 and 2016. |
| Prescription Cost Trend Rates | 6.70% initial, decreasing to an ultimate rate of 3.80% for fiscal year 2022; 5.80% initial, decreasing to an ultimate rate of 4.00% for fiscal year 2021; 8.70% initial, decreasing to an ultimate rate of 4.10% for fiscal year 2020, 7.00% initial, decreasing to an ultimate rate of 5.00% for fiscal years 2019 and 2018, 8.50% initial, decreasing to an ultimate of 5.00% for fiscal years 2017 and 2016. |
| Salary Increases | Projected average annual base salary increases ranging from 3.20% to 11.47% for fiscal year 2022; 3.10% to 11.60% for fiscal years 2021 through 2019; ranging from 4.00% to 9.50% for previous years. |
| Mortality | Pri-2012 Employee/Retiree Mortality (headcount weighted) projected forward (fully generational) with MP-2019 fiscal year 2021; RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Scale MP-2014 and projected with Mortality Improvement Scale MP-2017 (separate tables for males/females) for fiscal year 2020; Based on RP-2000 Combined Healthy, with No Collar Adjustment, Projected to 2020 using Scale BB for previous years; Male and Female Tables for Active and Retirees; Based on Pri-2012 Private Retirement Plans Disabled Mortality Table (headcount weighted) projected with Mortality Improvement Scale MP-2020 (adopted January 1, 2021). |
| Other Information | For fiscal year 2021, medical and dental costs and inflation (trend) were updated to reflect recent experience and future expectations. The Plan was amended to eliminate the CPS Energy contribution to participants' Health Reimbursement Account and the actuary valuation used for fiscal year 2019 reflects the impact of this change. For fiscal year 2019 and 2018 claim costs were updated to reflect plan changes and to reflect recent experience. The medical and prescription trend was reset in fiscal year 2018. For fiscal year 2017 and 2016 claim costs were updated to reflect recent experience, and the medical and prescription trend was reset. |

*Year-Ended September 30, 2022* - 304 - *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**CPS Energy – Life Plan**
**Schedule of Contributions – OPEB**
**Last Ten Fiscal Years**

| Year-Ended January 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2016 | $ 561 | $ - | $ 561 | $ 191,984 | 0.00% |
| 2017 | 145 | | 145 | 198,704 | 0.00% |
| 2018 | 515 | | 515 | 210,631 | 0.00% |
| 2019 | 435 | | 435 | 218,003 | 0.00% |
| 2020 | | | | 244,010 | 0.00% |
| 2021 | | | | 254,996 | 0.00% |
| 2022 | 924 | | 924 | 257,608 | 0.00% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended January 31, 2016 through January 31, 2022.

*Year-Ended September 30, 2022* - 305 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Life Plan
## Schedule of Contributions – OPEB
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which contributions are made. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollar; layered periods |
| Remaining Amortization Period | 5 years |
| Asset Valuation Method | Market value gains/losses recognized over five years. |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation | 2.20% for fiscal year 2022; 3.00% for fiscal year 2021; 2.30% for fiscal year 2020 and 3.00% previous years presented per year, compounded annually. |
| Investment Rate of Return | 7.00% per year, compounded annually, for fiscal year 2022; 7.25% for fiscal years 2021 through 2019, 7.50% for previous years. |
| Salary Increases | Projected average annual base salary increases from 3.20% to 11.47% for fiscal year 2022; 5.36% average for fiscal years 2021 and 2020; 4.54% average, including inflation for fiscal year 2019; 4.78% average, including inflation, in prior years. |
| Mortality | Based on Pri-2012 Employee/Retiree Mortality (headcount weighted) projected forward (fully generational) with MP-2019; RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2018 for fiscal year 2021; RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Scale MP-2014 and projected with Mortality Improvement Scale MP-2017 (separate tables for males/females) for fiscal year 2020; RP-2000 Combined Healthy, with No Collar Adjustment, Projected to 2020 using Scale BB for fiscal year 2020. Male and Female Tables for Active and Retirees; Based on Pri-2012 Private Retirement Plans Disabled Mortality Table (headcount weighted) projected with Mortality Improvement Scale MP-2020 (adopted January 1, 2021). |
| Other Information | In fiscal years 2022 through 2019, the salary scale and mortality assumptions were changed to more properly reflect actual experience. There were no other changes in benefit terms, in the size of composition of the population covered by the benefit terms that significantly affected trends from year to year in the amounts reported above. |

*Year-Ended September 30, 2022* - 306 - *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**CPS Energy – Disability Plan**
**Schedule of Contributions – OPEB**
**Last Ten Fiscal Years**

| Year-Ended January 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2016 | $ 793 | $ 175 | $ 618 | $ 205,704 | 0.09% |
| 2017 | 886 | 700 | 186 | 212,904 | 0.33% |
| 2018 | 1,035 | 1,300 | (265) | 216,558 | 0.60% |
| 2019 | 1,045 | 1,000 | 45 | 224,137 | 0.45% |
| 2020 | 769 | 769 | | 251,482 | 0.31% |
| 2021 | 614 | 614 | | 259,520 | 0.24% |
| 2022 | 726 | 726 | | 260,739 | 0.28% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended January 31, 2016 through January 31, 2022.

*Year-Ended September 30, 2022* - 307 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## CPS Energy – Disability Plan
## Schedule of Contributions – OPEB
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which the contributions are made. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollar; layered periods |
| Remaining Amortization Period | 5 years |
| Asset Valuation Method | Market value gains/losses recognized over five years. |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation | 2.20% for fiscal year 2022; 3.00% for fiscal year 2021; 2.30% for fiscal year 2020 and 3.00% prior years, compounded annually. |
| Investment Rate of Return | 7.00% per year, compounded annually for fiscal year 2022; 7.25% for fiscal years 2021 through 2019; 7.50% for previous years. |
| Salary Increases | Projected average annual base salary increases from 3.20% to 11.47% for fiscal year 2022; 5.36% average for fiscal year 2021 and 2020; 4.72% average, including inflation for fiscal year 2019; 4.78% for prior years. |
| Mortality | Healthy mortality based on Pri-2012 Employee/Retiree Mortality (headcount weighted) projected forward (fully generational) with MP-2019 Disabled mortality based on Pri-2012 Private Retirement Plans Disabled Mortality Table (headcount weighted) projected with Mortality Improvement Scale MP-2020 (adopted January 1, 2021). Healthy mortality based on RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2018 Disabled mortality based on 1987 Commissioners Group Disabled Life Mortality table for 2021. |
| Other Information | The annual investment rate of return underlying the calculation of total OPEB Liability was assumed to be 7.00% for fiscal year 2022 and 7.25% for fiscal years 2021 through 2019. A rate of 7.50% was assumed for the previous years presented. In fiscal years 2022 through 2019, the salary scale and mortality assumptions were also changed to more properly reflect actual experience. During fiscal year 2016, plan changes to provide employees with immediate coverage and an option to increase the benefit from 50.00% of pay to 70.00% of pay, less Social Security Disability Benefits and other offsets were reflected in the valuation. |

*Year-Ended September 30, 2022* - 308 - *Amounts are expressed in thousands.*

**Required Supplementary Schedule – (Unaudited)**
**San Antonio Water System Other Post Employment Benefit Plan**
**Schedule of Contributions – OPEB**
**Last Ten Fiscal Years**

| Year-Ended December 31, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2017 | $ 11,416 | $ 13,709 | $ (2,293) | $ 79,417 | 17.26% |
| 2018 | 11,392 | 15,308 | (3,916) | 78,348 | 19.54% |
| 2019 | 10,407 | 13,811 | (3,404) | 68,894 | 20.05% |
| 2020 | 6,339 | 13,641 | (7,302) | 67,557 | 20.19% |

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available. Amounts presented are determined as of the measurement date of the net OPEB liability for fiscal years-ended December 31, 2017 and December 31, 2020.

*Year-Ended September 30, 2022* - 309 - *Amounts are expressed in thousands.*

## Required Supplementary Schedule – (Unaudited)
## San Antonio Water System Other Post Employment Benefit Plan
## Schedule of Contributions – OPEB
## Last Ten Fiscal Years (Continued)

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of January 1, of the year in which the contributions are made. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Value of Assets | Market Value |
| Remaining Amortization Period | 13 years - Closed. |

**Actuarial assumptions:**

| | |
|---|---|
| Inflation | 2.50% for 2020; 2.40% for 2019; and 2.50% for 2018 |
| Investment Rate of Return | In 2020, the investment rate of return was changed to 6.25% from 6.50% |
| Salary Increases | Scale based on 2011 – 2013 SAWS experience, 3.75% to 9.00%, varies by age. |
| Mortality | In 2021, the mortality rate was based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline morality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2020 published in October 2020. In 2020, the mortality rate was based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were issued by the SOA. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. The mortality improvement scale is based on MP-2019 published in October 2019. Mortality rates for the 2019 valuation were based PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates that were recently issued by the SOA. Previously, the RP-2014 mortality tables for Healthy Employee/Annuitant updated annually were used. |
| Healthcare Cost Trend Rates | Pre-65 initial trend is 6.00%; Post-65 trend is -2.00%. Ultimate trend rate 2020 - 4.04%, 2019 – 3.94%, 2018 – 3.84% |

*Year-Ended September 30, 2022* - 310 - *Amounts are expressed in thousands.*

# Supplementary Budget and Actual Schedules for Legally Adopted Funds

## Schedules of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Taxes | $ 822,865 | $ 829,648 | $ 6,783 |
| Licenses and Permits | 9,389 | 9,377 | (12) |
| Intergovernmental | 36,921 | 22,586 | (14,335) |
| Revenues from Utilities | 419,862 | 419,985 | 123 |
| Charges for Services | 70,575 | 71,436 | 861 |
| Fines and Forfeits | 6,200 | 6,931 | 731 |
| Miscellaneous | 19,926 | 25,024 | 5,098 |
| Investment Earnings | 1,782 | 2,519 | 737 |
| **Total Revenues** | $ 1,387,520 | $ 1,387,506 | $ (14) |
| **Expenditures:** | | | |
| General Government | 95,760 | 93,051 | 2,709 |
| Public Safety | 855,427 | 854,717 | 710 |
| Public Works | 82,547 | 82,444 | 103 |
| Health Services | 45,601 | 43,912 | 1,689 |
| Welfare | 52,775 | 49,437 | 3,338 |
| Culture and Recreation | 135,088 | 134,026 | 1,062 |
| Economic Development and Opportunity | 19,168 | 14,377 | 4,791 |
| Urban Redevelopment and Housing | 35,655 | 35,228 | 427 |
| **Total Expenditures** | $ 1,322,021 | $ 1,307,192 | $ 14,829 |
| **Excess of Revenues Over Expenditures** | $ 65,499 | $ 80,314 | $ 14,815 |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | 16,649 | 16,895 | 246 |
| Transfers Out | (98,857) | (99,938) | (1,081) |
| **Total Other Financing Sources (Uses), Net** | $ (82,208) | $ (83,043) | $ (835) |
| **Net Change in Fund Balance** | (16,709) | (2,729) | $ 13,980 |
| Fund Balances, October 1 | 373,144 | 373,144 | |
| Add Encumbrances | | 100,600 | |
| **Fund Balances, September 30** | $ 356,435 | $ 471,015 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Amortized Lease Revenue (GASB 87) | | 1,329 | |
| Net Fair Value of Investments (GASB 31) | | (6,469) | |
| Ending Fund Balance | | $ 465,875 | |

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to lease activity on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. Additionally, the City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall expenditures are the same.

## Schedule of Revenues Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| **Taxes:** | | | |
| Property: | | | |
| Current | $ 410,351 | $ 410,859 | $ 508 |
| Delinquent | 1,720 | 3,054 | 1,334 |
| General Sales and Use: | | | |
| City Sales | 377,447 | 382,328 | 4,881 |
| Selective Sales and Use: | | | |
| Alcoholic Beverages | 11,519 | 11,698 | 179 |
| Gross Receipts Business: | | | |
| Telecommunication Access Lines Fees | 7,200 | 6,847 | (353) |
| Cablevision Franchise | 9,584 | 9,388 | (196) |
| Bingo | 1,277 | 1,155 | (122) |
| Other | 1,367 | 1,384 | 17 |
| Penalties and Interest on Delinquent Taxes | 2,400 | 2,935 | 535 |
| **Total Taxes** | $ 822,865 | $ 829,648 | $ 6,783 |
| **Licenses and Permits:** | | | |
| Alarm Licenses | 2,070 | 2,131 | 61 |
| Alcoholic Beverages Licenses | 853 | 826 | (27) |
| Amusement Licenses | 39 | 40 | 1 |
| Building Permits | 96 | 72 | (24) |
| Health Licenses | 4,960 | 4,880 | (80) |
| Professional and Occupational Licenses | 795 | 858 | 63 |
| Street Permits | 576 | 570 | (6) |
| **Total Licenses and Permits** | $ 9,389 | $ 9,377 | $ (12) |
| **Intergovernmental:** | | | |
| Bexar County - Child Support | 38 | 37 | (1) |
| Federal Aid | 30,000 | 14,966 | (15,034) |
| Health Aid from Bexar County | 191 | 79 | (112) |
| Library Aid from Bexar County | 2,584 | 2,584 | |
| Other | 3,744 | 4,546 | 802 |
| VIA Contributions | 364 | 374 | 10 |
| **Total Intergovernmental** | $ 36,921 | $ 22,586 | $ (14,335) |
| **Revenues from Utilities:** | | | |
| CPS Energy | 386,296 | 385,887 | (409) |
| San Antonio Water System | 33,566 | 34,098 | 532 |
| **Total Revenues from Utilities** | $ 419,862 | $ 419,985 | $ 123 |

(Continued)

## Schedule of Revenues Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Charges for Services:** | | | |
| General Government | $ 3,742 | $ 3,874 | $ 132 |
| Public Safety: | | | |
| Fire Department | 39,016 | 38,981 | (35) |
| Police Department | 8,820 | 9,557 | 737 |
| Sanitation: | | | |
| Demolition of Unsafe Structures | 668 | 747 | 79 |
| Health | 2,714 | 2,673 | (41) |
| Streets | 110 | 114 | 4 |
| Culture and Recreation: | | | |
| Attractions and Venues | 13,582 | 13,323 | (259) |
| Community Centers | 115 | 154 | 39 |
| Concessions & Rentals | 353 | 300 | (53) |
| Library | 285 | 448 | 163 |
| Miscellaneous Recreation Revenue | 191 | 305 | 114 |
| Recreation Fees | 973 | 958 | (15) |
| Swimming Pools | 6 | 2 | (4) |
| **Total Charges for Services** | $ 70,575 | $ 71,436 | $ 861 |
| **Fines and Forfeits:** | | | |
| Municipal Court Fines | $ 6,200 | $ 6,931 | $ 731 |
| **Miscellaneous:** | | | |
| Interfund Charges | 1,481 | 1,874 | 393 |
| Other | 1,917 | 5,002 | 3,085 |
| Recovery of Expenditures | 5,732 | 5,456 | (276) |
| Rents, Leases, and Concessions | 1,394 | 1,507 | 113 |
| Sales | 9,402 | 11,185 | 1,783 |
| **Total Miscellaneous** | $ 19,926 | $ 25,024 | $ 5,098 |
| **Investment Earnings:** | | | |
| Interest | $ 1,782 | $ 2,519 | $ 737 |
| **Total Revenues** | $ 1,387,520 | $ 1,387,506 | $ (14) |

(End of Schedule)

## Schedule of Expenditures Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Expenditures:** | | | |
| **General Government:** | | | |
| **Executive:** | | | |
| Personal Services | $ 46,188 | $ 45,267 | $ 921 |
| Contractual Services | 10,151 | 8,858 | 1,293 |
| Commodities | 588 | 570 | 18 |
| Other Expenditures | 9,927 | 10,009 | (82) |
| Capital Outlay | 632 | 1,064 | (432) |
| **Total Executive** | $ 67,486 | $ 65,768 | $ 1,718 |
| **Judicial:** | | | |
| Personal Services | 11,163 | 11,048 | 115 |
| Contractual Services | 1,630 | 1,943 | (313) |
| Commodities | 181 | 201 | (20) |
| Other Expenditures | 2,152 | 2,153 | (1) |
| Capital Outlay | 740 | 363 | 377 |
| **Total Judicial** | $ 15,866 | $ 15,708 | $ 158 |
| **Legislative:** | | | |
| Personal Services | 4,995 | 4,943 | 52 |
| Contractual Services | 4,423 | 2,934 | 1,489 |
| Commodities | 299 | 526 | (227) |
| Other Expenditures | 2,386 | 2,754 | (368) |
| Capital Outlay | 305 | 418 | (113) |
| **Total Legislative** | $ 12,408 | $ 11,575 | $ 833 |
| **Total General Government** | $ 95,760 | $ 93,051 | $ 2,709 |
| **Public Safety:** | | | |
| **Fire:** | | | |
| Personal Services | 281,445 | 281,007 | 438 |
| Contractual Services | 13,835 | 14,083 | (248) |
| Commodities | 10,182 | 10,446 | (264) |
| Other Expenditures | 33,937 | 34,079 | (142) |
| Capital Outlay | 4,112 | 3,671 | 441 |
| **Total Fire** | $ 343,511 | $ 343,286 | $ 225 |
| **Police:** | | | |
| Personal Services | 429,362 | 427,970 | 1,392 |
| Contractual Services | 20,148 | 21,716 | (1,568) |
| Commodities | 6,422 | 5,419 | 1,003 |
| Other Expenditures | 48,478 | 47,976 | 502 |
| Capital Outlay | 7,506 | 8,350 | (844) |
| **Total Police** | $ 511,916 | $ 511,431 | $ 485 |
| **Total Public Safety** | $ 855,427 | $ 854,717 | $ 710 |

(Continued)

## Schedule of Expenditures Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 FINAL BUDGET | 2022 ACTUAL | 2022 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Public Works:** | | | |
| **Administration:** | | | |
| Personal Services | $ 3,233 | $ 3,218 | $ 15 |
| Contractual Services | 11,802 | 11,530 | 272 |
| Commodities | 83 | 107 | (24) |
| Other Expenditures | 3,009 | 2,707 | 302 |
| Capital Outlay | 79 | 38 | 41 |
| **Total Administration** | $ 18,206 | $ 17,600 | $ 606 |
| **Streets:** | | | |
| Personal Services | 14,810 | 14,736 | 74 |
| Contractual Services | 7,256 | 9,571 | (2,315) |
| Commodities | 6,061 | 5,834 | 227 |
| Other Expenditures | 21,571 | 21,618 | (47) |
| Capital Outlay | 393 | 259 | 134 |
| **Total Streets** | $ 50,091 | $ 52,018 | $ (1,927) |
| **Traffic and Transportation:** | | | |
| Personal Services | 5,812 | 5,673 | 139 |
| Contractual Services | 5,100 | 3,693 | 1,407 |
| Commodities | 1,149 | 1,264 | (115) |
| Other Expenditures | 2,120 | 2,121 | (1) |
| Capital Outlay | 69 | 75 | (6) |
| **Total Traffic and Transportation** | $ 14,250 | $ 12,826 | $ 1,424 |
| **Total Public Works** | $ 82,547 | $ 82,444 | $ 103 |
| **Health Services:** | | | |
| Personal Services | 24,896 | 24,359 | 537 |
| Contractual Services | 10,414 | 9,607 | 807 |
| Commodities | 2,350 | 2,268 | 82 |
| Other Expenditures | 6,635 | 6,338 | 297 |
| Capital Outlay | 1,306 | 1,340 | (34) |
| **Total Health Services** | $ 45,601 | $ 43,912 | $ 1,689 |
| **Welfare:** | | | |
| Personal Services | 11,385 | 10,973 | 412 |
| Contractual Services | 28,748 | 26,266 | 2,482 |
| Commodities | 451 | 424 | 27 |
| Other Expenditures | 10,654 | 8,355 | 2,299 |
| Capital Outlay | 1,537 | 3,419 | (1,882) |
| **Total Welfare** | $ 52,775 | $ 49,437 | $ 3,338 |

(Continued)

## Schedule of Expenditures Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Culture and Recreation:** | | | |
| **Downtown Operations:** | | | |
| Personal Services | $ 5,464 | $ 5,346 | $ 118 |
| Contractual Services | 7,621 | 6,901 | 720 |
| Commodities | 353 | 439 | (86) |
| Other Expenditures | 3,404 | 3,258 | 146 |
| Capital Outlay | 152 | 147 | 5 |
| **Total Downtown Operations** | $ 16,994 | $ 16,091 | $ 903 |
| **Libraries:** | | | |
| Personal Services | 26,902 | 26,691 | 211 |
| Contractual Services | 6,395 | 6,384 | 11 |
| Commodities | 6,181 | 6,162 | 19 |
| Other Expenditures | 4,592 | 4,816 | (224) |
| Capital Outlay | 1,510 | 1,480 | 30 |
| **Total Libraries** | $ 45,580 | $ 45,533 | $ 47 |
| **Parks:** | | | |
| Personal Services | 42,957 | 42,136 | 821 |
| Contractual Services | 10,499 | 10,734 | (235) |
| Commodities | 3,795 | 3,934 | (139) |
| Other Expenditures | 14,283 | 14,504 | (221) |
| Capital Outlay | 980 | 1,094 | (114) |
| **Total Parks** | $ 72,514 | $ 72,402 | $ 112 |
| **Total Culture and Recreation** | $ 135,088 | $ 134,026 | $ 1,062 |
| **Economic Development and Opportunity:** | | | |
| Personal Services | 3,568 | 3,401 | 167 |
| Contractual Services | 14,832 | 9,798 | 5,034 |
| Commodities | 63 | 39 | 24 |
| Other Expenditures | 659 | 1,090 | (431) |
| Capital Outlay | 46 | 49 | (3) |
| **Total Economic Development and Opportunity** | $ 19,168 | $ 14,377 | $ 4,791 |
| **Urban Redevelopment and Housing** | | | |
| Personal Services | 13,492 | 13,418 | 74 |
| Contractual Services | 15,593 | 15,363 | 230 |
| Commodities | 285 | 291 | (6) |
| Other Expenditures | 5,840 | 5,879 | (39) |
| Capital Outlay | 445 | 277 | 168 |
| **Total Urban Redevelopment and Housing** | $ 35,655 | $ 35,228 | $ 427 |
| **Total Expenditures** | $ 1,322,021 | $ 1,307,192 | $ 14,829 |

(End of Schedule)

**Explanation of Differences:**

Items recorded for GAAP purposes that are not recorded for budget purposes:

| | |
|---|---|
| Encumbrances | (53,049) |
| Lease Right-to-Use Assets Expenditures | 578 |
| Total Expenditures | $ 1,254,721 |

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to lease activity on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. Additionally, the City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall expenditures are the same.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Debt Service Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Property Taxes: | | | |
| Current | $ 250,279 | $ 251,014 | $ 735 |
| Delinquent | 488 | 1,893 | 1,405 |
| Penalties and Interest on Delinquent Taxes | 1,288 | 1,799 | 511 |
| Miscellaneous | | 158 | 158 |
| Investment Earnings | 72 | 578 | 506 |
| **Total Revenues** | $ 252,127 | $ 255,442 | $ 3,315 |
| **Expenditures:** | | | |
| General Government: | | | |
| Contractual Services | 632 | 632 | |
| Total General Government | $ 632 | $ 632 | $ - |
| Debt Service: | | | |
| Principal Retirement | 192,300 | 192,300 | |
| Interest | 79,820 | 79,820 | |
| Total Debt Service | $ 272,120 | $ 272,120 | $ - |
| **Total Expenditures** | $ 272,752 | $ 272,752 | $ - |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (20,625) | $ (17,310) | $ 3,315 |
| **Other Financing Sources:** | | | |
| Transfers In | 20,036 | 20,069 | 33 |
| **Total Other Financing Sources** | $ 20,036 | $ 20,069 | $ 33 |
| **Net Change in Fund Balance** | (589) | 2,759 | $ 3,348 |
| Fund Balances, October 1 | 42,288 | 42,288 | |
| **Fund Balances, September 30** | $ 41,699 | $ 45,047 | |

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Advanced Transportation District
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| General Sales and Use: | | | |
| City Sales Tax | $ 23,512 | $ 23,637 | $ 125 |
| Investment Earnings | 103 | 115 | 12 |
| **Total Revenues** | $ 23,615 | $ 23,752 | $ 137 |
| **Expenditures:** | | | |
| Public Works: | | | |
| Personal Services | 2,738 | 2,672 | 66 |
| Contractual Services | 898 | 854 | 44 |
| Commodities | 74 | 62 | 12 |
| Other Expenditures | 2,775 | 2,662 | 113 |
| Capital Outlay | 39 | 36 | 3 |
| **Total Expenditures** | $ 6,524 | $ 6,286 | $ 238 |
| **Excess of Revenues Over Expenditures** | $ 17,091 | $ 17,466 | $ 375 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (31,511) | (31,375) | 136 |
| **Total Other Financing (Uses)** | $ (31,511) | $ (31,375) | $ 136 |
| **Net Change in Fund Balance** | (14,420) | (13,909) | $ 511 |
| Fund Balances, October 1 | 21,321 | 21,321 | |
| Add Encumbrances | | 14,801 | |
| **Fund Balances, September 30** | $ 6,901 | $ 22,213 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (299) | |
| Ending Fund Balance | | $ 21,914 | |

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community and Visitor Facilities
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 FINAL BUDGET | 2022 ACTUAL | 2022 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes: | | | |
| Occupancy | $ 73,049 | $ 72,358 | $ (691) |
| Penalties and Interest on Delinquent Taxes | 339 | 382 | 43 |
| Intergovernmental | 18,588 | 18,276 | (312) |
| Charges for Services | 26,642 | 32,564 | 5,922 |
| Miscellaneous | 1,151 | 5,272 | 4,121 |
| Investment Earnings | 2 | 605 | 603 |
| **Total Revenues** | $ 119,771 | $ 129,457 | $ 9,686 |
| **Expenditures:** | | | |
| Culture & Recreation: | | | |
| Arts & Cultural: | | | |
| Personal Services | 1,857 | 1,835 | 22 |
| Contractual Services | 1,007 | 991 | 16 |
| Commodities | 49 | 16 | 33 |
| Other Expenditures | 373 | 387 | (14) |
| Capital Outlay | 13 | 69 | (56) |
| Total Arts & Cultural | $ 3,299 | $ 3,298 | $ 1 |
| Alamodome: | | | |
| Personal Services | 4,669 | 4,545 | 124 |
| Contractual Services | 5,639 | 5,130 | 509 |
| Commodities | 378 | 493 | (115) |
| Other Expenditures | 5,645 | 6,105 | (460) |
| Capital Outlay | 60 | 97 | (37) |
| Total Alamodome | $ 16,391 | $ 16,370 | $ 21 |
| Nondepartmental: | | | |
| Personal Services | 434 | 427 | 7 |
| Contractual Services | 2,188 | 2,183 | 5 |
| Other Expenditures | 93 | 93 | |
| Total Nondepartmental | $ 2,715 | $ 2,703 | $ 12 |
| Contributions to Other Agencies | 7,682 | 7,487 | 195 |
| Total Culture & Recreation | $ 30,087 | $ 29,858 | $ 229 |
| Convention and Tourism: | | | |
| Convention Center: | | | |
| Personal Services | 13,402 | 13,106 | 296 |
| Contractual Services | 3,355 | 3,454 | (99) |
| Commodities | 559 | 674 | (115) |
| Other Expenditures | 9,947 | 10,226 | (279) |
| Capital Outlay | 279 | 265 | 14 |
| Total Convention Center | $ 27,542 | $ 27,725 | $ (183) |
| Contributions to Other Agencies (VSA) | 17,710 | 17,710 | |
| Total Convention and Tourism | $ 45,252 | $ 45,435 | $ (183) |
| **Total Expenditures** | $ 75,339 | $ 75,293 | $ 46 |
| **Excess of Revenues Over Expenditures** | $ 44,432 | $ 54,164 | $ 9,732 |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | 20,340 | 46,667 | 26,327 |
| Transfers Out | (43,175) | (53,949) | (10,774) |
| **Total Other Financing Sources (Uses), Net** | $ (22,835) | $ (7,282) | $ 15,553 |
| **Net Change in Fund Balance** | 21,597 | 46,882 | $ 25,285 |
| Fund Balances, October 1 | 79,726 | 79,726 | |
| Add Encumbrances | | 946 | |
| **Fund Balances, September 30** | $ 101,323 | $ 127,554 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Amortized Lease Revenue (GASB 87) | | (4) | |
| Net Fair Value of Investments (GASB 31) | | (1,521) | |
| Ending Fund Balance | | $ 126,029 | |

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to lease activity on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. Additionally, the City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall expenditures are the same.

Note: Includes revenues and expenditures generated from Convention and Tourism activities relating to the promotion of City owned facilities to be used for conventions, community and entertainment venues; the marketing and promotion of the City through VSA and support for arts and cultural organizations in the Department of Arts and Culture.

The City noted budget violations of excess transfers out and encumbrances over appropriations. As there was sufficient actual revenues and fund balances to cover these excesses, the City does not deem these violations to be material.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Confiscated Property
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Intergovernmental | $ 723 | $ 756 | $ 33 |
| Miscellaneous | 44 | 45 | 1 |
| Investment Earnings | 10 | 24 | 14 |
| **Total Revenues** | $ 777 | $ 825 | $ 48 |
| **Expenditures:** | | | |
| Public Safety: | | | |
| Personal Services | 68 | 37 | 31 |
| Contractual Services | 732 | 717 | 15 |
| Commodities | 115 | 62 | 53 |
| Other Expenditures | 56 | 44 | 12 |
| Capital Outlay | 194 | 39 | 155 |
| **Total Expenditures** | $ 1,165 | $ 899 | $ 266 |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (388) | $ (74) | $ 314 |
| **Net Change in Fund Balance** | (388) | (74) | $ 314 |
| Fund Balances, October 1 | 3,183 | 3,700 | |
| Add Encumbrances | | 388 | |
| **Fund Balances, September 30** | $ 2,795 | $ 4,014 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (59) | |
| Ending Fund Balance | | $ 3,955 | |

# Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
# Budget and Actual (Budgetary Basis)
# Special Revenue Funds
# Hotel/Motel 2% Revenue
## Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Taxes: | | | |
| Occupancy | $ 20,871 | $ 20,671 | $ (200) |
| Penalties and Interest on Delinquent Taxes | 85 | 109 | 24 |
| Miscellaneous | | 10,450 | 10,450 |
| Investment Earnings | | 88 | 88 |
| **Total Revenues** | $ 20,956 | $ 31,318 | $ 10,362 |
| **Expenditures:** | | | |
| Convention and Tourism: | | | |
| Contractual Services | 8 | 1 | 7 |
| **Total Expenditures** | $ 8 | $ 1 | $ 7 |
| **Excess of Revenues Over Expenditures** | $ 20,948 | $ 31,317 | $ 10,369 |
| **Other Financing Sources (Uses):** | | | |
| Transfer In | 24,876 | 39,219 | 14,343 |
| Transfers Out | (46,373) | (72,699) | (26,326) |
| **Total Other Financing Sources (Uses), Net** | $ (21,497) | $ (33,480) | $ (11,983) |
| **Net Change in Fund Balance** | (549) | (2,163) | $ (1,614) |
| Fund Balances, October 1 | 3,293 | 3,293 | |
| **Fund Balances, September 30** | $ 2,744 | $ 1,130 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (208) | |
| Ending Fund Balance | | $ 922 | |

The City noted budget violations of excess transfers out over appropriations. As there was sufficient actual revenues and fund balances to cover these excesses, the City does not deem these violations to be material.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Parks Development and Expansion - 2015 and 2010 Venue Projects
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Investment Earnings | $ 193 | $ 322 | $ 129 |
| **Total Revenues** | $ 193 | $ 322 | $ 129 |
| **Excess of Revenues Over Expenditures** | $ 193 | $ 322 | $ 129 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (74,721) | (70,436) | 4,285 |
| **Total Other Financing (Uses)** | $ (74,721) | $ (70,436) | $ 4,285 |
| **Net Change in Fund Balance** | (74,528) | (70,114) | $ 4,414 |
| Fund Balances, October 1 | 74,528 | 74,528 | |
| Add Encumbrances | | 38,822 | |
| **Fund Balances, September 30** | $ - | $ 43,236 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (822) | |
| Ending Fund Balance | | $ 42,414 | |

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Parks Environmental & Sanitation
**Year-Ended September 30, 2022**
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 11,191 | $ 10,956 | $ (235) |
| Investment Earnings | 2 | 7 | 5 |
| Miscellaneous | | 4 | 4 |
| **Total Revenues** | $ 11,193 | $ 10,967 | $ (226) |
| **Expenditures:** | | | |
| Sanitation: | | | |
| Personal Services | 6,989 | 7,059 | (70) |
| Contractual Services | 3,177 | 3,221 | (44) |
| Commodities | 498 | 486 | 12 |
| Other Expenditures | 665 | 676 | (11) |
| Capital Outlay | 90 | 113 | (23) |
| **Total Expenditures** | $ 11,419 | $ 11,555 | $ (136) |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (226) | $ (588) | $ (362) |
| **Net Change in Fund Balance** | (226) | (588) | $ (362) |
| Fund Balances, October 1 | 543 | 1,634 | |
| Add Encumbrances | | 275 | |
| **Fund Balances, September 30** | $ 317 | $ 1,321 | |

**Explanation of Differences:**

Items recorded for GAAP purposes that are not recorded for budget purposes:

| | | |
|---|---|---|
| Net Fair Value of Investments (GASB 31) | | (19) |
| Ending Fund Balance | | $ 1,302 |

The City noted budget violations of excess expenditures and encumbrances over appropriations. As there was sufficient actual revenues and fund balances to cover these excesses, the City does not deem these violations to be material.

# Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
# Budget and Actual (Budgetary Basis)
# Special Revenue Funds
# Right of Ways
## Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 4,547 | $ 4,735 | $ 188 |
| Investment Earnings | 27 | 38 | 11 |
| **Total Revenues** | $ 4,574 | $ 4,773 | $ 199 |
| **Expenditures:** | | | |
| Public Works: | | | |
| Personal Services | 2,876 | 2,828 | 48 |
| Contractual Services | 306 | 286 | 20 |
| Commodities | 34 | 30 | 4 |
| Other Expenditures | 354 | 349 | 5 |
| Capital Outlay | 127 | 121 | 6 |
| Total Public Works | 3,697 | 3,614 | 83 |
| **Total Expenditures** | $ 3,697 | $ 3,614 | $ 83 |
| **Excess of Revenues Over Expenditures** | $ 877 | $ 1,159 | $ 282 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (5,448) | (5,448) | |
| **Total Other Financing (Uses)** | $ (5,448) | $ (5,448) | $ - |
| **Net Change in Fund Balance** | (4,571) | (4,289) | $ 282 |
| Fund Balances, October 1 | 6,348 | 6,348 | |
| Add Encumbrances | | 5,376 | |
| **Fund Balances, September 30** | $ 1,777 | $ 7,435 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (96) | |
| Ending Fund Balance | | $ 7,339 | |

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to lease activity on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. Additionally, the City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall expenditures are the same.

# Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Stormwater Operations
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 FINAL BUDGET | 2022 ACTUAL | 2022 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for Services | $ 61,516 | $ 63,013 | $ 1,497 |
| Miscellaneous | 11 | 11 | |
| Investment Earnings | 319 | 344 | 25 |
| **Total Revenues** | $ 61,846 | $ 63,368 | $ 1,522 |
| **Expenditures:** | | | |
| Public Works: | | | |
| Administration: | | | |
| Personal Services | 5,180 | 4,740 | 440 |
| Contractual Services | 6,684 | 6,673 | 11 |
| Commodities | 55 | 97 | (42) |
| Other Expenditures | 354 | 350 | 4 |
| Capital Outlay | 337 | 48 | 289 |
| Total Administration | $ 12,610 | $ 11,908 | $ 702 |
| Vegetation Control: | | | |
| Personal Services | 5,583 | 4,911 | 672 |
| Contractual Services | 1,241 | 1,550 | (309) |
| Commodities | 871 | 527 | 344 |
| Other Expenditures | 2,440 | 2,461 | (21) |
| Capital Outlay | 21 | 82 | (61) |
| Total Vegetation Control | $ 10,156 | $ 9,531 | $ 625 |
| River Maintenance: | | | |
| Personal Services | 106 | 182 | (76) |
| Contractual Services | 1,068 | 1,383 | (315) |
| Commodities | 7 | | 7 |
| Other Expenditures | 130 | 129 | 1 |
| Capital Outlay | 1 | | 1 |
| Total River Maintenance | $ 1,312 | $ 1,694 | $ (382) |
| Street Sweeping: | | | |
| Personal Services | 2,425 | 2,335 | 90 |
| Contractual Services | 685 | 649 | 36 |
| Commodities | 334 | 330 | 4 |
| Other Expenditures | 1,050 | 1,148 | (98) |
| Capital Outlay | 3 | 2 | 1 |
| Total Street Sweeping | $ 4,497 | $ 4,464 | $ 33 |
| Tunnel Maintenance: | | | |
| Personal Services | 4,807 | 4,674 | 133 |
| Contractual Services | 2,446 | 3,132 | (686) |
| Commodities | 672 | 880 | (208) |
| Other Expenditures | 1,636 | 4,143 | (2,507) |
| Capital Outlay | 520 | 195 | 325 |
| Total Tunnel Maintenance | $ 10,081 | $ 13,024 | $ (2,943) |

(Continued)

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Stormwater Operations
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 FINAL BUDGET | 2022 ACTUAL | 2022 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Expenditures Continued:** | | | |
| Design Engineering: | | | |
| Personal Services | 2,147 | 2,206 | (59) |
| Contractual Services | 387 | 298 | 89 |
| Commodities | 16 | 6 | 10 |
| Other Expenditures | 82 | 56 | 26 |
| Capital Outlay | 9 | 18 | (9) |
| Total Design Engineering | $ 2,641 | $ 2,584 | $ 57 |
| Total Public Works | 41,297 | 43,205 | (1,908) |
| **Total Expenditures** | $ 41,297 | $ 43,205 | $ (1,908) |
| **Excess of Revenues Over Expenditures** | $ 20,549 | $ 20,163 | $ (386) |
| **Other Financing (Uses):** | | | |
| Transfers Out | (69,415) | (66,840) | 2,575 |
| **Total Other Financing (Uses)** | $ (69,415) | $ (66,840) | $ 2,575 |
| **Net Change in Fund Balance** | (48,866) | (46,677) | $ 2,189 |
| Fund Balances, October 1 | 57,472 | 57,472 | |
| Add Encumbrances | | 52,951 | |
| **Fund Balances, September 30** | $ 8,606 | $ 63,746 | |

(End of Schedule)

**Explanation of Differences:**

Items recorded for GAAP purposes that are not recorded for budget purposes:

| | |
|---|---|
| Net Fair Value of Investments (GASB 31) | (882) |
| Ending Fund Balance | $ 62,864 |

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to lease activity on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. Additionally, the City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall expenditures are the same.

The City noted budget violations of excess expenditures and encumbrances over appropriations. As there was sufficient actual revenues and fund balances to cover these excesses, the City does not deem these violations to be material.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Tax Increment Financing
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Administrative Fee [1] | $ 1,095 | $ 1,072 | $ (23) |
| Investment Earnings | 2 | 12 | 10 |
| **Total Revenues** | $ 1,097 | $ 1,084 | $ (13) |
| **Expenditures:** | | | |
| Economic Development and Opportunity: | | | |
| Personal Services | 641 | 621 | 20 |
| Contractual Services | 76 | 32 | 44 |
| Commodities | 2 | | 2 |
| Other Expenditures | 19 | 19 | |
| Capital Outlay | 13 | 14 | (1) |
| **Total Expenditures** | $ 751 | $ 686 | $ 65 |
| **Excess of Revenues Over Expenditures** | $ 346 | $ 398 | $ 52 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (67) | (67) | |
| **Total Other Financing (Uses)** | $ (67) | $ (67) | $ - |
| **Net Change in Fund Balance** | 279 | 331 | $ 52 |
| Fund Balances, October 1 | 1,922 | 1,922 | |
| Add Encumbrances | | 13 | |
| **Fund Balances, September 30** | $ 2,201 | $ 2,266 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (31) | |
| Ending Fund Balance | | $ 2,235 | |

This fund is incorporated within the Tax Increment Reinvestment Zone reporting unit.

[1] For financial reporting presentation the revenue is reported as an intrafund transfer and therefore is not reflected in the financial statements; however the above schedule reflects the fund schedule from the City's 2022 Adopted Budget.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Child Safety
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 FINAL BUDGET | 2022 ACTUAL | 2022 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for Services | $ 222 | $ 222 | $ - |
| Intergovernmental | 1,935 | 1,970 | 35 |
| Investment Earnings | | 2 | 2 |
| **Total Revenues** | $ 2,157 | $ 2,194 | $ 37 |
| **Expenditures:** | | | |
| Public Safety: | | | |
| Personal Services | 1,838 | 1,872 | (34) |
| Contractual Services | 19 | 20 | (1) |
| Commodities | 13 | 12 | 1 |
| Other Expenditures | 278 | 282 | (4) |
| **Total Expenditures** | $ 2,148 | $ 2,186 | $ (38) |
| **Excess of Revenues Over Expenditures** | $ 9 | $ 8 | $ (1) |
| **Net Change in Fund Balance** | 9 | 8 | $ (1) |
| Fund Balances, October 1 | 550 | 550 | |
| Add Encumbrance | | 2 | |
| **Fund Balances, September 30** | $ 559 | $ 560 | |

**Explanation of Differences:**

| | | | |
|---|---|---|---|
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (6) | |
| Ending Fund Balance | | $ 554 | |

The City noted budget violations of excess expenditures and encumbrances over appropriations. As there was sufficient actual revenues and fund balances to cover these excesses, the City does not deem these violations to be material.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Energy Efficiency Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Intergovernmental | $ 12 | $ 8 | $ (4) |
| Investment Earnings | | 14 | 14 |
| Miscellaneous | | 200 | 200 |
| **Total Revenues** | $ 12 | $ 222 | $ 210 |
| **Expenditures:** | | | |
| General Government: | | | |
| Personal Services | 407 | 405 | 2 |
| Contractual Services | 1,808 | 157 | 1,651 |
| Other Expenditures | 26 | 23 | 3 |
| **Total Expenditures** | $ 2,241 | $ 585 | $ 1,656 |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (2,229) | $ (363) | $ 1,866 |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | 1,234 | 1,234 | |
| Transfers Out | | (307) | (307) |
| **Total Other Financing Sources (Uses), Net** | $ 1,234 | $ 927 | $ (307) |
| **Net Change in Fund Balance** | (995) | 564 | $ 1,559 |
| Fund Balances, October 1 | 1,811 | 1,811 | |
| **Fund Balances, September 30** | $ 816 | $ 2,375 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (34) | |
| Ending Fund Balance | | $ 2,341 | |

The City noted budget violations of excess transfers out over appropriations. As there was sufficient actual revenues and fund balances to cover these excesses, the City does not deem these violations to be material.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Golf Course Operating and Maintenance
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Miscellaneous [1] | $ 1,231 | $ 1,231 | $ - |
| Investment Earnings | | 1 | 1 |
| **Total Revenues** | $ 1,231 | $ 1,232 | $ 1 |
| **Excess of Revenues Over Expenditures** | $ 1,231 | $ 1,232 | $ 1 |
| **Other Financing Sources (Uses):** | | | |
| Transfers Out | (1,231) | (1,231) | |
| **Total Other Financing (Uses)** | $ (1,231) | $ (1,231) | $ - |
| **Net Change in Fund Balance** | | 1 | $ 1 |
| Fund Balances, October 1 | 17 | 17 | |
| **Fund Balances, September 30** | $ 17 | $ 18 | |

**Explanation of Differences:**

| | |
|---|---|
| Items recorded for GAAP purposes that are not recorded for budget purposes: | |
| Net Fair Value of Investments (GASB 31) | (3) |
| Ending Fund Balance | $ 15 |

[1] For financial reporting presentation the revenue is reported as transfers in; however the above schedule reflects the fund schedule from the City's 2022 Adopted Budget.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Municipal Court Security
**Year-Ended September 30, 2022**
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 287 | $ 291 | $ 4 |
| Investment Earnings | | 1 | 1 |
| **Total Revenues** | $ 287 | $ 292 | $ 5 |
| **Expenditures:** | | | |
| General Government: | | | |
| Personal Services | 244 | 239 | 5 |
| Contractual Services | 131 | 124 | 7 |
| Commodities | 2 | 1 | 1 |
| Other Expenditures | 21 | 21 | |
| **Total Expenditures** | $ 398 | $ 385 | $ 13 |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (111) | $ (93) | $ 18 |
| **Other Financing Sources:** | | | |
| Transfers In | 137 | 137 | |
| **Total Other Financing Sources, Net** | $ 137 | $ 137 | $ - |
| **Net Change in Fund Balance** | 26 | 44 | $ 18 |
| Fund Balances, October 1 | 61 | 61 | |
| **Fund Balances, September 30** | $ 87 | $ 105 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (2) | |
| Ending Fund Balance | | $ 103 | |

# Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Municipal Court Technology
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 250 | $ 251 | $ 1 |
| Investment Earnings | | 1 | 1 |
| **Total Revenues** | $ 250 | $ 252 | $ 2 |
| **Expenditures:** | | | |
| General Government: | | | |
| Contractual Services | 764 | 763 | 1 |
| Capital Outlay | 45 | 45 | |
| **Total Expenditures** | $ 809 | $ 808 | $ 1 |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (559) | $ (556) | $ 3 |
| **Other Financing Sources:** | | | |
| Transfers In | 612 | 612 | |
| **Total Other Financing Sources** | $ 612 | $ 612 | $ - |
| **Net Change in Fund Balance** | 53 | 56 | $ 3 |
| Fund Balances, October 1 | 5 | 5 | |
| Add Encumbrances | | 45 | |
| **Fund Balances, September 30** | $ 58 | $ 106 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (3) | |
| Ending Fund Balance | | $ 103 | |

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Municipal Court Truancy Intervention & Prevention Fund
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 482 | $ 439 | $ (43) |
| **Total Revenues** | $ 482 | $ 439 | $ (43) |
| **Expenditures:** | | | |
| General Government: | | | |
| Personal Services | 699 | 700 | (1) |
| Contractual Services | 4 | 6 | (2) |
| Commodities | 1 | 1 | |
| Other Expenditures | 89 | 89 | |
| Capital Outlay | 31 | 31 | |
| **Total Expenditures** | $ 824 | $ 827 | $ (3) |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (342) | $ (388) | $ (46) |
| **Other Financing Sources:** | | | |
| Transfers In | 394 | 394 | |
| **Total Other Financing Sources** | $ 394 | $ 394 | $ - |
| **Net Change in Fund Balance** | 52 | 6 | $ (46) |
| Fund Balances, October 1 | 85 | 85 | |
| Add Encumbrances | | 31 | |
| **Fund Balances, September 30** | $ 137 | $ 122 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (1) | |
| Ending Fund Balance | | $ 121 | |

The City noted budget violations of excess expenditures and encumbrances over appropriations. As there was sufficient actual revenues and fund balances to cover these excesses, the City does not deem these violations to be material.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Public Education and Government
**Year-Ended September 30, 2022**
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Business and Franchise Tax | $ 2,286 | $ 2,241 | $ (45) |
| Investment Earnings | 60 | 55 | (5) |
| **Total Revenues** | $ 2,346 | $ 2,296 | $ (50) |
| **Expenditures:** | | | |
| General Government: | | | |
| Contractual Services | 679 | 555 | 124 |
| Commodities | 1 | 372 | (371) |
| Capital Outlay | 2,288 | 1,579 | 709 |
| **Total Expenditures** | $ 2,968 | $ 2,506 | $ 462 |
| **(Deficiency) of Revenues (Under) Expenditures** | $ (622) | $ (210) | $ 412 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (37) | (10) | 27 |
| **Total Other Financing (Uses)** | $ (37) | $ (10) | $ 27 |
| **Net Change in Fund Balance** | (659) | (220) | $ 439 |
| Fund Balances, October 1 | 9,227 | 9,227 | |
| Add Encumbrances | | 752 | |
| **Fund Balances, September 30** | $ 8,568 | $ 9,759 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (139) | |
| Ending Fund Balance | | $ 9,620 | |

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Tree Canopy Preservation and Mitigation Fund
**Year-Ended September 30, 2022**
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 7,597 | $ 9,390 | $ 1,793 |
| Investment Earnings | 53 | 77 | 24 |
| **Total Revenues** | $ 7,650 | $ 9,467 | $ 1,817 |
| **Expenditures:** | | | |
| Culture and Recreation: | | | |
| Personal Services | 240 | 214 | 26 |
| Contractual Services | 2,737 | 2,612 | 125 |
| Commodities | 322 | 343 | (21) |
| Other Expenditures | 122 | 114 | 8 |
| Capital Outlay | 7 | 7 | |
| **Total Expenditures** | $ 3,428 | $ 3,290 | $ 138 |
| **Excess of Revenues Over Expenditures** | $ 4,222 | $ 6,177 | $ 1,955 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (4,109) | (4,162) | (53) |
| **Total Other Financing (Uses)** | $ (4,109) | $ (4,162) | $ (53) |
| **Net Change in Fund Balance** | 113 | 2,015 | $ 1,902 |
| Fund Balances, October 1 | 8,338 | 8,338 | |
| Add Encumbrances | | 4,682 | |
| **Fund Balances, September 30** | $ 8,451 | $ 15,035 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (198) | |
| Ending Fund Balance | | $ 14,837 | |

# Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Permanent Fund
## City Cemeteries
### Year-Ended September 30, 2022
(In Thousands)

| | 2022 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Lease Revenue | $ 276 | $ 334 | $ 58 |
| Investment Earnings | 2 | 3 | 1 |
| **Total Revenues** | $ 278 | $ 337 | $ 59 |
| **Expenditures:** | | | |
| Culture and Recreation: | | | |
| Personal Services | 76 | 76 | |
| Contractual Services | 191 | 115 | 76 |
| Commodities | 5 | | 5 |
| Self Insurance | 5 | 5 | |
| Capital Outlay | 2 | 4 | (2) |
| Total Culture and Recreation | $ 279 | $ 200 | $ 79 |
| **Total Expenditures** | $ 279 | $ 200 | $ 79 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $ (1) | $ 137 | $ 138 |
| **Net Change in Fund Balance** | (1) | 137 | $ 138 |
| Fund Balances, October 1 | 504 | 504 | |
| Add Encumbrances | | 2 | |
| **Fund Balances, September 30** | $ 503 | $ 643 | |
| **Explanation of Differences:** | | | |
| Items recorded for GAAP purposes that are not recorded for budget purposes: | | | |
| Net Fair Value of Investments (GASB 31) | | (7) | |
| Ending Fund Balance | | $ 636 | |

This fund is incorporated within the City Cemeteries reporting unit.